

**An Investigation of the Factors Affecting the Readiness to  
implement the EFQM Excellence Model  
An Interpretive Case Study of the Syrian Banking Sector**

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## Table of Contents

### Contents

Table of Contents .....	III
LIST OF TABLES .....	VIII
LIST OF FIGURES .....	IX
LIST OF APPENDICES .....	XI
DEDICATION .....	XII
ACKNOWLEDGEMENTS .....	XIII
GLOSSARY OF TERMS AND ABBREVIATIONS .....	XIV
ABSTRACT .....	XVI
CHAPTER ONE .....	1
1.0 Introduction .....	1
1.1 Background to the Study .....	1
1.2 The Need for the Research .....	2
1.2.1 The Necessity to Improve Service Quality in the Syrian Banking Sector .....	2
1.2.1.1 Expected External Competition .....	2
1.2.1.2 Existing Internal Competition .....	3
1.2.1.3 The Significance of the Sector .....	3
1.2.2 Governmental Policy .....	4
1.2.3 The Lack of Empirical Studies .....	5
1.4 The Rationale for the Study .....	6
1.5 Outline of the Research .....	7
1.6 Research Process .....	7
1.7 Expected Contributions to Knowledge .....	10
1.8 Structure of the Thesis .....	10
LITERATURE REVIEW .....	12
2.0 Chapter Introduction .....	12
2.1 Historical Perspective on Quality .....	13
2.2 The Concept of Quality .....	14
2.3 The Concept of Quality According to the Gurus' Philosophies .....	16
2.3.1 Dr W Edwards Deming .....	16
2.3.2 Joseph Juran .....	18
2.3.3 Philip Crosby .....	19
2.3.4 Armand Feigenbaum .....	20
2.3.5 Kaoru Ishikawa .....	21
2.4 Quality Characteristics .....	22

2.5 Quality Benefits .....	24
2.6 Quality Management (QM).....	26
2.7 Quality Management Evolution.....	29
2.7.1 Inspection .....	29
2.7.2 Quality Control (QC) .....	30
2.7.3 Quality Assurance (QA).....	32
2.7.4 Total Quality Management (TQM).....	33
2.8 Models of Quality Management Awards.....	35
2.8.1 Deming Prize (Japan).....	38
2.8.2 Malcolm Baldrige National Quality Award Model MBNQA (USA).....	39
2.8.2.1 Baldrige Criteria: Core Values, Framework, Criteria.....	40
2.8.3 European Foundation Quality Management (EFQM) Business Excellence Model (Europe).....	41
2.8.3.1 The EFQM Excellence Model: Fundamental Concepts, Framework, Criteria ....	41
2.8.3.2 Justification for Choosing the EFQM Excellence Model as Theoretical Framework for this Study .....	43
2.9 Quality Concepts in the Service Sector .....	45
2.9.1 What is a Service?.....	46
2.9.2 Differences between Service and Manufacturing Systems.....	47
2.9.3 Service Characteristics.....	50
2.9.4 Service Quality Management.....	50
2.9.5 Benefits of Effective Service Quality Management .....	52
2.9.6 Difficulties in Managing Service Quality .....	53
2.9.7 Service Quality in the Banking Sector.....	55
2.10 Why Readiness?.....	61
2.11 Readiness Studies in the Literature .....	63
2.12 Factors Affecting the Readiness to Implement the EFQM Excellence Model.....	65
2.12.1 Leading with Vision, Inspiration, and Integrity.....	65
2.12.2 Adding Value for Customers .....	71
2.12.3 Succeeding through People.....	74
2.12.3.1 Training and Education.....	74
2.12.3.2 Empowerment and Involvement.....	77
2.12.3.3 Rewards and Recognition .....	81
2.12.3.4 Communication.....	83
2.12.4 Managing by Process .....	86
2.12.5 Building Partnerships.....	89

2.12.6 Achieving Balanced Results .....	93
2.12.7 Taking Responsibility for a Sustainable Future.....	100
2.12.8 Nurturing Creativity and Innovation.....	104
2.13 Chapter Summary .....	108
CHAPTER THREE .....	111
SYRIAN BANKING SECTOR CONTEXT .....	111
3.0 Chapter Introduction .....	111
3.1 Overview of Syrian Banking Sector (SBS) .....	111
3.1.1 State-Owned Banks .....	112
3.1.2 Private Banks.....	113
3.1.3 Private Islamic Banks.....	115
3.2 Guardian Authorities.....	116
3.2.1 The Central Bank (CB) of Syria.....	116
3.2.2 Credit and Monetary Council (CMC) .....	116
3.2.3 Ministry of Finance (MOF).....	116
3.3 Quality in the Syrian Banking Sector .....	117
3.4 Chapter Summary .....	119
CHAPTER FOUR.....	120
RESEARCH METHODOLOGY.....	120
4.0 Chapter Introduction .....	120
4.1 Research Paradigm (Philosophy).....	123
4.2 Research Approach .....	127
4.3 Methodological Choice .....	132
4.4 Research Strategy.....	132
4.4.1 Case Study Strategy .....	133
4.4.2 Justification for Adopting the Case Study Strategy .....	134
4.4.3 Number of Case Studies.....	137
4.4.5 Case Study Organisations.....	139
4.4.5.1 Real Estate Bank (REB) .....	139
4.4.5.2 Fransabank Syria (FBS).....	139
4.4.5.3 Syria International Islamic Bank (SIIB).....	139
4.5 Time Horizon Choice.....	139
4.6 Data Collection Methods .....	140
4.6.1 Interviews .....	141
4.6.1.1 Justification for Choosing Semi-Structured Interviews.....	142

4.6.2 Direct Observation .....	143
4.6.3 Documents.....	144
4.6.4 Archival Records.....	145
4.7 Structure of the Interview Protocol.....	145
4.7.1 Generating and Developing the Interview Questions .....	145
4.7.2 Preparing the Interview Protocol.....	146
4.7.3 Translating the Interview Protocol .....	147
4.7.4 Number, Time, and Location of the Interviews .....	147
4.8 Triangulating.....	150
4.9 Negotiating Access and Research Ethics .....	153
4.9.1 Strategies for Gaining Access .....	153
4.9.2 Ethical Approval .....	154
4.10 Conducting the Pilot Study .....	155
4.11 Quality in Qualitative Research .....	156
4.11.1 Validity.....	157
4.11.2 Reliability .....	159
4.12 Data Analysis .....	161
4.13 Chapter Summary .....	163
CHAPTER FIVE .....	165
PRELIMINARY RESEARCH FINDINGS.....	165
5.0 Chapter Introduction .....	165
5.1 Service Quality Significance.....	165
5.2 Service Quality Appraisal .....	168
5.3 Factors Affecting the Excellence of Service Quality.....	171
5.4 Factors Affecting the Excellence of Service Quality According to the Fundamental Concepts of the EFQM Excellence Model .....	181
5.4.1 Leading with Vision, Inspiration, and Integrity.....	181
5.4.2 Adding Value for Customer.....	194
5.4.3 Succeeding through People.....	197
5.4.3.1 Training and Education.....	197
5.4.3.2 Empowerment and Involvement.....	201
5.4.3.3 Communication.....	204
5.4.4 Managing by Process .....	209
5.4.5 Building Partnerships.....	212
5.4.6 Achieving Balanced Results .....	215

5.4.7 Taking Responsibility for a Sustainable Future.....	220
5.4.8 Nurturing Creativity & Innovation .....	225
7.4 Chapter Summary .....	227
CHAPTER SIX.....	228
DISCUSSION.....	228
6.0 Chapter Introduction .....	228
6.1 Service Quality Significance .....	228
6.2 Service Quality Appraisal.....	230
6.3 Factors Affecting the Excellence of Service Quality.....	230
6.4 Factors Affecting the Readiness to Implement the EFQM Excellence Model.....	246
6.4.1 Leading with Vision, Inspiration, and Integrity.....	246
6.4.2 Adding Value for Customer.....	250
6.4.3 Succeeding through People.....	252
6.4.3.1 Training and Education.....	252
6.4.3.2 Empowerment and Involvement.....	256
6.4.3.3 Communication.....	259
6.4.3.4 Reward and Recognition.....	260
6.4.4 Managing by Process .....	264
6.4.5 Building Partnerships.....	266
6.4.6 Achieving Balanced Results .....	268
6.4.7 Taking Responsibility for a Sustainable Future.....	274
6.4.8 Nurturing Creativity & Innovation .....	278
6.5 Chapter Summary .....	279
CHAPTER SEVEN .....	284
CONCLUSION and RECOMONDATIONS .....	284
7.0 Chapter Introduction .....	284
7.1 Achieving the Aim and Objectives of the Research .....	284
7.2 Research Originality and Contributions to Knowledge.....	286
7.3 Research Implications and Operational Recommendations .....	293
7.3 Research Limitations .....	297
7.4 Recommendations for Further Research.....	298
7.5 A Final Comment.....	299
REFERENCES.....	299
APPENDICES .....	351

### **LIST OF TABLES**

<b>No.</b>	<b>Table</b>	<b>Page No.</b>
2.1	The Principles, Practices and Techniques of Quality Management	27
2.2	Comparison of the Traditional Management and TQM Philosophy	35



	and Principles	
2.3	Distinctions between Service and Manufacturing Systems	48
2.4	Reasons for Switching Service Provider	51
4.1	Approaches within the Two Main Paradigms	125
4.2	Comparison of the two Research Philosophies in Management Research	126
4.3	The Major Differences between the Deductive and Inductive Approaches	128
4.4	Deduction, Induction, and Abduction: From Reason to Research	130
4.5	Relevant Situations for Different Strategies	133
4.6	Strengths and Weaknesses of Six Sources of Evidence	141
4.7	Interviewee Groups and Respondent Level for the Three CSOs	146
4.8	Number of Interviewees in the Case Study Organisations	150
4.9	Comparing Quantitative and Qualitative Data Analysis	161
5.1	Service Quality Significance at the three CSOA – Views at all Managerial Levels	167
5.2	Motives for Service Quality Significance at the CSOA – Views at all Managerial Levels	168
5.3	Service Quality Self-Appraisal at the CSOA – Views at all Managerial Levels	169
5.4	Typicality of Organisational Performance at the three CSOs – Views at all Managerial Levels	171
5.5	Factors Affecting the Excellence of Service Quality in the three CSOs-Views at all Managerial Levels	180
5.6	Years of Service and Educational Qualifications – TMs in three CSOs	182
5.7	Leading with Vision, Inspiration, and Integrity (CSOs- TMs and MMs)	192
5.8	Leading with vision, inspiration, and integrity (CSOs - SFEs)	193
5.9	Adding Value for Customers (CSOs-Three Managerial Levels)	197
5.10	Some Financial Results for CSOs - 2008, 2009, and 2010	220

### **LIST OF FIGURES**

<b>No.</b>	<b>Figure</b>	<b>Page No.</b>
1.1	The Research Process	9
2.1	The PDCA Cycle of Continual Improvement	17

2.2	Ishikawa or Fishbone Diagram	22
2.3	Relationship between Improved Quality and Profitability	25
2.5	The levels of QM	28
2.6	Development of Quality Stages	29
2.7	Quality Control Evolution	32
2.8	Criteria for Performance Excellence	41
2.9	The Fundamental Concepts of Excellence	42
2.10	The EFQM Excellence Framework	43
2.11	Phases of TQM Implementation	60
2.12	The Relationship between Quality and Empowerment	79
2.13	A model of Service Quality Improvement and Profitability	100
2.14	Typology of Service Innovations	106
2.15	The '4P' Excellence Model Adapted for Innovation and New product Development	107
3.1	Credit to the Private Sector	114
3.2	Private Sector Deposits in the Banking System	115
4.1	A Nested Research Methodology	121
4.2	Research 'Onion'	122
4.3	The Research Design for this Study	123
4.4	The Differences between the Deductive and Inductive Approaches	128
4.5	The differences between the Deductive and Inductive Approaches according to the Research Process	129
4.6	The Spiralling Research Approach	131
4.7	The Combination between the Deductive and Inductive Approach	131
4.8	Methodological Choice	132
4.9	Triangulating: observing from different viewpoints	151
4.10	Triangulation in the Study	152
4.11	Validity and Reliability Comparison	156
6.1	Factors Affecting the Excellence of Service Quality	243
6.2	A Framework for the Factors Affecting the Excellence of Service Quality at SBS	244

### LIST OF APPENDICES

<b>No.</b>	<b>Appendices Name</b>	<b>Page No.</b>
1	Deming's 14 Points for Managing the Quality	351
2	Juran's Ten Steps	352
3	Crosby's fourteen points	353
4	Feigenbaum's Ten Benchmarks of total Quality	353

5	Criteria of Deming Prize	354
6	Baldrige Model Award Criteria	355
7	EFQM Excellence Model Criteria	357
8	Syria's Map	360
9	Companies Chosen for Case Studies	361
10	Interview Questions for Top Managers (TMs) and Middle Managers (MMs)	363
11	Interview Questions for Shop Floor Employees (SFEs)	365
12	Link between the Literature Review Themes and the Interview Questions	366
13	Introductory Arabic Letter for the CSOs	378
14	The main Study Letter	379
15	Ethical Approval	380
16	Information Letter for the Interviewees	381

## DEDICATION

*This endeavour is dedicated to:*

*My Country SYRIA which I hope to come back peaceful soon as it was.*

*My Parents who never ceased praying for me and wishing me all success. This achievement has never been done without their dedicated support, efforts and encouragement.*

*My husband, Ziad, who affords me through this long journey and grants me his great love, patience, and invaluable emotional support.*

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## **GLOSSARY OF TERMS AND ABBREVIATIONS**

GDP	Gross Domestic Product
EFQM	European Foundation Quality Management
QMSs	Quality Management Systems
QP	Quality Programme
QM	Quality Management
TQM	Total Quality Management
IMF	International Monetary Fund

SQP	Syrian Quality Programme
SBS	Syrian Banking Sector
BSSP II	Banking Sector Support Program II
BTC	Banking Training Centre
QCs	Quality Circles
QC	Quality Control
QA	Quality Assurance
SPC	Statistical Process Control
NQAs	National Quality Awards
MBNQA	Malcolm Baldrige National Quality Award
OECD	Organization for Economic Co-operation and Development
SQM	Service Quality Management
TQC	Total Quality Culture
ISO	International Organisation for Standardisation
RM	Relationship Management
CSR	Corporate Social Responsibility
CB	Central Bank
CBS	Central Bank of Syria
CMC	Credit and Monetary Council
MOF	Ministry of Finance
EU	European Union
SEBC	Syrian Enterprise and Business Centre
BTP	Banking Training Project
CSOs	Case Study Organisations
REB	Real Estate Bank of Syria
FBS	FRANSABANK Syria
FBL	FRANSABANK Lebanon
SIIB	Syrian International Islamic Bank
RGEC	Research Governance and Ethics Committee
GM	General Manager
IT	Information Technology
HR	Human Resources
HRM	Human Resources Management
ATM	Automatic Teller Machine

POS	Point Of Sale
AML	Anti Money Laundering
TMs	Top managers
MMs	Middle Managers
SFEs	Shop Floor Employee s
SMEs	Small and Medium Enterprises
CSOA	Case Study Organisation A
CSOB	Case Study Organisation B
CSOC	Case Study Organisation C
SCFMS	Syrian Commission for Financial Market and Securities
CFM	Cross Functional Management

#### **ABSTRACT**

In the 21<sup>st</sup> century, quality has become one of the most pressing issues in the world of business. Indeed, service quality management is a primary need for business survival. Quality management has been recognised as a comprehensive management philosophy for improving organisational performance and competitiveness. The effective adoption of an appropriate service quality management system in an organisation can facilitate the achievement of excellence in service quality. Furthermore, service excellence is a crucial factor in the achievement of a high level of customer satisfaction in service organisations like banks. Therefore, the main aim of this research is to investigate the factors affecting the excellence of service quality in the developing banking sector in Syria. The fundamental concepts of



excellence of the EFQM Excellence Model have been borrowed from the literature as a theoretical framework through which to investigate the Syrian Banking Sector (SBS).

To achieve the research aim, an interpretivist philosophy has been adopted as the means of understanding in depth, the factors influencing excellence in three case study organisations, which are selected to be representative of the state-owned banks (CSOA), private banks (CSOB), and Islamic private banks (CSOC). Different sources of data collection – semi-structured interviews, direct observation, archival records, and documentation - are used to achieve triangulation of the results.

The main contribution to knowledge of this research can be summarised fundamentally as: firstly designing a theoretical framework embracing the factors affecting the excellence of service quality in the Syrian banking sector. Secondly, conducting a comparative research approach between the three (CSOs) investigating the factors affecting the readiness to implement EFQM excellence model in each case study. The main findings have revealed that CSOC is more likely to achieve excellence than the other two banks, since CSOC has demonstrated consistent progress towards that aim. In respect of CSOA and CSOB, it is clear that certain negative managerial practices need to be remedied before the EFQM Excellence Model can seriously be pursued.

In addition, some unique factors have emerged, such as the intensive intervention of guardian authorities for the state-owned bank, the negative effect of religion and culture on employee performance in the state-owned bank, and the lack of banking culture in Syria in general. Furthermore, the research enriches the literature through the comparative dimension highlighted in the three case studies (state-owned, private, and private Islamic banks) since there are limitations in the literature regarding the readiness to implement the EFQM excellence model in the service sector, and particularly in banks in the developing countries.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

The main purpose of this introductory chapter is to provide an overview of the entire research project presented in the following chapters of this thesis. Its main focus is on the background to the research, the need for the study, the aims, research questions, and objectives of the study. This includes a brief indication of the proposed research methodology. Additionally, the expected contribution to knowledge is presented, and finally the structure of the thesis is provided.

### 1.1 Background to the Study

Service management and quality performance have become very important issues in the banking industry since the worldwide liberalisation of the banking sector has sparked aggressive competition (Selvaraj, 2009). As noted by Cowling and Newman (1995) some time ago, the improvement of quality and many other techniques such as providing good customer service, reducing costs, and maintaining high levels of innovation, have been suggested as strategies by which banks might retain their effectiveness and position in the market.

However, it is demonstrated that the provision of service quality is the way to survive in the global market, and that certainly this is a pre-requisite for success in the banking sector (Roger *et al.*, 1996). In fact, the success of all service organisations, including banks, is linked to the organisation's ability to exceed customer expectations rather than simply meeting them (Saravanan and Rao, 2006; Selvaraj, 2009). According to Tannock *et al.* (2007), quality is a very decisive tool in meeting customers' requirements more effectively, improving internal efficiency, and reducing costs. Similarly, Soltani *et al.* (2008) confirm that the effective management of quality in an organisation will improve that organisation's competitiveness and help it to achieve business excellence.

Many quality award models have been introduced worldwide to guide organisations in their journey for excellence, and the EFQM excellence model is one of the most popular approaches which have been recognised in Europe.

Banks, like many other service organisations in Western countries have become aware of the significance of adopting such quality models and self-assessment approaches in handling

excellent service quality. Equally, service organisations in the developing countries understand the imperative to turn to quality management systems and adopt customer-oriented philosophies to improve their performance (Rahaman *et al.* 2011). However, it is crucial to investigate the ‘readiness’ of any organisation to accept a quality initiative before any launch is made of such a system. In this respect, Arasli (2002) emphasises the need to conduct a readiness investigation before designing, developing and implementing a TQM programme. According to Arasli, such an investigation is essential if the organisation is to avoid problems during the implementation, as it would highlight potential difficulties to be overcome.

Many cases of failure in respect of the adoption of quality management systems have been reported all around the world. For instance, a considerable number of TQM implementation attempts have either totally failed, or been seen not to add any value to their organisations (Koch and Fisher, 1998; Antony *et al.*, 2002; Arasli, 2002; Soltani *et al.*, 2010). This suggests that insufficient research has been conducted to highlight in advance the critical success factors.

## **1.2 The Need for the Research**

### **1.2.1 The Necessity to Improve Service Quality in the Syrian Banking Sector**

Several different factors are forcing Syrian banks to think seriously about improving the level of service quality they provide, and about adopting efficient Quality Management Systems (QMSs). Each of these is discussed in the following sub-sections.

#### **1.2.1.1 Expected External Competition**

Syria is one of the Mediterranean Countries that occupies a strategic geographic position on the east coast of the Mediterranean Sea. On 14 December 2008, Syria signed the Euro-Mediterranean Partnership agreement with 25 EU countries. This has an economic and financial dimension concerning liberalisation of cross-border services, and the circulation of capital on the basis of membership of the World Trade Organisation trade (Habeb, 2002). This partnership has many positive effects on the Syrian Economy, one being the development of the Syrian service sector. However, there is the possibility that the sector may be incapable of competing and integrating with the European market (Salman, 2008). Indeed, Alsàedi (2001) insists that joining this partnership imposes requirements on developing countries to implement reform programmes that focus on developing their banking and capital markets, and that require the adoption of modern financial infrastructure.

In this context, Syrian banks have to be ready to penetrate the international market efficiently and with a strong presence. Hence, they must adopt the most suitable and efficient QMSs.

#### **1.2.1.2 Existing Internal Competition**

Responding to the requirements of the Euro-Mediterranean Partnership, the Syrian government issued the Private Banking Act No. 28 of 2001, allowing foreign banks to operate within the Syrian financial sector after four decades of a national bank monopoly. By 2012, there were nine private banks starting their operations in the Syrian market. These banks are mainly subsidiaries of regional banks although majority ownership is held by Syrian investors. According to the International Monetary Fund (IMF) report (2008), private banks appear to be well capitalised and competitive.

In 2005, encouraged by two successful years of private banking in Syria, the government legalised Decree No. 35, allowing for the establishment of Islamic banks, and soon thereafter, four Islamic banks were established.

Consequently, through the liberalisation of the SBS, there is an urgent need for all Syrian banks to contemplate how they can improve their efficiency and their competitive capabilities by adopting efficient QMSs.

#### **1.2.1.3 The Significance of the Sector**

In 2008, Syria achieved a GDP of US\$ 55.20 billions. The value added of the service sector is 45%, compared to 20% in agriculture, and 35% in industry (World Development Indicator Data Base, 2009). The percentage added by the service sector is impressive, and indeed, vital to the economy, hence demonstrating the sector's significance. And among service organisations, the banking sector is perhaps the largest one that caters for the needs of people belonging to all sections of the society (Sureshchander *et al.*, 2002).

Iranzadeh and Chakherlouy (2012) stress the need for developing countries to develop their banking systems in order to properly participate in the growth of their national economies. Similarly, Souker (2002:5) identifies that developing the monetary and banking system, and especially by introducing new QMSs within the Syrian banks, will bring great benefits to the economy as whole such as:

- More capacity to mobilise domestic savings and deepen the role of financial intermediation between savers and investors

- Increased efficiency of usage and distribution of the capital in the national economy through the funding to meet the needs of the private sector more efficiently and to support the development of this sector.
- Increased contribution of the banking sector to GDP through the restoration of banking activities (commercial financing, etc.) which are performed outside Syria for Syrian residents.

Actually the effective adoption of appropriate QMSs can enhance the service quality, and increase profitability, through delivering competitive advantage for the SBS.

### **1.2.2 Governmental Policy**

The Syrian government has become aware of the importance of enhancing the level of quality of Syrian products and services in order to become competitive and integrated within the global market. In this context, there have been many government initiatives to support national enterprises in the industrial and service sectors such that goods and services can be produced that meet the needs and expectations of people, and at appropriate and competitive prices.

The most important of these initiatives is the Syrian Quality Programme (SQP) ‘Strengthening Quality Management, Capabilities and Infrastructures in Syria’, one of the largest EU projects in Syria with a value exceeding 12 million Euros, that has been under preparation since 2006. Having been fully operational since May 2008, this project is expected to continue for four years. Its overall objective is to reinforce all elements of the Syrian quality infrastructure: standardisation, conformity assessment, market surveillance and inspection, accreditation and metrology (Azmashly, 2009). Adopting the EFQM Excellence model in the Syrian organisations is one of the approved quality initiative under the terms of this agreement.

In terms of the SBS, the government is trying hard to achieve significant reform and development. The Banking Sector Support Program II (BSSP II) was a project funded by the EU during the period from January 2006 to June 2009, receiving finance from the European Commission’s Delegation to Syria amounting to € 6 millions. The aim of BSSP II was to assist in the first stages of the institutional, legislative, and operational modernisation of the SBS by rationalising banking procedures and improving banking services and products. One of the project’s main concerns was the improvement of the skills of staff and management at different levels within the public and private banks as well as in the Central Bank. To achieve this objective, the Banking Training Centre (BTC) was established in 2007, as the first formal

institution developing the Syrian financial sector. The BTC formulates all the training policies and strategies for the administrative and banking programmes (Sabet, 2009).

### **1.2.3 The Lack of Empirical Studies**

Considering the literature developed in the West, it is noted by Huq (2005) that the empirical focus on Quality Management (QM) in the service sector is limited, and as observed by Talib *et al.* (2012), there have been few empirical studies regarding TQM in banks reported. In this context, it is valuable to infer that the empirical studies regarding the self assessment or implementation of the EFQM excellence model are very rare in the literature.

However, studies concerning the adoption of QMSs in the banking sector in the emerging economies generally (e.g. Yavas *et al.*, 1997; Angur *et al.*, 1999; Sureshchander *et al.*, 2002; Safakli, 2004; Selvaraj, 2009), and in the Arabic world especially (e.g. Al Marri, 2007) are particularly limited. Sureshchander *et al.* (2002) mention the shortage of service quality writings in the developing countries, and Mellahi and Eyuboglu (2001) point out that there is a lack of knowledge about QM (specifically the TQM concept) in that context. In respect of the Arab region, Zairi (2006) reveals that no research effort has yet been forthcoming to consider certain managerial problems from the quality perspective, taking into account the local environments and the cultural differences (Saudi Arabian Quality Council, 2006).

Regarding the EFQM Excellence Model, Jackson (2001, in Hides *et al.*, 2004:196) has mentioned that no single best approach has yet been identified for all organisations, since the dearth of international research has so far precluded the emergence of a model which has been universally agreed. And concerning the readiness to adopt QMSs, the literature reveals only few studies that have explored the issue (Weeks *et al.*, 1995; Aksu, 2003; Bayazit and Karpak, 2007, and Ben Jaber, 2010).

To summarise, the dearth of empirical research into QM practices in service organisations, particularly in banks in both the developed and developing countries, indicates that a study that seeks to expand the existing knowledge of the EFQM Excellence Model would be valuable. Therefore, the prime motive of this research is to narrow the gap in the literature regarding the readiness to achieve excellence in the banking sector in developing countries in general, and in Syria in particular.

#### **1.4 The Rational for the Study**

The framework of this study can be addressed in the context of service quality studies in the Middle East and in particular the Syrian Banking sector.

As mentioned previously, Syria had signed the Euro-Mediterranean Partnership agreement with 25 EU countries on 14 December 2008. The agreement urges the participants' members to liberalise their services and capital circulation. Such requirement insists on developing and strengthening the financial sector to avoid any unexpected consequences. Delivering an excellent service quality for customers is a necessity for success and survival in the competitive banking environment (Samli and Frohlich, 1992). As confirmed also that banks should focus on service quality as core competitive strategy (Chaoprasert and Elsey, 2004). In this context, adopting quality management systems were the best suggested scenario to achieve this objective. In addition, the vitality of the banking sector in the economic growth was confirmed in any economy. A well established and functioning financial system underpins every prospering economy. Providing sufficient credit and stable financial services for business and population has a long impact on the economic developments. Referring to the Syrian banking sector, the significance of the sector was clarified in section (1.2.1.3). Syrian banking sector plays a very critical role in the growth and the economic developments for the country.

Regarding quality management studies in the banking sector in the Middle East, the literature has revealed a very limited number of studies (e.g. Mellahi and Eyuboglu, 2001; Al-Rayes, 2006; Al Marri, 2007; Tahtamouni *et al.*, 2013); however, in the Syrian context no empirical study had been referred. In addition, readiness studies are very limited in the Western and Middle Eastern literature with no empirical research has been introduced covering the readiness to implement the EFQM excellence model in the banking sector.

This study can provide a better understanding of the field of service quality specifically and total quality generally where the study has adopted one of the general approaches for quality management namely the EFQM excellence model as a theoretical framework. The study aims to investigate the readiness of implementing this approach in one of specific service organisations symbolized by banks. Additionally the study has a comparative perspective through including three types of banks (i.e. own stated, private, and Islamic).

## **1.5 Outline of the Research**

### **1.5.1 Research Aim**

The study aims to investigate the factors affecting the readiness to implement the EFQM excellence model within the Syrian Banking Sector by using the fundamental concepts of the EFQM Excellence model as a theoretical framework for this investigation.

### **1.5.2 Research Questions**

In order to achieve this aim, three questions are asked as follows:

1. What are the factors affecting the readiness for EFQM excellence model implementation in Syrian banking sector?
2. How do these factors affect the readiness for EFQM excellence model implementation?
3. Why are these factors present in Syrian banking sector?

### **1.5.3 Research Objectives**

In order to help in finding answers to these questions, five research objectives are defined as a means of directing the study. These are:

1. To review the relevant literature and identify the factors affecting the implementation of EFQM excellence model in the banking sector.
2. To gain in depth understanding of the factors affecting the readiness to implement the EFQM excellence as being addressed in the SBS.
3. To compare the readiness for implementing the EFQM excellence model among the three chosen case studies.
4. To develop an appropriate framework of the factors affecting the excellence of service quality at SBS.

## **1.6 Research Process**

In order to accomplish the aim and objectives of the study, four main stages to the research are identified, these being: a critical literature review, data collection, data analysis, and finally research conclusion.

Stage one: the main purpose of this step is to review the literature and determine the theoretical framework for the study. The fundamental concepts contained within the EFQM Excellence Model are used as a theoretical framework, and consequently a critical review of the literature is conducted regarding the quality fundamentals (concepts, gurus, and quality



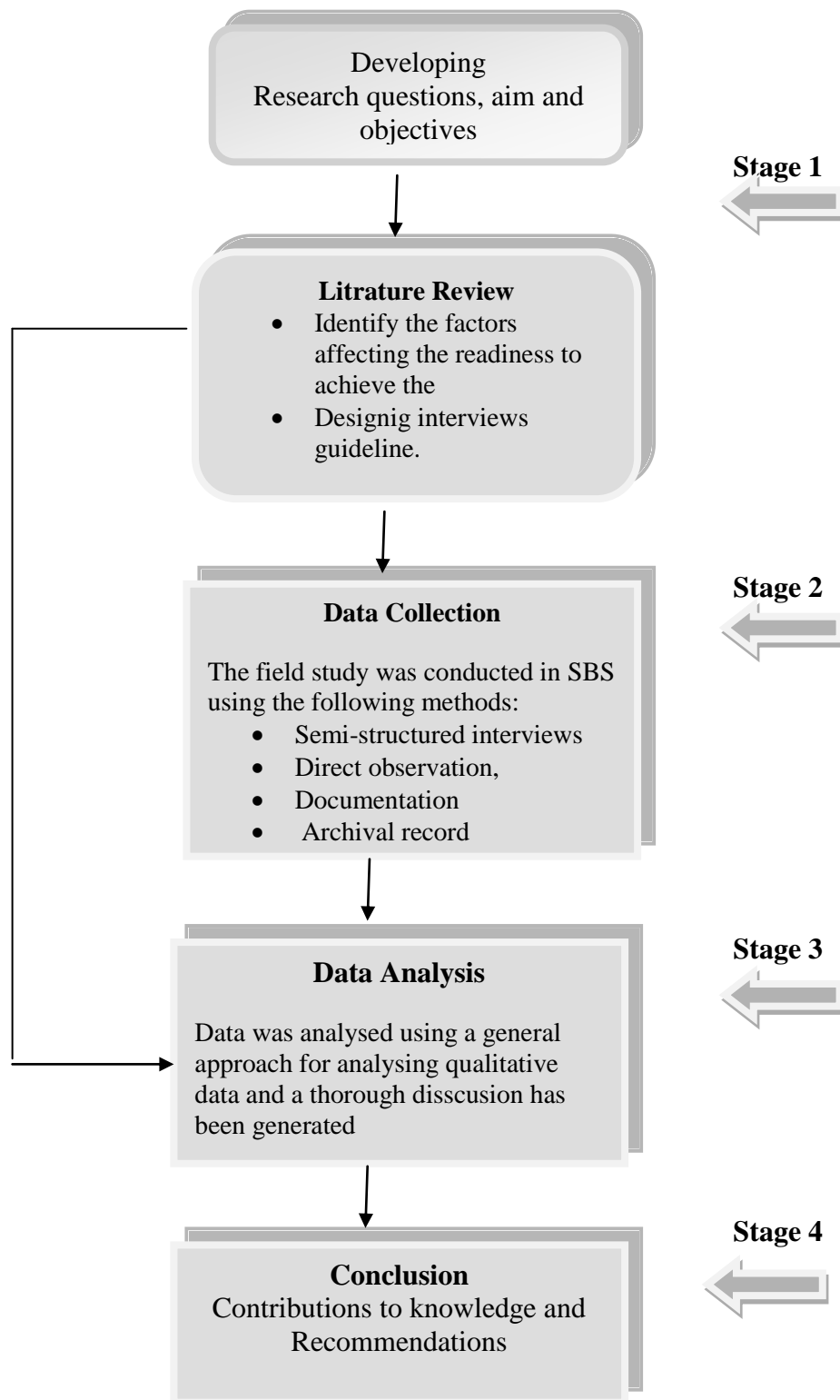
award model), service quality in banks, and the basic concepts of the EFQM Excellence Model.

Stage two: this comprises an empirical investigation of three case study organisations to collect data identified as appropriate after reviewing the literature and bearing in mind the theoretical framework associated with the EFQM Excellence Model. The data is gathered through semi-structured interviews, observation, archival material, and documentation.

Stage three: this involves an analysis of the data in the light of the literature to establish whether there are similarities and/or differences in the findings, and whether context is an important variable. The main focus for the findings will be to conclude which case study is more appropriate to implement the EFQM excellence model.

Stage four: this includes conclusion of the research. It presents the contribution of the knowledge and research practical and academic recommendations.

The research process is depicted in Figure 1.1



**Figure 1.1: The Research Process**

## 1.7 Expected Contributions to Knowledge

The main contribution of this study is its development of a framework embodying the factors affecting the excellence of service quality in the SBS. It is also expected that certain other unique factors will emerge as a result of the particularities of the Syrian context. Consequently, it is expected that the outcomes will enrich the literature, and will especially provide a comparative dimension through the use of a multi-case study design (state-owned, private, and Islamic) banks that allows for similarities and differences between three different types of bank in the readiness to implement the EFQM Excellence Model, and in the banks' understanding of quality perspectives and customer service orientation concepts.

The research narrows the gap in the literature that currently exists in respect of organisational readiness to implement the EFQM Excellence Model in the service sector, and specifically in banks in the developing countries.

To the best of the researcher's knowledge, this study is conducted in a country (Syria) where no previous research has been undertaken to investigate the key factors affecting the excellence of the SBS using the fundamental concepts of the EFQM Excellence Model as a theoretical framework. Hence, the study is original in its field.

## 1.8 Structure of the Thesis

This thesis is organised as follows:

- **Chapter One** introduces the study, the need for the research, the research aim, the research questions, and the specific objectives that flow from those. Additionally, it outlines the intended contribution to knowledge, the proposed methodology, and the layout of the thesis.
- **Chapter Two** Literature Review are divided to three parts
  - **Part (I)** contains a critical review of the literature regarding quality fundamentals, mainly presenting: a historical review of the quality concept, definition of the quality concept, a review of the concept of quality according to the quality gurus, quality characteristics, quality benefits, quality management concept, quality management evolution, and quality management award models.
  - **Part (II)** presents critical review regarding quality concepts in the service sector: service concept, differences between service systems and

manufacturing systems, service characteristics, benefits of service quality management, difficulties in managing the service quality, and service quality in the banking sector.

- **Part (III)** clarifies the factors affecting the excellence of service quality according to the fundamental concepts of the EFQM Excellence Model. The chapter covers in detail, the factors and sub-factors according to the views of quality gurus, quality award models, and the related empirical studies.
- **Chapter Three** provides an overview of the context in which the study has been conducted, the country of Syria. It gives a brief description of the county in terms of geographical location and economy. The main focus is on the SBS.
- **Chapter Four** discusses the research methodology used in this research. It describes the research philosophy, research approach, research strategy, and data collection methods. It sheds some light on the techniques of qualitative data analysis.
- **Chapter Five** presents in detail, the research findings of each case study. The chapter highlights the data gathered from four different sources - interviews as the main source of evidence, documentation, archival records, and direct observations.
- **Chapter Six** comprises an in-depth analysis and discussion of the findings presented in Chapter Seven. The findings are compared and contrasted to recognise the similarities and differences between the three case study organisations. Then, the results are linked with the literature, in order to investigate and establish their relationship to the existing theory.
- **Chapter Seven** presents the research conclusion. The chapter mainly indicates how the aim and objectives of the research have been met, the resulting contributions to knowledge, the originality of the study, the limitations of the research, and finally, recommendations for further research are highlighted.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Chapter Introduction

In the 21<sup>st</sup> century quality has become one of the most pressing issues in the world of business as technology and globalisation have changed the rules of competition. Different strategies such as manufacturing and design improvements, price reductions, effective logistics have been tried, but the most acclaimed strategy has been Quality Management (QM), which has essentially become compulsory for business survival.

It is widely accepted that the prime reason for Japanese success in leading and dominating the global markets during the last century is the fact that Japanese manufacturing adopted quality principles as a cornerstone of its management philosophy. Indeed, the Japanese were quick to grasp the significance of quality as a competitive advantage in a highly competitive world, and transferred their beliefs about quality to practical contributions represented by investment in people (training and education), continuous improvement, and customer satisfaction. International organisations now follow the Japanese experience in their commitment to quality, recognising that quality is not a goal in itself but the shortest way to achieve the ultimate goal of ‘customer satisfaction’.

According to Feigenbaum (1961:22), “QM has been considered as the single most important force leading to economic growth of organisations in international markets”.

This Chapter discusses the concept of quality in general, highlighting the various opinions provided by the so-called ‘quality gurus’. It also identifies the various characteristics of quality, paying special attention to the benefits which effective QM is known to bring. The four stages of QM development are introduced, these being: inspection, quality control, quality assurance, and total quality management. A brief description of the main features of each stage is given before the most noted and significant QM models and their related national awards are considered. The chapter also identifies the concept and characteristics of service, distinguishing between service and manufacturing systems. In addition, it highlights the benefits and difficulties of managing service quality, before considering the concept of service quality in the banking sector. In addition, the chapter covers the readiness concept with a critical review for readiness studies in the literature. Finally, the chapter presents the factors affecting the readiness to implement the EFQM Excellence Model.

## 2.1 Historical Perspective on Quality

It is not easy to trace the history of the quality concept, since this is believed to have a very long history starting with early stages of humankind. Humans strive to enhance the quality of life in different ways by developing products and services, and historically these referred to hunting tools and means of communication. In fact, the ancient civilisations provide strong evidence about the development of quality. For example, in ancient Egypt, the Pharaohs used advanced techniques to construct the pyramids, and laws were codified in ancient Babylonia by Hammurabi. However, there was no formal framework for such achievements as these until 1919, when Frederick Taylor studied the physical effort of work and the role of workers. In this matter, Taylor introduced inspection to measure the work of people in the construction of buildings, and as noted by Martin (1993), this attempt is considered as the birth of the notion of the concept of quality in industry.

Flood (1993) stressed that quality was a serious issue during the First World War, and that as a result, the Technical Inspection Association was established in 1919. In the USA Harold Dodge (1893-1976) initiated the concept of statistical acceptance sampling in the 1920's while working at Bell Laboratories. His colleague H G Romig (1900-1989) continued with this work. In 1924 William Shewhart evolved these ideas by introducing the concept of statistical quality control - the idea that only a random sample of output needed to be inspected to ensure an acceptable quality level (Hart and Casserly, 1985). And in 1931 Shewart established the basic principles of modern control by publishing his work entitled *Economic Control of Quality Manufactured Product*. Shewart invented process control, using control charts and the Plan-Do-Check-Act cycle of continuous improvement. Also in the 1930s, the British Standards Institute published its first standard on quality control.

During World War II, US industry used statistical process control, along with the sampling methods of Dr Demings, in the manufacturing of arms (Kelley *et al.*, 1992).

After World War II, the Japanese showed a great concern to develop the concept of quality, its first attempt being the establishment of Statistical Quality Control (SQC) in the period 1946 to 1950 (Ishikawa, 1985). Dr W E Deming was a pioneer in injecting the concept of quality in Japan, and the launch of the Deming Prize in 1951 served as a trigger for much interest. According to Heart and Casserly (1985), Deming, the 'Quality Guru', was an early disciple of Walter Shewhart. In 1954, Juran introduced the concept of Company Wide Quality Control to the Japanese and 1962 saw the introduction of Quality Circles (Hutchins, 1985). In actual fact, there were two reasons to develop the principles of quality in the

Japanese manufacturing after World War II, the first being the devastation of the national economy which had to be rebuilt, and the second being that the Japanese understood the economics and were able to do it (English, 2000).

In the west, the US economy was booming after World War II, companies were able to sell all their products universally because of the universal lack of competition. Hence, the quality perspective was ignored, Quality Control being considered as merely an inspection activity. It is true that the concept of Company Wide Quality Control was first developed in the USA but it was never actually used (Hutchins, 1985).

By the 1970s and early 1980s, however, many western companies were losing their market share, being massively challenged by the Japanese companies with their ‘quality’ philosophy (Dean and Evans, 1994). Consequently, western business began to think seriously about quality improvement in the 1980s (Flood, 1993; Dean and Evans, 1994), and the International Standards known as the ISO 9000 series was established in that decade. So too was the Malcolm Baldrige Award (1987 in the US), and the European Foundation for Quality Management (EFQM) established the European Quality Award (EQA) in 1992. These awards are discussed in detail later in this chapter.

## **2.2 The Concept of Quality**

“The word ‘quality’ is derived from the Latin ‘qualitas’ meaning ‘what kind of’. Cicero, and other ancient writers seem to have used the word in the sense of ‘nature’ (Bergman and Klefsjo, 1994:16)”.

It has been accepted in the literature that the concept of quality is problematic to define because it is multidimensional. Many researchers identify the significance of quality as a competitive advantage in the markets, but there is still a big difficulty in introducing a universal definition for this term (Reeves and Bender, 1994; Seawright and Young, 1996; Yong and Wilkinson, 2002; Al-Marri 2005).

Oakland (1988) noted that many practitioners and scholars fail to articulate precisely what is meant by ‘quality’, and Martin (1993) argues that there is no specific definition of the term ‘quality’, although various proposals have been advanced. Likewise, Wilkinson *et al.* (1998) confirm that quality remains a difficult concept to pin down.

Historically, Radford (1922) argued that quality, as applied to the products produced by industry, meant the characteristics distinguishing one article from another. However, this simplistic view was rejected by Shewhart (1931), who believed there were two aspects of

quality. The first concerns thinking of the quality of a thing as an objective reality; the second concerns what we think, feel, or sense as a result of the objective reality. This subjective side of quality is closely linked to the concept of value.

Some other common definitions for quality are provided by for example, the Oxford Dictionary (2001): “*a feature of something, especially one that makes it different from something else*”, and the American Society for Quality (2009) which specifies the quality by two meanings: (1) the characteristics of a product or service that bear on its ability to satisfy stated or implied needs and, (2) a product or service free of deficiencies.

Actually, quality has different meanings according to the perception, criteria and role of those defining it, who may be academics, consultants, or practitioners. The multiplicity of meanings for quality results in ambiguity in its use and implied meaning. For example, quality has been defined as value for money (Feigenbaum, 1956, 1961), fitness for use (Juran, 1974), conformance to requirements (Crosby, 1979), the losses of society caused by the product after its delivery (Taguchi, 1979), delighting the customer (Deming, 1986; Hand, 1992), meeting or exceeding the customer’s expectation and requirements (Dean and Evans, 1994; Bergman and Klefsjo, 1994; Oakland, 2003), and as a strategic competitive tool for organisational success (Yong and Wilkinson, 2002).

It can be understood that much of the use of the ‘quality’ term is misleading. It is also confusing to think about a comprehensive definition. However, Garvin (1984a) tries to diminish this vagueness by providing a classification of five definitions of quality: (i) transcendental: excellence of the highest standard, (ii) product-based: dependent on the attributes, (iii) user-based: satisfying or exceeding the wants of customers; (iv) manufacturing-based: conformance to requirements, and (v) value-based: value for money. Alternatively, Reeves and Bednar (1994) present a four-way classification of quality definitions incorporating excellence, value, conformance to specifications, and meeting and/or exceeding customer requirements

Accordingly, it is worth distinguishing between product quality and service quality. Product quality can be defined by a set of tangible and unique characteristics adding value and excellence to the product. While service quality can be defined by a set of intangible features related to the way of handling this service, such as speed and responsiveness of service, comfort and cleanliness of the facility, courtesy and helpfulness of employees.



### **2.3 The Concept of Quality According to the Gurus' Philosophies**

A guru was originally a mystical teacher, to whom people went in order to have their thinking and their lives transformed. The word then came to describe any thinker or teacher who introduced transformational ideas. According to Kruger (2001), the quality gurus were a few 'pioneers' from different countries (UK, Japan, US) who introduced ideas for developing activities that were based on quality issues such as quality control, quality assurance, quality audit, quality management, and total quality management.

There are numerous concepts of quality to be found in the literature. Academics, consultants, practitioners, industrialists, and engineers have proposed some in addition to the much-referenced quality gurus, who are regarded, as Oakland (2003) points out, as Joseph M. Juran, Edward Deming, Philip Crosby, Armand Feigenbaum, Kaoru Ishikawa among others. It is worth mentioning that the views of gurus are the most valuable perspectives to follow. This research primarily depends on the viewpoints of gurus and academics in understanding the quality theory while paying greater attention to the quality models. That said, there are many gurus in the literature who identify different views about quality perspectives and developments. The following are the most famous:

#### **2.3.1 Dr W Edwards Deming**

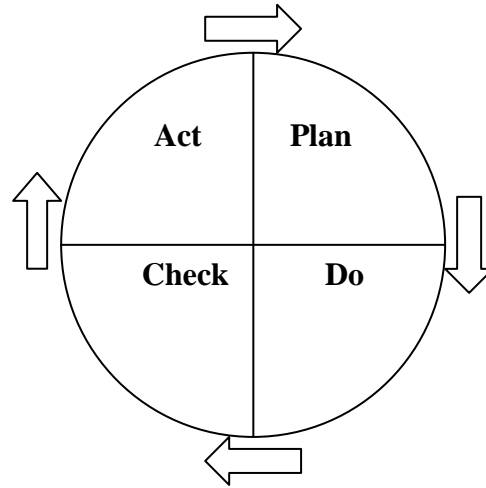
Dr. W. Edwards Deming is known as the father of the Japanese post-war industrial revival and was regarded by many as the leading quality guru in the United States. During World War II he used his experience in statistical quality control to help the US to improve the quality of war materials, and later, in 1950, he was invited to Japan to help the nation recover from its wartime losses (Kumar, 2009).

Deming suggested the primary concept of quality as being: a predictable degree of uniformity and dependability, at low cost and suited to the market. Then he developed this concept to include the quality of a product (article or service) by its ability to satisfy the needs and expectations of the customers. Ultimately, Deming went beyond meeting the requirements to delighting the customer (Deming, 1986a). He insisted that statistical sampling methods can be applied to both manufacturing and non-manufacturing industries to increase productivity by focusing on process variability (Deming, 1986 b).

To meet his objectives, Deming proposed a systematic approach to problem solving which became known as the Deming Wheel or the Plan-Do-Check-Act cycle (See Figure 2.1).

- **Plan** what to do
- **Do** the experiment

- **Check** the solution
- **Act** on the results



**Figure 2.1: The PDCA Cycle of Continual Improvement**

(Source: Deming, 1986a cited in Hoy *et al*, 2000:51)

Deming establishes his business philosophy, summarised in his famous ‘14 Points’, (See Appendix1).The 14 points provide clear and practical guidance for adopting quality practices easily in the organisation. Deming’s focus was on using statistical techniques, statistical training and statistical supervision. Deming did not ignore other management practices such as communication, continuous improvement or process control. The principles were comprehensive and the main core for other quality models was introduced later. Walton (1985) points out that Deming’s 14 points are not a menu for managers to choose from, but an agenda to be closely followed. He describes the five deadly ‘diseases’ for organisations in all countries, as:

- Lack of constancy of purpose.
- Emphasis on short-term profits.
- Evaluation by (individual) performance ratings, which destroys teamwork.
- Mobility of management – job hopping.
- Running a company on visible figures alone.

Deming did not teach the Japanese the techniques of quality, but rather the art of managing it, and in recognition of his efforts, the Union of Japanese Scientists and Engineers (JUSE)

created an annual national quality award, “the Deming Application Prize” for competitive organisations which apply his principles in QM. More details of this Prize appear in a later section.

### **2.3.2. Joseph Juran**

Juran was another American who participated in the evolution of quality in Japan. He was also invited by the Union of Japanese Scientists and Engineers (JUSE) in the 1950s to give quality seminars to executive and middle management.

Juran’s (1989) concept of quality is ‘fitness for use’. The significance of this definition is that fitness is judged by customers, for the specific use they intend (Fox, 1993). Juran (1964) also uses the terms ‘breakthrough’ and ‘control’ such that managers become attuned to the need to recognise levels of performance that are not acceptable, and about which they must take action to improve. He adds that performance levels should be always controlled by senior management.

Juran’s main contribution was his approach to Cross-Functional Management (CFM), characterised by three managerial processes: planning, control, and improvement (Juran, 1989) (See Appendix 2 for more details). The three processes of Juran’s Trilogy are supportive in designing a primary quality strategy in which each process is clarified through some broad steps.

- Quality Planning: The process for preparing to meet quality goals
- Quality Control : The process for meeting quality goals during operations
- Quality Improvement: The process for breaking through to unprecedented levels of performance.

Furthermore, Juran identified the major problems contributing to poor quality in organisations as the Seven Deadly Diseases (Flood, 1993):

1. Lack of constancy of purpose.
2. Emphasising short-term profits and immediate dividends.
3. Evaluation of performance, merit rating or annual review.
4. Mobility of top management.
5. Running a company on visible figures alone.
6. Excessive medical costs for employee health care, which increase the final cost of goods and services.
7. Excessive costs of warranty fuelled by lawyers on contingency fees

Like Crosby and Feigenbaum, Juran focuses on reducing the cost of quality, but Deming ignores this idea. Juran's approach to quality cost can be classified into three categories (Kumar, 2009):

- Failure costs: Scrap, rework, corrective actions, warranty claims, customer complaints and loss of custom.
- Appraisal costs: Inspection, compliance auditing and investigations
- Prevention costs: Training, preventive auditing and process improvement implementation

Juran's philosophy is used worldwide; he developed ten practical steps to quality improvement (see Appendix 2). Juran was pioneer in pointing out the significance of recognition. As he focuses on teams (quality circles, self-management teams, and project work). Additionally, Juran like Deming believed in statistical quality control. He mentions that only 15% of quality problems are related to special causes involving workers, whilst 85% are related to management's handling of the system (Juran, 1988).

### **2.3.3 Philip Crosby**

Quality has been defined by Crosby as "conformance to requirements" (Crosby, 1979). Crosby is best known for the concepts of 'zero defects', 'do it right the first time', and 'quality is free'. He was less academic in his approach than Deming and Juran, but was just as effective as them in his exciting writing (Fox, 1993). Crosby (1984) identifies the Four Absolutes of Quality as:

**The First Absolute:** The definition of quality is conformance to requirements, not as goodness.

**The Second Absolute:** The system for causing quality is preventative, not appraisal.

**The Third Absolute:** The performance standard must be zero defects, not 'that close enough'.

**The Fourth Absolute:** The measurement of quality is the price of non-conformance, That is, all the expenses of doing things wrong from the customer's perspective.

Crosby's approach for TQM has been called the 'vaccine', being associated with a medicine for management to avoid poor quality. The approach is classified in five sections: integrity, systems, communication, operations, and policies (Quality Gurus website, 2009). The QM improvement approach appears in 14 points (Appendix 2). Martin (1993) points out that Crosby's fourteen points demonstrate more practical orientation than Deming's.

Despite Crosby's views harmonising with those of the other two gurus, Crosby was criticised by Deming for focusing on 'zero defects', and ignoring the 'continuous improvement' imperative, hence making his message less precise and practical (Will, 1993).

#### **2.3.4 Armand Feigenbaum**

Feigenbaum (1991:7), the Japanese pioneer, defines quality as "*the total composite product and service characteristics of marketing, engineering manufacture, and maintenance through which the product and services in use will meet the expectations of the customers*". He instigates the concept of Total Quality Control (TQC), which he says is "*an effective system for integrating the quality development, quality maintenance, and quality improvement efforts of the various groups in an organisation so as to enable production and service at the most economical levels which allow full customer satisfaction*" (Feigenbaum, 1983, cited by Beckford, 2002:85).

According to Beckford (2002), Feigenbaum's philosophy is built on the early concept of a 'Total' approach, reflecting a systemic attitude of mind. He insists that all functions in the organisation should participate in the quality process, since quality that runs from inputs to outputs, and hence, permeates the organisation, has immense value (Beckford, 2002).

Feigenbaum considers statistical control as a part of the overall management system, but not the system itself, and therefore, statistical methods can be used as necessary. He also emphasises that management methods and human relations are the basic issues in quality control activities. Later, Feigenbaum included a focus on the customers' perceptions of quality (Feigenbaum, 1983). Feigenbaum's beliefs are summarised in his '*ten benchmarks for quality success*' (Feigenbaum, 1991; see Appendix 3)

Feigenbaum also produces different methods to measure the cost of quality, the most important being 'operating quality costs', which he sub-divides into: Prevention Cost, including quality planning; Appraisal Costs, including inspection costs; Internal Failure Costs, including costs arising from scrap and rework; and External Failure Costs, including warranty costs and complaints. Beckford (2002:89).

### 2.3.5 Kaoru Ishikawa

Ishikawa is the other Japanese quality guru, who became involved in quality issues in 1949, when he developed the first basic quality control course for the Union of Japanese Scientists and Engineers (JUSE).

Ishikawa (1989:44) states that “*to practise quality control is to develop, design, produce and service a quality product which is most economical, most useful, and always satisfactory to the customer*”.

According to Dale and Bunney (1999) there are three main areas where Ishikawa contributed to quality:

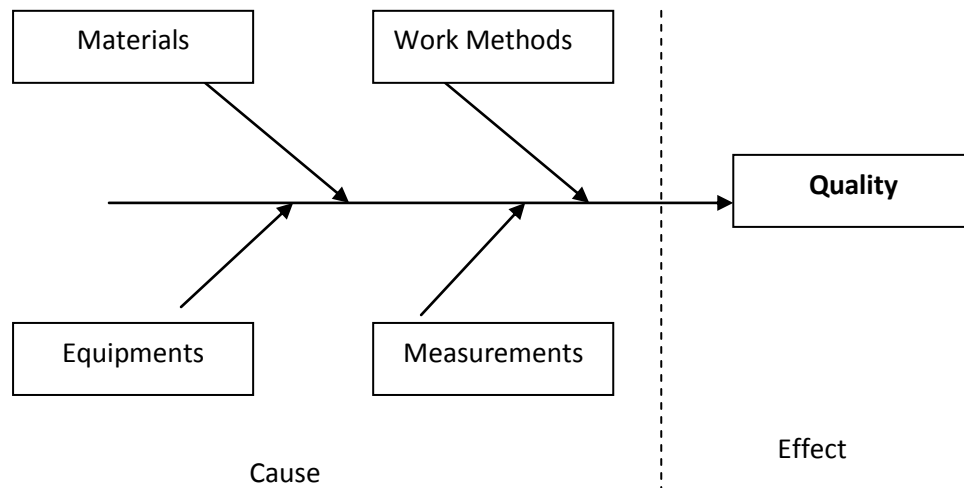
1. *Quality circles*
2. *The company-wide quality movement, and*
3. *The simplification and widespread use of the seven basic quality control tools*

In reality, Ishikawa is considered the ‘father of quality circles’ (QCs), and at the same time also originated the concept of Company-wide Quality, basing his philosophy on that of Feigenbaum (Total Quality). Bendell (1989) suggests that Ishikawa’s approach of quality is comprehensive. Indeed, it covers all quality aspects starting of the quality of product and also including after sale service, quality of management, the company itself and the human being (Beckford, 2002).

Similarly Flood (1993) describes Ishikawa’s approach as involving ‘horizontal and vertical co-operation’. The approach is based on a significant level of involvement, co-operation, and communication between different levels of managers, supervisors and workers, and from suppliers to customers.

As cited by Bendell (1989:18), Ishikawa himself mentions that the “results of Company-Wide Control activities are remarkable, not only in ensuring the quality of industrial products, but also in their contribution in the company’s overall business.”

The Quality Control tools that Ishikawa is associated with are: the Pareto chart, the cause and effect diagram (Ishikawa diagram), the stratification diagram, the scatter diagram, the check sheet, the histogram, and the control chart (Ishikawa, 1985). He is, however, best known for the fishbone-shaped diagram, known as the Ishikawa or cause and effect diagram, shown in Figure 2.2 used to improve the performance of teams in determining potential root causes of their quality problems.



**Figure 2.2: Ishikawa or Fishbone Diagram** (Ishikawa, 1982:19)

### 2.4 Quality Characteristics

It has been argued that the concept of quality has different perspectives and is not easy to elucidate. Actually, quality characteristics try to reflect some quality meanings and help to make the term ‘quality’ more objective. As mentioned previously, the American Society for Quality used the expression ‘characteristics’ to define the quality of a product or service as something that satisfies stated or implied needs. Hill (1991a) specifies four typical features for the concept of quality, these being:

1. Function, which differs from product to service. For product, it means doing what it is supposed to, whereas for service, it means “statements of what the service entails”, including the “less tangible statements”;
2. Product/service characteristics, which relate to the physical characteristics of the product or service such as its dimensions, or what the service is comprised of;
3. Performance; and
4. Reliability.

Several other authors have also tried to identify the real characteristics of quality. Juran *et al.* (1988), for example, suggested five characteristics related to: technology (e.g. strength and hardness), psychology (e.g. taste, beauty, status) time-orientation (e.g. reliability and maintainability), contract (e.g. guaranteed provision), and ethics (e.g. courtesy of sales personnel, honesty).

Krajewski and Ritzman (1990) propose three categories: hardware (style and appearance of equipment or the product, ease of installation and use), product or service support

(responsiveness, accuracy, truthfulness), and psychological impressions (courtesy, sympathy, knowledge and reputation).

However, the most comprehensive classification of quality components was introduced by Garvin (1984b, 1987, and 1988), whose eight-dimensional model includes: performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. He considers these dimensions as key for using quality as a competitive weapon, and explains them as follows (1994:29):

1) Performance. This refers to the primary operating characteristics of a product, for example, for a car these would be traits such as acceleration, handling, cruising speed, comfort, etc. Garvin claims that this dimension of quality combines elements of both the product and user-based approaches.

2) Features. Garvin describes these as the “bells and whistles” of products. These secondary characteristics, he believes, supplement the product’s basic functioning. Examples are free drinks on an aeroplane flight, and automatic tuners on a colour television set.

3) Reliability. This reflects the probability of a product’s failure within a specified period of time.

4) Conformance. This is the degree to which a product’ design and operating characteristics match pre-established standards, where both internal and external elements are involved. Garvin believes that both reliability and conformance are closely tied to the manufacturing-based approach to quality.

5) Durability. This is a measure of product life and has both economic and technical dimensions. Technically, durability can be defined as the amount of use one gets from a product before it physically deteriorates.

6) Serviceability. This is the speed, courtesy, and competence of repair.

7) Aesthetics. This is a subjective dimension of quality and is closely related to the user-based approach. This dimension concerns how a product looks, feels, sounds, tastes, or smells. Garvin believes that these are matters of personal judgment and reflections of individual performance.



8) Perceived Quality. This is also a subjective dimension. Garvin notes that consumers do not always possess complete information about a product's attributes, and must frequently rely on indirect measures when comparing brands. In these circumstances, products will be evaluated less on their objective characteristics than on their images, advertising, or brand names.

### **2.5 Quality Benefits**

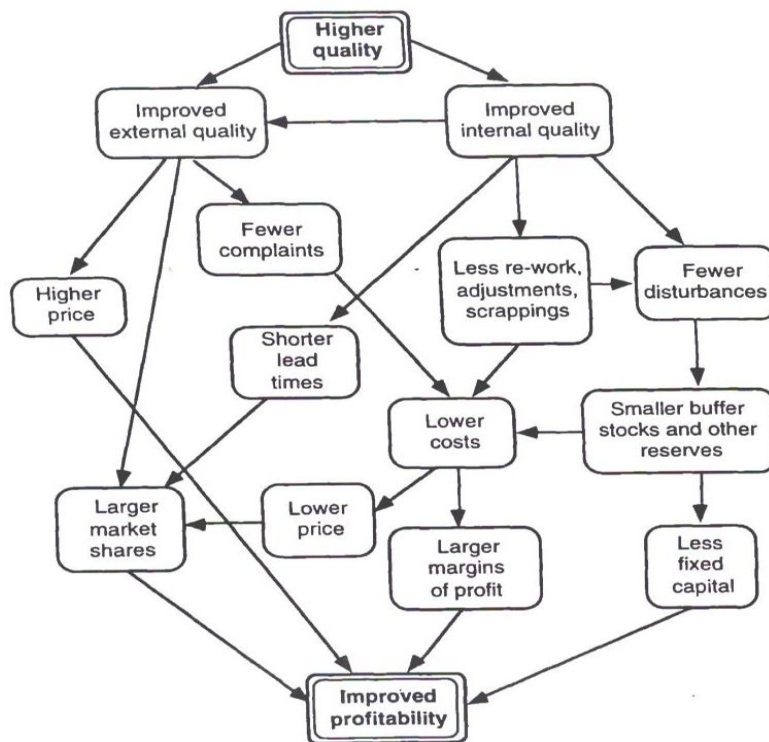
According to the European Foundation for Quality Management EFQM (1992), many companies in the 1980s had realised that survival is dependent upon paying much greater attention to quality. Peters and Waterman (1982) had previously identified in their book *In Search of Excellence: Lessons from America's Best-run Companies*, that the most consistent factor among companies they rated as most successful, was an obsession with some form of quality, reliability and/or service. They also identified several studies that had demonstrated quality to have marvellous strategic importance to a firm.

In the same context, Coleman (1992) and Flood (1993) argue that Japan's success is evidence of the direct relationship between quality and the viability of organisations, and Dean and Evans (1994), and Bergman and Klefsjo (1994) insist that quality is a requirement for successful competition in the global market.

The majority of empirical studies demonstrate that Quality Management (QM) has a relationship to business performance (see Hendricks and Singhal, 1995, 1996, 1997, 2001a, b; Flynn et al., 1995; Eriksson and Hansson, 2003; Gustafsson et al., 2003). Indeed, numerous benefits have been demonstrated by managing the quality of organisations. Beecroft (1999), for example, explains the relationship between quality, productivity and profitability, linking productivity improvements to quality improvement efforts. He mentions that total costs can be reduced via two strategies, firstly, by shortening the cycle time during the production of products or services, and secondly, by eliminating errors or non-conformance not only within the organisation but also in any externally supplied material or service. He adds that improved quality increases the productive use of facilities, machinery, and personnel; and the improved quality of materials used in processes reduces scrap, rework and inventory costs. Overall, improved quality reduces the assets required to support the business operation. Beecroft (1999) considers increased profitability to result from the enhanced quality and productivity. Increased sales often follow improvements in delivery, cycle times, reliability and conformance to requirements. Indeed, it is also possible to reduce

the selling price as a result of these productivity and quality improvements, thereby increasing sales.

Other research, as cited by Shetty (1987), has confirmed the same outcomes, i.e. that companies producing quality products charge more for those products and enjoy higher profit margins. Similarly, Garvin (1983), and Hendricks and Singhal (2001b) stress that managing quality produces strategic benefits such as lower manufacturing costs in the long run and improved productivity. Bergman and Klefsjo (1994) summarises the relationship between improved quality and profitability as shown in Figure 2.3.



**Figure 2.3: Relationship between Improved Quality and Profitability**  
 Source: Bergman and Klefsjo (1994:38)

As seen in Figure 2.3, improved quality produces a larger market share, a benefit which has been verified by many authors and researchers (Leonard and Sasser, 1982, 1985; Garvin, 1984; Gale, 1990; USA General Accounting Office, 1991; Cole, 1992). According to Garvin's (1984) market analysis, a strong positive association exists between quality and market share, a fact which Leonard and Sasser (1982) pointed out earlier when they noted that quality had become a major strategic variable in the battle for market share. Increased

market share comes as the result of competitive edge, which both Garvin (1988) and Devaraj et al (2001) believe to be a further advantage of quality improvement.

Additionally, Juran (1988) suggests some other benefits of QM, such as: improved understanding of customer needs, improved customer satisfaction, improved internal communication, better problem-solving, greater employee commitment and motivation, and stronger relationships with suppliers.

In this context, much empirical research (Kanji, 1990; Sitkin *et al.*, 1994; Spencer, 1994; Hackman and Wageman, 1995; Powel, 1995; Wicks, 2001; Kaynak, 2003) has confirmed Juran's beliefs about the role of QM in establishing a management system and an organisational culture that ensures customer satisfaction and continuous improvement.

## **2.6 Quality Management (QM)**

Generally speaking, QM has been recognised as a comprehensive management philosophy for improving organisational performance and competitiveness. Kanji (1990:4) considers QM as “the second industrial revolution”

According to Reed *et al.* (1996), there is no consensus on the definition of QM, since its interpretation is based on the approach taken towards quality. For instance, Juran and Gryna (1993:13) refer to QM “the process of identifying and administering the activities needed to achieve the quality objectives of an organisation”.

While Flynn *et al.* (1994:342) suggest QM to be “an integrated approach to achieving and sustaining high quality output, focusing on the maintenance and continuous improvement of processes and defect prevention at all levels and in all functions of the organization, in order to meet or exceed customer expectations”. However, Anderson *et al.* (1994) suppose QM to be a holistic approach to organisation-wide quality, operationalised through leadership, internal/external co-operation, effective process management, product design, learning, customer focus and involvement, employee fulfilment, and continuous improvement.

Traditionally, QM has been represented by quality assurance practices which include all the activities and functions concerned with the attainment of quality (Hill, 1983). These activities were classified as: quality of design, and quality of conformance. Wild (1980) suggests that quality of design is determined by the specification of the product, for example the tolerance placed on dimensions, the composition and treatment of materials, finishes, etc. Quality of conformance, on the other hand concerns the extent to which a product to meet the specification. When a product conforms to the specification it is deemed by operations to be a ‘quality’ product, even though the quality of design may be ‘low’ (Schroeder, 1989)

The majority of authors support the notion related to the quality of design, and quality of conformance, but Schroeder (1989) expresses a different view about quality activities, introducing six activities as a quality cycle, suggesting that it is necessary to:

1. Define quality attributes.
2. Decide how to measure each attribute.
3. Set quality standards.
4. Establish an inspection programme.
5. Find and correct causes of poor quality.
6. Continue to make improvement.

The first three steps are associated with quality of design and the last three with conformance quality.

Later, Dean and Bowen (1994) argued that the best way to realise QM was to combine the principles, practices and techniques as indicated in Table 2.1. According to them, a principle is implemented through a set of practices, which are simply organisational routines or activities. The practices are, in turn, supported by a wide range of techniques to make them effective. Three main principles are suggested by Dean and Bowen (1994), these being: customer focus, continuous improvement, and teamwork.

**Table 2.1: The Principles, Practices and Techniques of Quality Management**

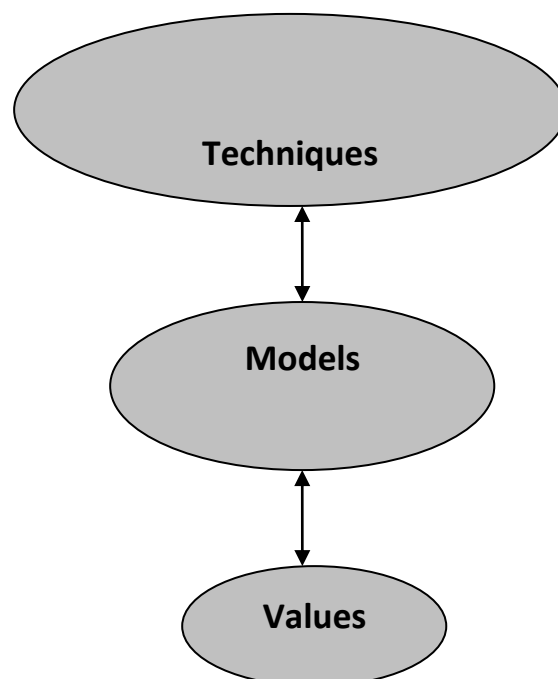
<b>Concepts</b>	<b>Definitions</b>	<b>Examples</b>
<b>Principles</b>	A set of underlying assumptions of how to view the organization and its relation to customers, competitors and suppliers	Customer focus, continuous improvement, teamwork
<b>Practices</b>	Activities performed to display and embody the principles	Collecting customer information, conduct a customer survey, process analysis, group skills training, and collaboration with suppliers
<b>Techniques</b>	Guidelines and infrastructure of how to perform certain activities	Voice of the customer tables, quality function deployment, control charts, cause and effect diagrams, team building, six-sigma, and so on.

Source: Dean and Bowen (1994, in Rönnbäck and Witell, 2008:579)

More recently QM has been recognised at different levels. Sometimes, these levels refer to the degree of implementation (Dale and Lascelles, 1997), whereas in other cases, these levels can be considered as components of QM (Hellsten and Klefsjo, 2000). According to this view, Lagrosen and Lagrosen (2006) build their approach, considering QM as an entity consisting of three separate levels of increasing profundity (Figure 2.5).

The first and most shallow level consists of a number of practical tools and techniques. These are practical procedures that are used to improve certain aspects of the way that an organisation functions. Often, the techniques are based on simple statistics. On the second level, we find a range of more comprehensive models and systems. These approaches are meant to bring holistic influences into play on the entire organisation. They usually contain an abundant number of points that need to be addressed in order to achieve organisation-wide quality. The third level contains the phenomena that are referred to as values (Hardjono *et al.*, 1997), principles (Dean and Bowen, 1994; Dale, 1999) or cornerstones (Bergman and Klefsjö, 1994) of QM. These values are deep-lying assumptions of the practices that should be present in organisational behaviour.

Actually, authors differ in the number of principles (values) they propose (Hellsten and Klefsjö, 2000), with a range between three (Dean and Bowen, 1994) and 13 at the Swedish Institute for Quality (SIQ, 2008). Essentially, the values appear according to the perspective of QM being taken.

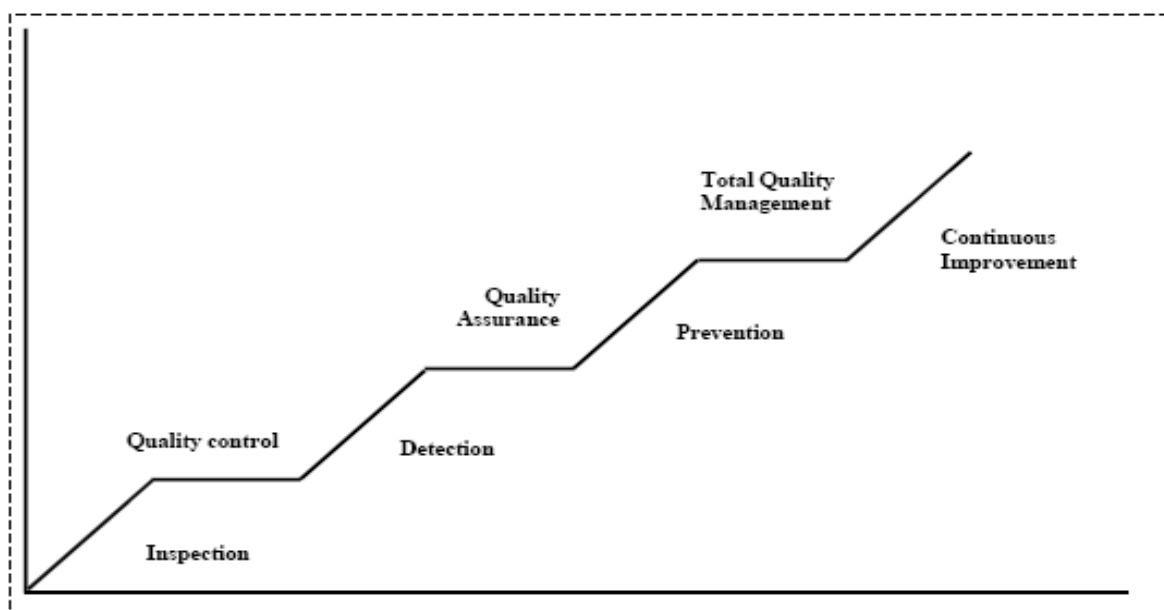


**Figure 2.5: The levels of QM** (Lagrosen and Lagrosen, 2006: 85)

Ultimately, QM has moved from an initial stage of inspecting, sorting and correcting standards to an integrated and comprehensive philosophy, that being Total Quality management (TQM). The evolution of QM is now presented in the following sections.

### 2.7 Quality Management Evolution

The evolution of QM has passed through four main stages, as agreed by many authors, researchers and academics (Juran and Gryna, 1993; Feigenbaum, 1986; Garvin, 1988; Dale, 1994; Dahlgaard *et al.*, 1998; Martinez *et al.*, 1998). These phases are: Inspection, Quality Control, Quality Assurance, and Total Quality Management. Figure 2.6 identifies the development of quality stages as suggested by Sallis (2002). Bounds *et al.*, (1994) suggested similar classifications for periods within the evolution of quality, but with slight differences in names, referring to these as: inspection (1800s), statistical quality control (1930s), quality assurance (1950s), and strategic quality management (1980s). The following sections present the four eras of quality development.



**Figure 2.6: Development of Quality Stages** (Sallis, 2002:18)

#### 2.7.1 Inspection

Inspection is the first era of quality evolution. Sallis (2002:18) asserts that inspection processes began in the industrial sector to test the quality of products and services. According to BS EN ISO 9000 (2000) the term ‘inspection’ means “A *conformity evaluation*

*by observation and judgement accompanied as appropriate by measurement, testing or gauging”.*

Garvin (1988) and Bregman *et al.* (1994) mention that the main concern of inspection procedures was detection. The focus was on looking at quality as a problem to be solved, and the emphasis at this stage was on product uniformity, assessed by gauging and measurement. In this era one or more of characteristics of a product were examined, measured, tested or assessed, and compared with specified requirements to assess conformity. In addition, the role of quality professionals was inspection, sorting, counting and grading; and the responsibility for quality was that of the inspection department. Dale *et al.* (1990) indicate that inspection was used purely to correct quality problems after their occurrence without taking any preventative methods. Inspection was conducted wholly inside the organisation, not involving suppliers or customers. In discussing its value, Aguayo (1990) notes that while inspection can discover product faults before the produce reaches the customer, it cannot increase the quality level of a product. Moreover, products which do not conform to specification may be scrapped, reworked or sold as lower quality items, which creates additional costs.

### **2.7.2 Quality Control (QC)**

Quality Control (QC) is the second stage of quality development. Eyre (1991) points out that QC and quality assurance (QA) have, in the past, been used principally in manufacturing industries, with their application limited to physical activities.

Deming (1971) considers QC as the practical application of the statistical principles and techniques in each stage of launching the product, represented by design, production, maintenance and service. And Oakland and Morris (1997) define QC as a series of activities and techniques used to accomplish and sustain the quality of a product, process, or service. Due to the use of acceptance sampling and control charts in QC, Dahlgaard *et al.* (1998) named this period ‘statistical quality control’.

Feigenbaum (1956) mentioned that historically, QC meant nothing more than the activity of traditional factory inspection, which was intended to protect the customer by screening bad material from good, prior to shipment. It confirmed that conformance to requirements had been achieved at the post-production stage.

It was proposed by Bregman *et al.* (1994) that the primary concern during this period was control; the emphasis was on product uniformity, but with a reduction in inspection, and the methods used were statistical tools and techniques. Additionally, the role of quality workers

was troubleshooting and the application of statistical methods, while the manufacturing and engineering departments were responsible for quality issues. However, Dale *et al.* (1990) conclude that a feature of this period was its focus on paperwork as well as on the use of basic statistics, product quality planning, self-inspection, process performance data, and the development of the quality manual.

Feigenbaum (1983, 1991) later developed his theory from *Quality Control* to *Total Quality Control*, depicted in Figure 2.7. In his book *Total Quality Control*, Feigenbaum (1983) stressed that control must be present throughout the production process starting from the design stage and ending when the product is handed to the customer, and gains his satisfaction. Additionally, he emphasised that all departments in a company must take responsibility for the achievement of quality. However, the concept of TQC ignores many elements (e.g. supplier developmental relationships, people empowerment, and teamwork) that are later covered by the introduction of the TQM concept.

Quality Control has many benefits, as suggested by Juran and Gryna (1980):

- (1) Improving the quality of products and services;
- (2) Increasing productivity;
- (3) Reducing tangible and intangible costs;
- (4) Reducing production and delivery lead times;
- (5) Improving the marketability of products and services;
- (6) Reducing the prices of products and services to customers.





**Figure 2.7: Quality Control Evolution** (Feigenbaum, 1991:16)

### 2.7.3 Quality Assurance (QA)

Quality Assurance (QA) is the third stage of QM evolution, emerging as a direct result of QC. The concept of QA develops from the single process of inspecting the conformance to focusing on the requirements for the adoption of an entire quality system.

Seymour (1992) observed that QA was applied in the manufacturing sector between the 1950s and 1980s, having a focus on the complete production chain, using particular programmes and systems, and involving all functional groups. The international standard BS EN ISO 9000 (2000) considers QA as a part of Quality Management (QM) which has as its main task, the guarantee that quality requirements have been fulfilled. Freeman (1993) introduces another dimension, proposing QA as a systematic approach that should effect a balance between the market needs and the ideal working methods to meet those needs. Bregman *et al.* (1994) claim that the four elements emerging from the QA stage were quality costs, total quality control, reliability engineering, and zero defects.

The main objective for this approach is to adopt an entire quality system rather than simply discovering defects within products before they are offered for sale. Hence the QA approach is not a single process for checking the conformance to requirements rather depends on preventing quality problems. The approach has many advantages such as increasing customer satisfaction, stakeholder confidence, company credibility, and work efficiency.

#### 2.7.4 Total Quality Management (TQM)

The fourth and last stage in the evolution of QM is Total Quality Management (TQM). It is not easy to establish the exact origin of this term, or to provide a clear definition of the concept, since it can be argued that many TQM dimensions were already being applied by organisations before the idiom was formally used. Nevertheless, it has been agreed that the TQM philosophy in its entirety was introduced in the mid 1980s, and Kanji and Tambi (1999) confirm that the TQM approach was indeed applied effectively in industries in the US in the 1980s. Bemowski (1992) actually states that the term TQM was initially coined in 1985 by the Naval Air Systems Command to describe its Japanese-style management approach to quality improvement, but Dale *et al.* (1994) give credit for the term TQM to the UK, asserting that it arose from the activities of the Department of Trade and Industry National Quality Campaign which was launched in 1983, and the pioneering work of organisations such as IBM.

Bright (1992) notes that it has been extremely difficult to arrive at a comprehensive definition for TQM, mainly for three reasons. Firstly, TQM is an evolving concept that is changing as new ideas and methods are developed. Secondly, different organisations are in different stages of transforming to TQM. And thirdly, different organisations may require different forms of TQM.

Hence, the descriptions of TQM vary, it having been described as: a management practice and philosophy of management aimed at satisfying the customer (Hill, 1991), a new way of thinking about the management of organisations (Chorn, 1991); a comprehensive way to improve total organisational performance and quality (Hunt, 1993), a systematic approach to the practice of management (Olian and Rynes, 1991), and an alternative to ‘management by control’ (Price, 1989).

However, the British Quality Association (BQA) suggests three ways of conceiving TQM. The first perspective reflects the ‘soft’ qualitative characteristics involving such themes as: customer orientation, culture of excellence, removal of performance barriers, teamwork, training, and employee participation. From this viewpoint Wilkinson *et al.* (1998) commented that TQM is seen as consistent with open management styles, delegated responsibility and increased autonomy to staff. The second BQA perspective for TQM reflects the ‘hard’ aspects of QM practices, described by Wilkinson *et al.* (1998:14) as the “‘hard’ production/operations management type of view”. Examples of such aspects are: systematic measurement and control of work, setting standards of performance, and using statistical

procedures to assess quality. Finally, the third perspective includes both ‘hard’ and ‘soft’ practices, comprising three features (Wilkinson *et al.*, 1992): (i) an obsession with quality, (ii) the need for a scientific approach, and (iii) the view that all employees are to be involved in this process.

Similarly, Oakland (1998) adopts the soft and hard approach in his definition for TQM, considering it as a pyramid representing five distinct components including: (i) management commitment (apex of the model), (ii) customer supplier chain, (iii) quality systems, (iv) statistical process control (SPC) tools, and (v) teamwork. Related to these concepts, Oakland (1998:2–3) provides the following definition: “*TQM is an approach to improving the effectiveness and flexibility of business as a whole, meeting customer requirements both external and internal to the organisation. It is essentially a way of organising and involving the whole organisation, every department, every single person at every level*”.

Similarly Zairi *et al.* (1994) propose that TQM is a collective effort by the organisation focusing on consistency, improvements in quality, and competitive enhancements to achieve the ultimate target of customer delight through developing structural, infrastructural, attitudinal, behavioural and methodological ways of improvement.

It can be seen that the definitions of both Oakland (1998) and Zairi *et al.* (1994) emphasise that TQM is not a single initiative supporting the business, but rather a comprehensive integrated modern philosophy of management keen to achieve its acknowledged goal of customer satisfaction.

Ishikawa (cited in MacDonald and Piggott, 1990) argues also that TQM is not a fixed method of management, nor even a fixed objective for management. The fixed objective for management may be seen as a total continuous improvement, in which TQM acts as the driving force for change to assist management to get from where they are to where they want to be. TQM emphasises the need to get to the “root cause” of any problem (MacDonald and Piggott, 1990).

It can be seen that TQM suggests new concepts and principles which differ totally from the traditional management approach. Many writers on TQM have attempted to distinguish between those two approaches. Table 2.2 compares the traditional management philosophy and principles, and the TQM management philosophy and principles.

**Table 2.2: Comparison of the Traditional Management and TQM Philosophy and Principles**

<b>Traditional management philosophy and principles</b>	<b>TQM management philosophy and principles</b>
The organisation has multiple competing goals.	Quality is the primary organisational goal.
Financial concerns drive the organisation.	Customer satisfaction drives the organisation.
Management and professionals determine what quality is.	Customers determine what quality is.
The focus is on the status quo.	The focus is on continuous improvement.
Change is sudden and is accomplished by champions battling the bureaucracy.	Change is continuous and is accomplished by teamwork.
Employees and departments compete with each other.	Employees and departments co-operate with each other.
Decisions are based on “gut feelings”.	Decisions are based on data and analysis.
Employee training is considered a luxury and a cost.	Employee training is considered essential and an investment.
Organisational communication is primary top-down.	Organisational communication is top-down, down-up, and sideways

Source: Martin (1993:25)

Approaching the differences between the Traditional Management and TQM philosophy approach inspire the notion of determining whether the Syrian Banking Sector (SBS) management practices these techniques. Actually, there is a big gap between the management practices in the state owned banks and the private banks. The management of the state owned bank continue to adopt the traditional approach, in which, to date, no quality culture has been developed in these organisations. However; the management of private banks tend to espouse the TQM philosophy.

## **2.8 Models of Quality Management Awards**

The accelerated pace towards economic globalisation and extensive international competition has prompted governments worldwide to seriously consider their competitive position, and hence, government agencies have come to recognise that a quality strategy is necessary to achieve a competitive advantage. Consequently, various initiatives have been launched to support local organisations in attempts to improve their quality levels, for example, the establishment of National Quality Awards (NQAs).

Many developing and developed countries have produced their own quality models and National Quality Awards (NQAs), resulting in, for example, the Malcolm Baldrige National Quality Award (MBNQA)-USA, the European Quality Award (European Foundation for Quality Management-EFQM), and the Deming Prize (Japan). Each award, with the exception of the Deming Prize, has its own framework or model.

According to Blades (1995), models are often used with great influence in management and other areas to provide a framework for examination of information. He suggests that there are two types of quality model, those used for education and the promotion of quality, and those used as a management tool for the analysis of quality. However, he argues that there is no real difference between these. According to Blades (1995), any quality model should be understandable, memorable and easy to use. Secondly, it should be pictorially representative, since pictures are easily remembered, it being said that “a picture is worth a thousand words” particularly for educational purposes. And finally, the model must be meaningful in terms of the concepts for which it is being used.

It has been agreed that quality award models provide a framework for recognising a range of tangible and intangible processes which affect the organisation’s total quality and its final results. They attempt to categorise the principles of TQM in a clear and easy style, helping management to understand and practise TQM (Ghobadian and Woo, 1996; Nakhai and Neves, 1994; van der Wiele *et al.*, 2000). Tan *et al.* (2003) demonstrate that in most of the National Quality Award (NQA) models, the economic structure, the total quality maturity level, and the cultural and demographic background of a country have been taken into account.

Ghobadian and Woo (1996) consider quality award models as comparative means to evaluate organisational performance according to a set of international standards. They are useful for organisations to discover their strengths and weaknesses in the key area of business. Self-assessment is seen as an effective method for future continuous improvements. These researchers claim that the best benefit from these models can be achieved by small companies with limited resources, because they provide such companies with an obvious paradigm to initiate a total quality programme. However, they do also mention certain shortcomings of these models, like their focus on a wide range of management factors and principles which influence the quality, rather than being directly concerned with product or service quality. Moreover, they do not provide detailed methods to overcome weaknesses. The models on

which the awards are based implicitly recognise that the quality of the final offerings is the end result of integrated processes and employees' effort

The broad aims of quality awards are suggested by Ghobadian and Woo (1996:11) as being to:

- *increase awareness of the importance of the “quality of offerings” and interest in “quality management” because of their important contribution to superior competitiveness;*
- *encourage systematic self-assessment against established criteria and market awareness simultaneously;*
- *prompt co-operation between organizations on a wide range of non-commercial sensitive issues;*
- *stimulate sharing and dissemination of information on successfully deployed quality strategies and on benefits derived from implementing these strategies;*
- *promote understanding of the requirements for the attainment of “quality excellence” and successful deployment of “quality management”;*
- *stimulate organizations to introduce “quality management” improvement processes*

Halachmi (1995) suggests many benefits for organisations that adopt quality awards, such as more clarity in setting organisational goals, positive influences on morale and group dynamics, alleviation of the monotony of work, defusing of intra-organizational conflict, and better use of strategic planning.

Many studies have compared the National Quality Awards. For example, Vokurka *et al.* (2000) compared the Deming Prize and the western models on the basis of their objectives, quality principles, and criteria, finding substantial similarity among them, one major commonality being that they all use a minimum of seven criteria:

(1) Leadership; (2) Strategic planning; (3) Customer and market focus; (4) Information and analysis; (5) Human resource focus; (6) Process management; and (7) Business results.

In all the models, customer satisfaction, employee satisfaction and community satisfaction are emphasised. However the criteria differ in respect of what is “understood by the seven quality areas – leadership, planning, customers, suppliers, employees, processes and results” (Kumar, 2007:246).

The following sub-sections briefly present the three major global quality awards.

### 2.8.1 Deming Prize (Japan)

The Deming Prize is the oldest quality award worldwide (Kumar, 2007), having been created in 1951 by the Union of Japanese Scientists and Engineers (JUSE), and named after Dr W Edwards Deming in recognition of his great participation in introducing quality concepts in Japanese industry. It is recognised as the oldest self assessment framework (Zairi and Youssef, 1995), and is awarded for excellence in the systematic application of TQM. There are three categories for the Prize (Deming Prize Guide, 2009):

- Individual or groups
- Organizations or divisions of organizations that manage their business autonomously
- Operations business units of an organization

The Deming Application Prize has a checklist containing ten primary factors, but these are not presented as a framework like other quality models. According to Ghobadian and Woo (1996:33), the “*Deming Prize is not based on an underlying framework linking concepts, activities, processes and results together. Furthermore, it does not assume an underlying causality. The Deming Prize is prescriptive in terms of the tools, techniques and practices that it recommends, for example SPC, quality circles, standardization, quality control, etc.*”

For a long time, the Deming Prize was restricted to Japanese organisations, and it has been criticised in respect of its assessment criteria since there was a clear lack of information related to how it was awarded. Porter and Tanner (1996), for example, complained that the assessment was subjective. However, the Union of Japanese Scientists and Engineers (JUSE) acknowledged this deficiency and published the assessment criteria in its guide in 2003 (Deming Application Prize, 2003) for the first time. This made the examination process transparent and more understandable (Kumar, 2007).

The ten primary factors of the Deming Prize are further divided into a minimum of four and a maximum of eight secondary factors. Appendix 5 shows the main criteria with the secondary factors. All items are equally weighted.

Despite the Deming Prize having undergone many changes since its foundation, it has retained its basic congruence with Deming’s philosophy – the Deming 14 points (Gaither and Frazier, 1999:634). It also continues to pay attention to whether the organisation is free from the five deadly diseases (Deming, 1993).

### **2.8.2 Malcolm Baldrige National Quality Award Model MBNQA (USA)**

During the late 1970s and 1980s, American manufacturing witnessed a dramatic slowdown in productivity which was accompanied by aggressive global competition, specifically from Japan. Initially, the so-called ‘rust’ industries were hit, but subsequently, the flagships of US industry such as consumer electronics and microchips were also affected, ultimately resulting in a serious recession that lasted for many years for the USA as a whole (Steeple, 1992).

Given these internal and external circumstances, and the surprising success of the Deming Prize in Japan, which had brought unbelievable prosperity for Japanese industry, the US government began to think seriously about how to increase the efficiency of American industry. Hence, in 1983, the National Productivity Advisory Committee (NPAC) was established to formulate a national medal for productivity achievement. In the private sector, the American Society for Quality Control (ASQC) was spreading its views about quality to labour management and government, with the intention of launching a national quality award foundation (Hart and Bogan, 1992).

In response to these efforts, the Malcolm Baldrige National Quality Award was created by Public Law 100-107, signed into law on August 20, 1987. The Department of Commerce is responsible for the Baldrige National Quality Program and the Award. The National Institute of Standards and Technology (NIST), an agency of the Department’s Technology Administration, manages the Baldrige Program.

The Baldrige quality award highlights three major principles: awareness of quality as an increasingly important element in productivity and competitiveness; understanding of the requirements for quality excellence; and sharing of information on successful quality strategies and the benefits derived from implementing these strategies (MBNQ, 1994).

Garvin (1991:80) believes that “Baldrige is the most important catalyst for transforming the American Business” and that “Baldrige more than any other initiative has reshaped management’s thinking and behaviour”.

Dooley *et al.* (1990) stated that the MBNQA was based on the Deming Prize. However by 2005, both awards had developed certain commonalities, whilst continuing to differ in other major respects.



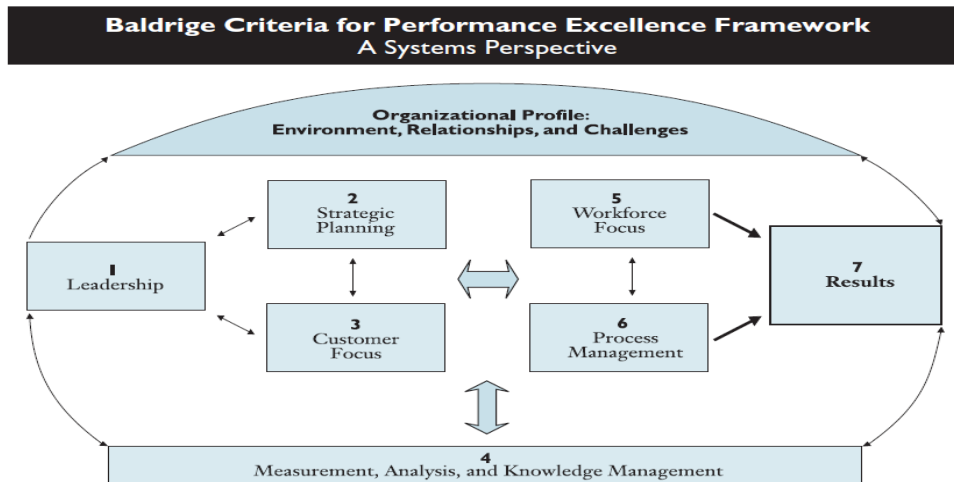
### **2.8.2.1 Baldrige Criteria: Core Values, Framework, Criteria**

The Baldrige Award Criteria are built on the following set of inter-related Core Values and Concepts (Criteria for Performance Excellence, 2009-2010):

- visionary leadership
- customer-driven excellence
- organizational and personal learning
- valuing workforce members and partners
- agility
- focus on the future
- managing for innovation
- management by fact
- societal responsibility
- focus on results and creating value
- systems perspective

The core values and concepts that are the basis for the Baldrige Award are integrated into a framework of seven categories that comprise the Baldrige Award Criteria for Performance Excellence. The framework connects and integrates the categories into system perspective as shown in Figure 2.8. Garvin (1991) argued that the MBNQA model was produced as a framework to enable organisations to understand where they are, and where they should focus their efforts to ensure improvement but not to show them how to proceed.

Finally, it is important to emphasise that the award is not given for the approval of a specific product or service of the company, but rather for a superlative system for managing the people, process and continuous improvement to achieve the ultimate goal of customer satisfaction (Jennett, 1991). Appendix 6 presents the concepts of Baldrige Quality Model.



**Figure 2.8: Criteria for Performance Excellence (Baldrige National Quality Programme Pdf, 2010)**

### 2.8.3 European Foundation Quality Management (EFQM) Business Excellence Model (Europe)

In the 1980s, as in America, European companies were experiencing great loss of market share resulting from Japanese competition, and after the foundation of the Malcolm Baldrige National Quality Award in 1987, serious initiatives were taken by the leaders of fourteen European companies to establish the European Foundation for Quality Management in 1988 (later to be renamed simply 'EFQM'). The main mission of this foundation was to endorse higher standards of QM.

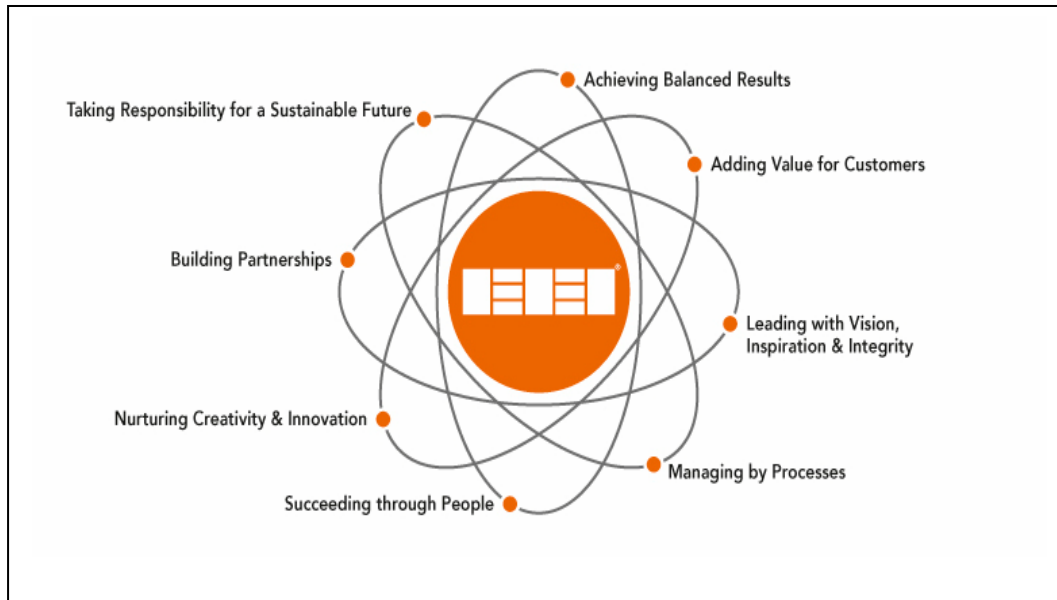
In 1991, the EFQM launched the European Quality Award, the main objectives of this award being to demonstrate the importance of quality as global strategic competitive advantage, to motivate and assess the development of quality improvement activities, and to recognise the companies in Western Europe that promote excellence in QM as their fundamental process for continuous improvement (EFQM, 1993).

#### 2.8.3.1 The EFQM Excellence Model: Fundamental Concepts, Framework, Criteria

The EFQM Excellence Model focuses on eight fundamental concepts which were updated in 2010. Significantly, these eight concepts are not ranked. They have no sequence, weight or importance, but are rather, positioned as electrons orbiting around a nucleus with Radar and nine criteria. Figure 2.9 represents the fundamental concepts of Excellence (EFQM Transition Guide pdf, 2010), which are (www.efqm.org, 2010):

- Achieving Balanced Results
- Adding Value for Customers
- Leading with Vision, Inspiration & Integrity
- Managing by Processes

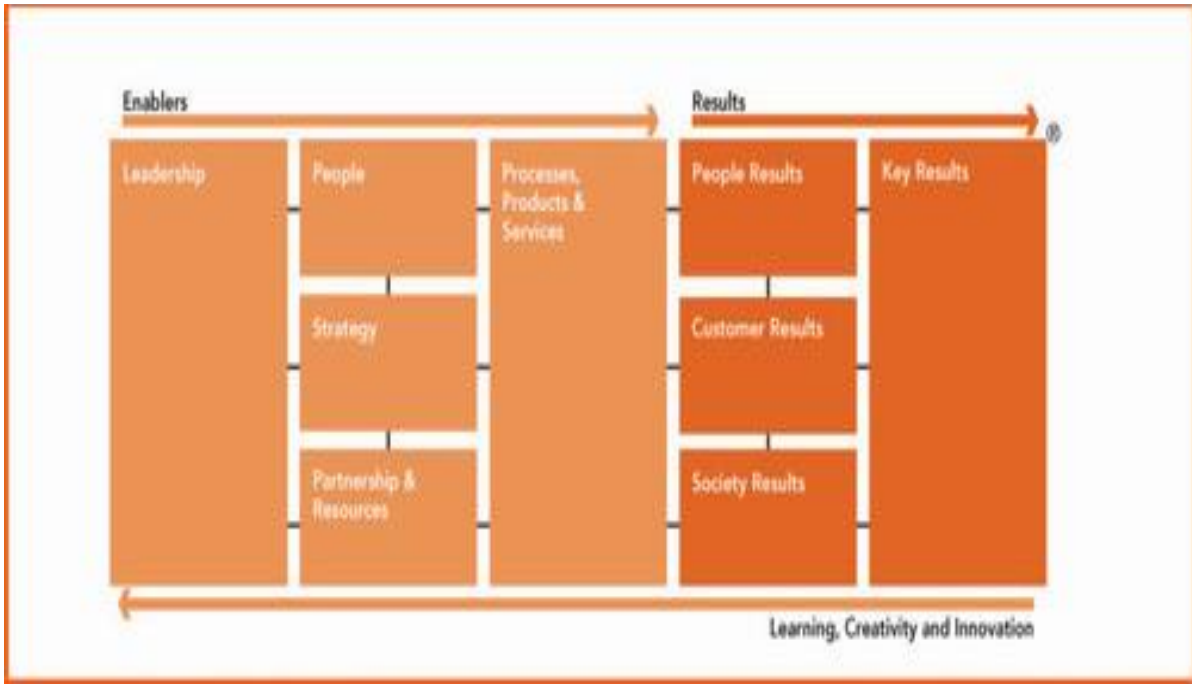
- Succeeding through people
- Nurturing Creativity & Innovation
- Building Partnerships
- Taking Responsibility for a Sustainable Future



**Figure 2.9: The Fundamental Concepts of Excellence (Introducing the EFQM Excellence Model 2010pdf, 2010:10)**

The EFQM Excellence Model represented in Figure 2.10 is a non-prescriptive framework based on nine criteria, five of which are ‘Enablers’ and four are ‘Results’. The ‘Enabler’ criteria cover what an organisation does and how it does it. The ‘Results’ criteria cover what an organisation achieves. ‘Results’ are caused by ‘Enablers’ and ‘Enablers’ are improved using feedback from ‘Results’. Every criterion is divided into sub-criteria to provide more depth of understanding.

The arrows emphasise the dynamic nature of the Model, showing learning, creativity and innovation helping to improve the Enablers that in turn, lead to improved Results. When evaluating an organisation’s application for the Award, the criteria are scored. Full details of the EFQM Criteria appear in Appendix 7.



**Figure 2.10: The EFQM Excellence Framework (Introducing the EFQM Excellence Model 2010pdf, 2010:21)**

### 2.8.3.2 Justification for Choosing the EFQM Excellence Model as the Theoretical Framework for this Study

The following points clarify the practical applications and the main benefits of using the EFQM Excellence Model:

- It is a generic model for quality management, which is used for all types of organisations, regardless of sector, size, structure, or maturity (EFQM, 1999). Indeed, the values and framework of this model have since been borrowed by international organisations for use outside of Europe.
- The EFQM provides many services for organisations, such as self-assessment, external assessment, and global assessment. The self-assessment programme involves a *“cyclical, comprehensive, systematic and regular review of the organisations activities and results against the European Quality Award model, culminating in planned improvement actions”* EFQM (1993:3). Practically, the model is helpful in evaluating the actual situation of the organisation in adopting quality principles, and identifying its strengths and weaknesses in the journey for excellence. According to the EFQM (1994:4), the objective of a self-assessment programme is to *“regularly review each of the nine criteria and, thereafter, to adopt relevant improvement strategies”*.

Nabitze *et al.* (2000) considered that the self-assessment and the face validity are clear advantages for the EFQM approach compared with other models like ISO. The model can be implemented without making major investments, and, if positive results are achieved, the leaders can decide to adopt accordingly.

Self-assessment creates a culture of continuous improvement in the organisation, endorses a holistic standpoint about the implementation of the model, and helps people to fully understand their business. (EFQM, 1999 a, Zink and Schmidt, 1998, Gadd, 1995).

- Additionally, the EFQM stresses the significance of the EFQM Excellence Model as an efficient tool that enables organisations to assess their position on the way to excellence, helps them to recognise their strengths and weaknesses related to their vision and mission, provides a satisfactory way of communication inside and outside the organisation, and provides a fundamental structure of the management system (EFQM website, 2010).
- According to Hackman and Wageman (1995), and Hewitt (1999), the EFQM Excellence Model is supportive for the implementation of TQM, providing a clear framework to understand the TQM programme. Similarly, Ghobadian and Woo (1994) identified many organisational benefits generated by the EFQM Excellence Model, in that it is an efficient method for self-assessment, an active tool for benchmarking, a professional vehicle for TQM implementation, and a competent way to exchange experience and best practice.
- According to Klasinga (1996), the EFQM approach covers the quality management as an integral part of all of the professional and management functions for all levels of institution. Furthermore, it focuses on organisational developments and continuous improvement.
- Al-Rayes (2006) identified three main strengths of the model represented by:  
First, it is a holistic approach to achieve service excellence by integrating the desires of all the organisations' stakeholders (customers, employees, shareholders, and society). Second; it focuses on the financial results for the organisation and how to achieve the best results. Third, the causal relationships between the enablers and results are logical, sound, and very helpful in understanding the model.
- The EFQM (2013) mentions some other benefits for using the approach, such as
  - it is a guarantee for addressing the needs of all stakeholders,

- the possibility for achieving the organisation's results effectively and efficiently,
- it is evidence about the organisation's credibility, trustworthiness and sustainability, and
- it is easy to use and understand, as it is developed by organisations for organisations.

As was mentioned previously, one of the European initiatives in Syria is the Syrian Quality Programme (SQP). This was an EU funded project with a value exceeding 12 million Euros for four years starting in 2008. Adopting the EFQM Excellence model in the Syrian organisations is one of the approved quality initiatives under the terms of this project.

### **2.9 Quality Concepts in the Service Sector**

Without doubt some countries today depend fundamentally on services to sustain their economies. For example, the service sector dominates the UK economy. According to the World Bank Report (2007), services in UK economy account for 76% GDP. In addition, Kotler (2003) mentions that 70% of people are employed in the service sector according to Organization for Economic Co-operation and Development (OECD) statistics.

No one can deny that service quality management (SQM) has become a problematic issue for many managers and consultants in the current extensively competitive world climate. This is especially so since the complex nature of services creates a real challenge in meeting and exceeding customer expectations. Quality is traditionally much more associated with products than services, since it is usually easy for customers to assess the quality of product and then decided to accept or reject it. However, the matter becomes more complicated with services.

According to Peters (1999), quality can be a 'magic bullet' which provides lower cost, higher customer service, better products and services, and higher margins. Without managing quality, assuring and adding value is an impossible proposition. Carson (1990) mentions that quality has become an organisation-wide strategic issue on a global scale., as many organisations have come to realise that service can indeed be viewed as a 'product', capable of meeting defined standards, of being delivered on time, and also as susceptible to 'quality problems'. And in fact, service organisations like manufacturing organisations, have begun to

encounter some 'quality problems' and have started to tackle them by introducing SQM systems.

Manufacturing organisations have successfully committed to QM practices in support of strategic choices (Spitzer, 1993; Flynn *et al.*, 1995; Au and Choi, 1999; Tata and Prasad, 1998; Prajogo and Sohal, 2001; Powell, 1995, Edvardsson, 1996). But service organisations still lag behind their manufacturing counterparts in terms of their strategic commitment to quality practices (Au and Choi, 1999; Dotzour and Lengnick-Hall, 1996; Sohal, 1994; Shortell *et al.*, 1995; Yasin *et al.*, 2004). Moreover, most empirical studies on QM have been conducted in the manufacturing sector, with research on service sector organisations remaining sparse (Roönnbaöck and Witell, 2008).

However, the characteristics of services (intangibility, heterogeneity, perishability and inseparability) and the growth of service industries, have resulted in an increased focus on the implementation of QM principles in service organisations interested in delivering high-quality service to customers (Schneider and White, 2004). Banking and financial services fall into this category, being a high involvement and vital industry within the overall service sector (Mishkin, 2001), and in the extremely competitive and rapidly-changing world, service excellence has proved to be a crucial factor in achieving customer satisfaction with banks.

### **2.9.1 What is a Service?**

Generally speaking, services are those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, finance, real estate, medical repair, and maintenance-like occupations (Heizer and Render, 1999). Stanton (1986) refers to the intangible nature of services as activities are provided separately to achieve satisfaction that is not necessarily tied to the sale of a product or another service. Kotler (1982) defines a service as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be connected with a physical product.

Lynn *et al.* (2000) identify that the provision of services involves helping, giving, sharing, and meeting needs. They classify services as follows:

(1) directly via person-to-person service encounters (traditional education, hairdressing, surgery, personal selling, counselling);

(2) directly via person-to-property service encounters (lawn care, car repair, telephone line repair);

(3) indirectly via high-tech service devices (automated teller machine, automated fuelling devices, voice mail, Internet); and

(4) some combination of these.

More precisely, several researchers (Berry *et al.*, 1994; O'Connor and Shewchuck, 1995; Schneider and Bowen, 1995) identify that from an organisational perspective, service can only be provided if organisational servants (servers/employees) exist at appropriate points in the service creation and delivery chain and are capable (willing and able) of attending to customer needs. In the same context, Edvardsson (1996) argues that the concept of service should be approached from the customer's perspective; it is his perception of the outcome which constitutes the service. Customers may have different values and different grounds for assessment, they may perceive the same service in different ways.

The point is made by Lakhe and Mohanty (1995) that service accessibility is important because:

- it can delight the clients in meeting their needs;
- it offers alternatives that are superior to self-service in cost, time and convenience; and
- it meets a wide variety of psychological, physiological, and economic needs.

### **2.9.2 Differences between Service and Manufacturing Systems**

It is important to appreciate the characteristics of a service system, in which respect, Mohanty and Behera (1996) state the following:

- The system delivers services direct to the users.
- The system establishes multiple contacts with its users, each contact providing an opportunity for either good or bad quality of service and also giving rise to a large number of discrete transactions.
- The system has to be responsive and reliable enough to provide its outputs to satisfy variable user demand rates. Timely availability of the service is often regarded as a prime element of quality.
- The system has to complete its assignment within the period desired by the customer, for which it must have credibility and competence.
- Service outputs are not storable or transportable.



- The customer rarely prepares a formal specification of the quality of the service required.
- Measuring the quality of service output is difficult as the quality of service itself is customer-variant and has multiple dimensions.
- Quality is determined by human factors, such as responsiveness, competence, courtesy, helpfulness, etc.

Lakhe and Mohanty (1995) reveal the major distinctions between service and manufacturing systems as outlined in Table 2.3

**Table 2.3: Distinctions between Service and Manufacturing Systems**

<b>Characteristics</b>	<b>Service system</b>	<b>Manufacturing system</b>
Customer contact	Direct	Through channels
Machine/instrument control Transactions	Limited Large volume of paperwork involving low amount of money	Extensive Small volume of paperwork involving high amount of money
Scope for making errors	More	Less
Tangibility	Most intangible	Tangible
Customer	Customer does not prepare any formal specification	Detailed specifications are prepared
Customer involvement	Direct, dynamic	Indirect
Focus	Human factor	Product quality
Indicators for quality	Customer complaints/ declining sales specifications	Quality standards
Quality improvement approach	Short term, related to day-to-day problem solving, less strategically oriented	Long term, structured,

**Source:** Lakhe and Mohanty (1995: 142)

The above discussion identifies many differences between the service and manufacturing systems, from which it can be concluded that the point of the successful implementation of a new managerial approach in the manufacturing system is not necessarily to have the same fruitful results in the service system. The notion supports the contingency approach for adopting quality management practices in the service organisations. The contingency approach, as a new management theory that accepts the situational influences in each organisation, was introduced in the 1960s. It challenges the universal approach and other

traditional processes and models introduced by management theorists, such as Taylor and Fayol. The contingency approach suggests that there is no best single way to manage all the organisations, but that contingency variables should be considered in the management of each organisation. In the literature of quality management, it was accepted that quality management practices are completely uniform concepts that can be applied in any organisation regardless of its size, structure, activity, or culture, etc. (Lagrosen and Lagrosen, 2003). In addition, the emergence of quality awards, such as the Malcome Baldrige National Quality Award and the European Quality Award have reinforced the universal profile of QM practices at this time (Sousa, 2003).

In the early 1990s, some criticisms were raised against the universality of the quality management practices by numerous reports that identified problems in the implementation of quality management in many organisations (e.g. Harari, 1993; MacDonald, 1993; Papa, 1993). According to the views of the advocates of the universal approach of QM, these implementation difficulties are related to the transition of an organisation towards quality, however, an alternative view attributes such difficulties to the considerable mismatch between the proposed form of QM and the particular organizational context (Sousa, 2003).

Furthermore, as cited in Silvestro (2001:255), the TQM literature has been heavily criticised for being too universally prescriptive, and failing to identify the contingent variables that render different TQM practices applicable in different operational contexts (for example, Dean and Bowen, 1994; Ghobadian and Speller, 1994).

In this context, a major dispute was introduced by Schonberger (1992) concerning the mechanism of the direct transfer of manufacturing quality practices to the service sector without modification. Many other authors believe in the appropriateness of the contingency standpoint for adopting quality management practices in services related to the variation in organisational context and the differences in the application conditions (Benson et al., 1991; Chorn, 1991; Laza and Wheaton, 1990; Sitkin et al., 1994; Spencer, 1994; Dean and Bowen, 1994; Sousa and Voss, 2002). Likewise, Behara and Gundersen (2001) stressed the necessity to address issues relating to the appropriateness and adaptability of various quality management practices for services.

Responding to these repeated calls, one rigorous academic study by Silvestro (2001) addressed the issue of developing a sensitive contingency approach to determine the differences in TQM implementation in different types of service process.

Similarly, the context of this study supports the contingency approach view through recognising the difference in the readiness to implement the EFQM excellence model between three different types of banks.

### **2.9.3 Service Characteristics**

The differences between service and manufacturing systems lead one to focus in depth on the nature of service. Different researchers have attempted to describe the characteristics of service and distinguish between services and goods (e.g. Zeithaml *et al.*, 1985; Neijzen and Trompetter, 1988; Heizer and Render, 1999; Arasli, 2002; Roßnba'ck and Witell, 2008), considering that the complex nature of services results from their common characteristics, which are:

- Intangibility – this indicates that services are activities or processes without any physical attributes, a fact which means that customers have difficulty in evaluating and comparing the service. For instance, if a customer has evaluated one service positively, it may be rated negatively by other, since one might rate it on price, whereas another might consider company image as a benchmark.
- Heterogeneity – a service is generally performed by several people and therefore, it is difficult to monitor the input of these different parties. The direct intervention of different people in producing and delivering services creates a problem since no two services will be exactly the same.
- Perishability - the service is consumed at the moment it is delivered, and the possibilities for steering it are, therefore, limited. A service cannot be inventoried, stored, warehoused or reused. Its production, distribution and consumption are simultaneous processes.
- Inseparability – the inseparability of production and consumption makes the interaction between employees and the customer an essential ingredient in the service experience. Service is a core value created in buyer-seller interactions. High customer involvement in service production creates a genuine problem in managing the result of service. At least two actors take part in the service process and as they influence each other, the result is dependent on both their contributions.

### **2.9.4 Service Quality Management**

Quality is largely about meeting and exceeding customer expectations - what the customer feels and says about the delivered service. Managing service quality is a very complicated

task since it is determined by the customer's perception and it is difficult to achieve a 100% satisfaction level given the different perspectives held by consumers. Nonetheless, the results of a US study by Keaveney (1995) on why customers switch services show why the management of services is so important, since in many cases the loss of a customer is the fault of no one but the service provider (See Table 2.4).

**Table 2.4: Reasons for Switching Service Provider**

<b>Reasons for switching</b>	<b>%</b>
Core service failure	25
Service encounter failure	19
Pricing (level, increases)	17
Inconvenience (location, wait for service, etc)	11
Employees' responses to service failures	10
Involuntary switching (provider closed, etc)	8
Attraction by competitors	6
Ethical problems	4

**Source:** Keaveney (1995:74)

The problems experienced in managing service quality are caused by two reasons, firstly, the characteristics of the service itself as already mentioned, and secondly, customer expectations change with time, such that what has been evaluated as 'excellent service' on one occasion may become 'good' on a subsequent occasion, and eventually only 'acceptable'. Peters (1999) identifies that quality is expressed as delighting a customer, or exceeding expectations. However, when expectations are regularly exceeded, a new expectation benchmark is set. For example, if a parcel is expected in three days and it arrives in two, the customer might be delighted, but after the tenth time of receiving such service, that delight disappears and the standard becomes an expectation; essentially, the standard has been raised.

Peters (1999) identifies three philosophies of quality management: 'creating quality', 'meeting or exceeding customer expectation', and 'avoiding non-quality'. He considers that quality as a scale with zero in the middle, positive numbers on one side and negatives on the other, i.e. (-3 -2 -1 0 +1 +2 +3). Meeting expectations, which from the organisation's viewpoint, represents 'quality', only gets to zero in the customer's eyes.

The big problem for organisations in managing the service quality is how to ensure that they always exceed customers' expectations. In this respect, adding value for customers is an essential condition. For example, creating quality service in a restaurant entails getting above

zero by providing delicious meals, a quiet place, pleasant music, comfortable chairs, a quick response, and gentle service staff. However, exceeding customer expectation may be achieved by providing entertainment after the meals, a play area for children, some free dishes or drinks, or a monthly free meal for regular customers.

In summary, it can be seen that managing service quality is a thorny issue for service providers. Maintaining perfect satisfaction requires meeting and exceeding customers' perceptions constantly. However, the effective management of service quality creates significant benefits for the organisation as presented in the following section.

### **2.9.5 Benefits of Effective Service Quality Management**

In a world of intensive competition and deteriorating resources, the provision of excellent service quality has become compulsory choice for service companies. Since the 1990s, service companies have been seriously looking for distinctive sources of sustainable competitive advantage to differentiate themselves from their rivals. Quality has been accepted as arising from the effective use of unique, alternative and traditional skills and resources (Bharadwaj *et al.*, 1993; Shank and Govindarajan, 1994, Yasin and Yavas, 2001). This uniqueness is important, as noted by Barney (1991), who demonstrates that organisations with a deeply entrenched service quality orientation often develop both an intrinsic culture and an extrinsic reputation which create rare and distinguishable resources. Resources and skills of this nature may be more sustainable and difficult to imitate. Organisations worldwide have believed in the guarantee of performance excellence through quality, and have responded by making quality a predominant strategy (Anderson, 1992; Stafford, 1996).

Managing service quality has many advantages for the organisation. It provides companies with social and commercial significance (Newman and Pyne, 1996), and allows a company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross-selling, improving customer relations and thus, enhancing the corporate image. Moreover, high quality service improves the company's profits by avoiding the failure cost related to wasted time, effort, and money. Furthermore, it is widely acknowledged that improved service quality also ensures greater satisfaction and retention of customers and employees, thus reducing turnover rates, reducing complaints, decreasing operational costs, and increasing positive word of mouth advertising about the organisation (Oliver, 1980; Zeithaml *et al.*, 1990; Walker, 1990; Carson, 1990; Bolton and Drew, 1991; Lewis, 1991; Stahl and Bounds, 1991; Berry and Parasuraman, 1991; Fitzsimmons and

Fitzsimmons, 1994; Goode and Moutinho, 1995; Zeithaml and Bitner, 1996; Reichheld, 1996; Heskett *et al.*, 1997; Newman, 2001; Caruana, 2002; Gounaris *et al.*, 2003).

Different empirical studies demonstrate the relationship between quality and organisational performance. The findings of Rapert and Wren (1998), for example, identify the two over-riding themes:

- (1) quality can be a primary strategic orientation that impacts firm performance; and
- (2) quality is an enduring strategic weapon that can affect future firm performance.

The link between service quality and customer satisfaction has been demonstrated by leading service quality researchers (Bitner and Hubbert, 1994; Bolton and Drew, 1994), and the relationship between quality, customer satisfaction, customer retention and profitability is also proven (Storbacka *et al.*, 1994). Customer retention is the most important objective of customer satisfaction, but in some cases, the achievement of high levels of customer satisfaction by itself is not enough. According to Reichheld (1993), between 65 and 85% of customers who disappear say they were satisfied, and it is only customers who are 'totally satisfied' who remain loyal. Similarly, Jones and Sasser (1995) mention that 'complete customer satisfaction' is the key to securing customer loyalty and generating superior long-term financial performance. For UK financial institutions, it is estimated that an increase of 5% in customer retention is potentially worth £100 million a year (Newman and Cowling, 1996).

Within the banking sector, service quality has been associated with customer satisfaction (Le Blanc and Nguyen, 1988; Avkiran, 1994; Blanchard and Galloway, 1994). Li *et al.*, (2001) identify the main benefits of introducing quality initiatives in Hong Kong banks as being 'Customer satisfaction' (59%), 'efficiency' (51%) and 'quality awareness' (51%).

### **2.9.6 Difficulties in Managing Service Quality**

According to Mohanty and Behera (1996:13), the effective implementation of TQM in service organisations requires an understanding of the:

- *unique characteristics of service operations;*
- *roles of service providers and service clients;*
- *application of appropriate quality control concepts, tools and techniques*

Regarding the specific characteristics of service itself and the service system, many researchers have identified different problems by introducing the quality concepts. For Example, Johnston as cited in Jessome (1988:18) is one such researcher who pointed out problems in the commencement of TQM in service industries such as:

- *Service industries, by their very nature, have less control over factors which affect the quality.*
- *Service outputs cannot be stored for later use, and because of high involvement of customer in the process, there is a much higher level of external uncertainty than the manufacturing industries.*
- *The intangibility of service makes it difficult to set standards, to conform to them and to measure them.*
- *Good service is an expectation of the individual customer, which may be unknown or unstated, and may vary from customer to customer and also from time to time.*
- *Service quality is difficult to measure because of its subjective nature.*

Similarly, Atkinson and Murray (1988) explore certain myths which restrict the application of TQM in the service sector. These myths and their explanations, as outlined by the authors, are:

- *There is difficulty in identifying and pursuing real goals.* It is generally argued that because of the nature of work it is difficult to set aims and objectives which are quantifiable and measurable. This poses a constraint on the measurement of an organisation's effectiveness. Additionally, it is observed that strategic planning is never a rigorous process within a service organisation. However, achievable targets can be set by asking questions such as: What is the organisations' mission? Where is it going? What does it hope to achieve in the next five years?
- *Administrative and managerial effectiveness cannot be measured.* The nature of the work in the service sector can make it difficult to assess when someone is working effectively and when they are not. However, effectiveness and individual contribution can be measured if a goal setting strategy is adopted through discussion and consensus, and organisational goals are linked with individual goals.
- *Old, established practices are difficult to change.* To facilitate change it is essential to increase involvement, identify and promote latent talent, develop curiosity and achievement-seeking behaviour, and place stress on training and education.

- *Staff will resist total quality.* To bring the desired change (especially to introduce such an essentially participative approach), it is essential to have the involvement of those involved in the change in the decision-making. Such involvement will reduce resistance to change.

Likewise, Lakhe and Mohanty (1995) recognise two main obstacles in defining the quality concept and introducing the principles and techniques of total quality in the service sector. The first problem is related to the traditional definition of quality as ‘conformance to standard’. This concept is usually not applicable in services, since it is very hard to standardise the services like products. In addition, it is very hard to measure the quality of the delivered service. The second problem associates with the service business where many factors affect the customer satisfaction can be combined with the delivered service such as speed and responsiveness of service, comfort and cleanliness of the facility, courtesy and helpfulness of employees, and many other behavioural factors. In this context, it is impossible for any service organisation to provide identical services for their customers which make many service organisations avoid adopting total quality concepts to their business.

In this context, it is very significant to mention that the best suggested practices to overcome these difficulties in the service organisations are:

- Designing a clear and long-term quality strategy for the whole organisation.
- Setting achievable and partial targets for each department facilitates implementing the long-term strategy within a specified timeframe.
- Creating and reinforcing a clear quality culture in the organisation.
- Adopting quality training with the main focus on the way of handling the service (behavioural issues).
- Satisfying the internal and external customers.

### **2.9.7 Service Quality in the Banking Sector**

During the last two decades the banking industry has faced real challenges related to deregulation and rapid innovative changes such as new financial products, new price strategies, and new automated services. Macdonald (1995) demonstrates that initiatives have been easily copied by competitors, and customers have struggled to differentiate the accumulated competitive offerings. However, banks ultimately came to recognise that the best competitive policy which never fades is one that seeks to provide excellent service quality. And now, banks are conscious that delivering excellent service quality to customers is critical for success and survival in today’s global and competitive banking environment



(Bisignano, 1992; Macdonald, 1995; Kim and Kleiner, 1996; Lewis and Pescetto, 1996; Wang *et al.*, 2003).

Different indicators have been considered as potential measures of service provision in the banking sector. For example, the level of complaints by customers (Macdonald, 1995; UK Consumer Association, 1998), speed (Galup and Dattero, 2000), lack of trust in the banking relationship (Ennew and Binks, 1996), results of complaints (Neyer, 2000), genuine commitment and attentiveness of front-line staff (Johnson, 1997), enhancement of technology, and better customer care and training in the banking industry (Meyer and Dornach, 1998).

Standards in bank service provision fall into two broad areas, what have become known as 'hard' and 'soft' standards. Any bank trying to deal with change must confront two basic issues, one relating to human concerns, such as attitudes, communication, teamwork, empowerment, and morale (the soft side of change); and the other dealing with business matters such as profitability, cost control, building revenue, fewer errors, faster cycle time, lower efficiency ratios, and the like. This is the hard side of change (De Lara, 1994).

Kim and Kleiner (1996) suggest some requirements for service excellence in banks such as: commitment from every level of the organisation; a positive bank culture, effective senior management, employees who are empowered through enhanced knowledge and skills, and processes that can become excellent through technological support. If these criteria are fulfilled, banks can attract, maintain, and enhance customer relationships.

Kim and Kleiner (1996) also demonstrate through their investigation in three US banks (Bank of America, Citi Bank, and One Valley Bank in West Virginia), that there are common elements of service excellence – a clear banking culture provided by committed management, employee empowerment by enhancing knowledge and skills, and the improvement of operating processes with technological applications.

In a recent empirical study by Gan *et al.* (2011) about customers' satisfaction with New Zealand banks, it has been concluded that that service quality at banks has the most influence on bank customers' satisfaction when compared to the perceived value and corporate image. Service quality was explained in that study through three main dimensions: excellent service quality compared to other banks, satisfaction with service performance, and the provision of consistently good services.

And yet more recently, more empirical research by Talib *et al.* (2012) has identified the following four broad conceptual categories related to banking service quality:

- Customer service quality
- Banking service product quality
- Online/e-service quality
- Automated service quality

### **2.9.8 TQM in the Service Sector**

Managing the service process with the foremost priority being quality issues is a multifaceted theme. Thus, the concept of TQM in the service sector was introduced in the 1990s. Many service organisations thought seriously about adopting the approach after the unprecedented success of the model in the manufacturing organisations. Such academic papers as those conducted by Mohanty and Behera (1996) identified four steps for implementing TQM in the service system: develop a service quality strategy, analyse service process and define the quality measures, establish a process control system, and investigate the process to identify improvement opportunities. In another study, by Lakhe and Mohanty (1995), a theoretical conceptual model was designed to measure the total service quality in some service organisations. The study suggested that five independent variables can affect the implementation of TQM in the service systems represented by top management commitment response, product and process improvement, customer orientation response, human resource excellence, and economic advantage. Later, Yasin *et al.* (2004) studied TQM practices in nine various types of service organisation. The study's results underscore the differences in the TQM implementation practices and benefits due to some industry-specific factors. It was noted that the willingness to implement TQM is linked to the willingness to utilize technological and other innovations in such organisations.

The positive impact of TQM implementation on client satisfaction was confirmed by most industries. While the positive impact of TQM implementation on market share was only recognised by certain industries like fast food, book publishing, investment banking and gaming.

Furthermore, a study by Huq (2005) identified the barriers for adopting TQM by including twenty service organisations from health care, insurance, consulting, and banking and financial services over a period of two years. The findings point to a less than total implementation of TQM in the studied companies. The main obstructions for successful implementation are represented by the unrealistic expectations of employee commitment,

absence of process focus, lack of organization around information flow, holes in education and training, and failure to create a continuous improvement culture.

A further study by Saravanan and Rao (2004) examined the 12 dimensions of total quality service (TQS) in 306 service firms in India: top-management commitment and leadership; benchmarking; customer focus and satisfaction; service marketing; social responsibility; human resource management; employee satisfaction; service culture; servicescape; continuous improvement; technical system; and information and analysis.

Referring to the banking sector, an earlier study conducted by Edwards and Smith (1989) compared the experience in implementing TQM of American and British banks. The findings indicate that the American financial sector has been quicker in moving into TQM than their British counterparts. The US banking experience has focused on providing service guarantees, promoting business through competition and incentives, and keeping the queues as short as possible. In contrast, the British experience has suggested different trends to support the quality represented by customer care programmes, customer focus, review of image, internal and external communication for their quality improvements, quality performance standards, and quality action teams. A paper by Mortimer (1992) reported the effects of a new incentive scheme in Girobank on employees' commitment to TQM. By reviewing the results, it was recognised that TQM is a long-term strategy that needs the full commitment of each employee in the organisation. The level of employees' commitment in the Western companies is still less than in Japanese companies.

In 1996, an empirical study was conducted by Longbottom and Zairi to investigate the status of TQM within the financial services industry in the UK. The results confirm that TQM as a generic strategy had been established in those organisations; however, the financial services were still lagging behind other sectors. The study also identified some bad practices where the expected benefits of TQM implementation had not been achieved and high costs resulted. Another similar study by Longo and Cox (2000) surveyed TQM in the clearing banks in the northeast of England. The findings showed evidence that although TQM is a reality in those organisations, it has not been addressed in their business strategy. They deal with it as a short-term scheme that can be adopted for short-term objectives, such as meeting the customers' emergent needs, and cutting costs. Another study focused on the significance of training and education in South African banks. The results showed that none of the banks studied had developed an efficient training strategy. Furthermore, the study referred to the management commitment and knowledge about TQM as a vital issue (Vermeulen and Crou, 2000).

A paper published by Melahi and Eyuboglu (2001) explored the critical success factors for TQM in six case studies of the Turkish banking sector. The study suggested three main concerns for the successful implementation of TQM represented by firm management commitment for TQM, formal national bodies to provide sufficient knowledge leading the organisations during and after their implementation for TQM, and highly educated and skilled management.

Sureshchandar *et al.* (2001b) proposed a comprehensive model for TQM in banking organisations. The TQS model has 12 dimensions that can be broadly grouped into three categories: (1) dimensions of quality management that are generic to both manufacturing and service organisations, such as top management commitment and visionary leadership, human resource management, design and management of processes, information and analysis, benchmarking, continuous improvement, employee satisfaction and customer focus and satisfaction. (2) Dimensions are seldom addressed in the literature but are, nevertheless, key elements of TQM in both manufacturing and service organizations (e.g. Union intervention and Social responsibility). (3) Dimensions are unique to service organisations (namely, servicescopes, and service culture).

An empirical study by Al-mari (2007) examined the critical success factors of total quality management (TQM) implementation in the United Arab Emirates (UAE) banking sector. The study concluded that sixteen factors were critical for the successful implementation of TQM represented by top management support, strategy, continuous improvement, benchmarking, customer focus, quality department, quality system, human resource management, recognition and reward, problem analysis, quality service technologies, service design, employees, servicescapes, service culture and social responsibility.

A further study by Rugendo (2012) investigated the factors influencing TQM practices in the banking industry in Kenya. The study results demonstrated a big gap between the awareness and the practical implication for TQM in the studied sample. The results indicate that the level of TQM knowledge between the respondents is very high (80 per cent), however only 19 per cent of the participating banks adopt TQM practices in their operations. The study recommends reinforcing the management commitment as the most significant factor for the successful implication of TQM without ignoring other practices like employee empowerment, continuous improvement, and customer focus.

Some other recent studies addressed the issue of TQM in the banking sector, such as the empirical study by Tahtamoun *et al.* (2013) investigating the factors affecting TQM implementation in Jordanian Commercial banks. The study summarises some differences in

the factors affecting TQM in the studied sample relating to the location of the bank, years of experience of bank manager, gender, qualification of bank manager, and number of training programmes attended in QM. Another study by Zahari and Al-Tamimi (2013) explored the factors affecting TQM applicability in Malaysian and Yemani Islamic banks. The comparative approach between the two chosen countries has proven the significant application of TQM in the Malaysian Islamic banking sector compared to the Yemani Islamic banking sector. Three unique factors have been recognised that negatively affect the applicability of TQM – work pressure and tight deadlines, lack of standards and task complexities, and TQM ignorance. A Further empirical research was conducted by Awolusi (2013) examining the effects of TQM on customer service management in the Nigerian banking industry. The findings suggest that the successful implementation of TQM requires setting clear objectives by the employees, effective communication, sufficient management commitment, clear quality vision, adequate process review and control, good alliance for TQM strategy with corporate strategy, quality improvement measurement systems and IT infrastructure, and regular review of TQM implementation to ensure it is consistent with the organisation’s plans and budgets.

### 2.10 Why Readiness?

According to Lewin (1947), as cited in Holt *et al.* (2007, a: 289), the successful implementation of organizational changes generally proceeds through three stages: readiness, adoption, and institutionalization. Similarly, Hart and Musfeldt (1992) stressed that organisational readiness assessment should be the first stage before development and implementation.

In more specific research (Ben Jaber, 2010) concerning the factors affecting the readiness for TQM implementation within Libyan higher education institutions; the researcher suggests five phases to implement the TQM: the intention, awareness, readiness, implementation, and operation and maintenance. Figure 2.11 shows the phases of TQM implementation where readiness is the third assumed phase.



Figure 2.11: Phases of TQM Implementation as adopted of (BenJaber, 2010:27)

Many authors try to define the concept of readiness regarding the individual level or the organisational level. For instance, Beckhard and Harris (1987) assumed that readiness is linked to the willingness, motives, and aims that organizational members have regarding a proposed change. In the same context, Armenakis *et al.* (1993:681) defined the construct by the individuals' "beliefs, attitudes, and intentions regarding the extent to which changes are needed and the organization's capacity to successfully undertake those changes"

Jansen (2000), like Armenakis *et al.* (1993), defined the concept in terms of the significance of adopting a recognised change initiative and the organisation's capacity to adopt this change effectively.

Simply, readiness has been defined (Hanpachern, 1997; Huy, 1999; Powelson, 1995) as the extent of preparation by the organisations' members to participate in expected organisational improvement activities.

On the organisational level, Weiner (2009: 68) identified his definition as "Organizational readiness for change refers to organizational members' change commitment and self-efficacy to implement organizational change".

Holt *et al.* (2007, b) introduced a more comprehensive definition for the readiness combining four dimensions: individuals' belief in the change-specific efficacy, appropriateness of the change, management support for the change, and personal benefit of the change.

Historically, the notion of readiness was introduced by Coch and French (1948) who discussed the readiness in the context of avoiding the resistance to change. They investigated the readiness with groups working in a pyjama factory. They proved that employees' resistance to change can be eliminated through the managers efforts to encourage them to participate in the planning and developing process.

In fact, quality scholars and many other academics stress the necessity for adopting the readiness assessment before introducing any quality initiative in the organisation. As cited in Arasli (2002), many authors (Yavas, 1995; Lakhe & Mohanty, 1994; Atchinson, 1992; Hart & Musfeldt, 1992; Endosomwan & Savage-Moore, 1991) mentioned the significance of addressing a readiness survey first before developing and implementing a TQM programme. According to their views, such assessment facilitates the implementation of TQM through identifying the TQM factors in the organisation, recognising any potential problems that cause staff resistance to TQM, and providing a database for future comparisons.

According to Weeks *et al.* (1995), the readiness assessment for TQM in an organisation must be commenced by determining the attitude of top management and the perceptions of individuals about the new initiative. Top management commitment is linked to how much energy and time can be allocated for this scheme. The perceptions of management and employees are very significant to assess and to recognise the level of readiness, or, conversely, the resistance to change in the organisation. Weeks *et al.* (1995) stressed that the more clearly the TQM readiness factors are assessed, the more successful the transition to the TQM implementation.

It has been proven in the literature that the implementation of any quality initiative is consuming of both resources and time. For example, as Atchison (1992, see Arasli, 2002, P.349) argued, the development and improvement of the TQM process may require at least two to three years to complete and may cost \$50,000 to \$300,000.

In addition, it has been agreed by some other authors (Mohd & Elaine, 2000; Wiele & Brown, 1998; Haksever, 1996; Henricks, 1992) that implementing this philosophy successfully requires special managerial knowledge, skill, effort, incentives and other resources that should be managed.

In this context, it is worth mentioning that the adoption of a huge number of quality initiatives has revealed a considerable rate of failure. For instance, (Soltani *et al.*, 2010b) the literature is highly rich in reported cases of failure of the implementation of TQM. The rate of TQM failure is high, perhaps as high as 90 per cent (Hill and Wilkinson, 1995; and Soltani *et al.*, 2004). Hubiak and O'Donnell (1996), as cited in Mosadegh Rad (2006, p. 608), indicated that two-thirds of organisations in the USA have either failed or stalled in their efforts to implement TQM.

Smith (2005) argued that the probability of failure in adopting any quality initiative is highly expected if the preparation of the individual or organisation for change is inadequate. Hence; readiness assessment studies can be a good investment approach to avoid the risk of failure. Readiness assessment can clearly identify the gaps for the organisation before implementing any quality initiative; it can simply provide good guidance for the organisation regarding what they have, where they have to be, and how they can get it.

As mentioned in the literature, readiness assessment studies are very limited. For instance, Arasli (2002) revealed that TQM has been implemented in many countries without a

readiness assessment and has resulted in failure. However, Koch and Fisher (1998) stressed that, comparatively, only a small number of organisations have successfully passed the TQM implementation experience

### **2.11 Readiness Studies in the Literature**

By reviewing the literature, it can be recognised that readiness assessment empirical studies in the context of implementing quality initiatives are very few.

Arasli (2002) studied the readiness of hotels in northern Cyprus to adopt TQM. The study benchmarked the TQM readiness data for 1999 with the 2001 statistics. From the results for the policies and implementation of three- and five-star hoteliers in northern Cyprus, it is evident that they are still very unfamiliar with the TQM approach. However, the four star hotel staff had more positive perceptions. The study was entirely quantitative.

Aksu (2003) investigated the TQM readiness level perceived by the administrators working for the central organization of the Ministry of National Education in Turkey. The study was also purely quantitative through spreading a questionnaire enquiring about nine dimensions: leadership, vision, involvement, continuous improvement, training and education, ownership, rewards and recognition, yearning for success, and focus on the customer. The research compared the perceived levels of TQM readiness in terms of the following independent variables: gender, age, education level, field, and service unit. No significant differences were found on the scales for gender, education level, education field or service unit. Some significant differences were obtained for the dimensions of continuous improvement, training and education, yearning for success, and focus on customer for the variable 'age'. The most important finding in this study is that, although the levels are rather low in all dimensions, TQM readiness is found to be adequate based on the chosen criteria, except 'rewards and recognition'. Similarly, Ghassemzadeh (2003) analysed the readiness of administrators for TQM approval in the University of Shiraz (Iran). The study identified positive attitudes by the staff towards the implementation of TQM; however, managers are strongly satisfied and motivated rather others. The study suggested that the management have to seriously think about customer focus and training as the most and least effective components in adopting TQM. The study reorganised a significant difference between male and female attitudes for TQM implementation. Another research was conducted by Lameei (2005) to evaluate the level of readiness for TQM implementation in a sample of 31 universities of medical science. The results were classified into three main groups, the readiness level of 48% of the sample



was 50 to 55%, the readiness of 26% of the sample was 60% to 70% and the readiness of the remaining universities was more than 70%.

Bayazit and Karpak (2007) developed a new methodology called the analytic network process (ANP)-based framework to identify the level of impact of different factors on the implementation of total quality management (TQM) and to assess the readiness of the Turkish manufacturing industry to adopt TQM practices. The research results identified that the Turkish manufacturing industry has a readiness level of 59.2% for implementing TQM. The model suggested a number of factors for successful application; therefore, an understanding of the critical factors would help managers to advance the implementation of TQM

Ben Jaber (2010) studied the factors affecting the readiness for the implementation of TQM within the Libyan higher education institutions. The study adopted a phenomenological philosophy and used two case studies of Libyan public Universities as a research strategy. The research was purely qualitative. It used different sources of evidence including semi-structured interviews, documentation, archival records and direct observations. The study concluded by identifying a list of the factors affecting the readiness for implementing the TQM in the two mentioned case studies while highlighting some unique factors relating to the Libyan culture.

Finally, a more recent study by Naghshbandi *et al.* (2012) assessed the military force staff's readiness for TQM approval in Tehran Province. The findings showed that the readiness of the military force staff was high for TQM approval. There was no significant difference in the military force between males and females. However, there was a significant difference in the military force based on job background. The highest mean (132.41) belonged to staff with 11-15 years' experience and the lowest mean (123.20) belonged to staff with 6-10 years' experience. In general, the results suggest that staff with low experience and those with high experience object to new changes. Finally, by considering the age, it was proven that low experience and high age decrease the readiness for TQM approval. The findings suggest developing a culture for implementing TQM, and increasing the staff awareness about the significance of quality, especially those with less than 10 years' experience. Many other techniques have been suggested to reduce the objection to TQM approval – teaching TQM philosophy, good relationship, participation in teamwork, supporting TQM, TQM commitment, negotiation, and, finally, obligation.

Simply, it can be concluded from the previous review that readiness studies are very limited in the literature. There is a big gap in the literature regarding the readiness assessment studies compared to the numerous implementations of quality initiatives. The previous mentioned studies suggested different approaches to assess the readiness in the organisation. However; the majority of the readiness assessment studies were conducted using quantitative methods. The gap is still too big to bridge and more studies are recommended, especially in the context of a qualitative approach.

This study can fill a gap in the literature regarding the factors affecting the readiness for implementing the EFQM excellence model within the Syrian banking sector. There is no readiness study for adopting this particular model in the literature. The research will narrow the gap regarding the scant readiness studies in the service sector, and the total absence conducted within the banking sector, particularly in the Syrian context. More score can be highlighted for the adopted qualitative approach for this study.

### **2.12 Factors Affecting the Readiness to Implement the EFQM Excellence Model**

Many researchers have mentioned that the quality models represent operational frameworks for TQM (e.g., Bohoris, 1995; Ghobadian and Woo, 1996; Curkovic *et al.*, 2000; Van der Wiele *et al.*, 2000; Yong and Wilkinson, 2001; Lee *et al.*, 2003). They consider that quality models have redesigned the main elements of TQM in a new operational framework.

Certainly, the EFQM Excellence Model is suggested as a suitable TQM operational framework (Ghobadian and Woo, 1996; Eskildsen, 1998; Van der Wiele *et al.*, 2000; Westlund, 2001), but only one study by Bou-Llusar *et al.* (2009) has demonstrated empirically that this model is actually successful in this matter. As a proof of this fact, the study's findings have been validated by the responses of 446 managers of Spanish companies. The researcher takes this notion as a truth, in covering the literature on the factors affecting the readiness to implement the EFQM Excellence Model, referring to TQM and the Excellence Model interchangeably.

#### **2.12.1 Leading with Vision, Inspiration, and Integrity**

Many different definitions of leadership exist, but quite simply, Peter Drucker (1996) proposes that a leader is someone who has followers. Yukl (1989) notes that leaders should have a degree of influence to attract their followers, and that they need integrity in their performance to achieve this (Yukl, 1989). Capowski (1994) agrees that integrity is important,

and suggests also that vision, trust, selflessness, commitment, creative ability, toughness, communication ability, risk-taking and visibility are other primary attributes.

What is imperative for excellent service quality is commitment from the leadership of the organisation concerned. Indeed, quality gurus, international quality awards, and different empirical studies all emphasise the vitality of leadership commitment to any QM quality management initiative in any organisation.

Deming (1982a) identifies the importance of leadership in his 14 points (see Appendix 1), by creating a structure in top management that will steer and motivate actions on a daily basis to achieve continuous quality improvement. He argues that drastic changes are required in the organisation, and that the management has the crucial role in leading this change.

Juran (1991) also considers that quality is the main responsibility of top management, believing that creating quality value and building a quality culture in the organisation is one of the primary tasks of leaders. Juran (1991) indicates that remarkable performance cannot be achieved without the active and personal effort of senior management.

Crosby (1984) also included management commitment as the first of his 14 points (See Appendix 3), believing that management is 100% responsible for quality problems.

Likewise, Garvin (1986) stressed that strong top management commitment is an essential condition to achieve high product quality.

Quality Management Award models have paid great attention to leadership commitment as a vital factor to achieve excellence in product or service quality. For example, the Malcolm Baldrige Award model (2009-2010) focuses on visionary leadership as the first point of its criteria and core values. Similarly, the first criterion of the European Foundation Quality Management (EFQM) Excellence Model is 'leadership'. In addition, it is one of its fundamental concepts which demonstrate that excellent organisations have leaders who shape the future and make it happen, developing the vision and mission, creating the goals, and driving the improvement of the organisation's management system and performance (EFQM, 2010).

In this context, it is very necessary to understand the concept of leadership from a business excellence viewpoint. For the EFQM, leadership relates to the behaviour of the executive team and all other levels of management in as much as how leaders develop mission and

vision and values, are personally involved, support continuous improvement, are involved with stakeholders, motivate and recognise employees' loyalty and efforts, and identify and set direction for change (Wongrassamee *et al.*, 2003).

A research project conducted in 1996 by Jim Collins and his research team shows that companies that had transferred from good performance to great performance and sustained it, followed a particular model of leadership and management hierarchy, known as Level 5. The hierarchy refers to the different forms, roles and responsibilities of managers in an organisation, and those at Level 5 Executive are charged with building enduring greatness through a paradoxical combination of personal humanity plus professional will (Collins, 2001).

Bohoris and Vorria (2009) mention that the Leadership criterion in the EFQM Model refers mainly to Level 5 Hierarchy: Executives. However, Wongrassamee *et al.* (2003) believe that management at all levels plays an important role in respect of the Enablers within the EFQM Model, as mentioned above.

Some other authors have tried to summarise the main differences between leadership and management tasks. Kotler (2001) clarified his view as follows:

- *Setting a direction - developing a vision:* Management is about coping with complexity. Leadership, in contrast, is about coping with change. Companies manage complexity first by planning and setting budget targets, establishing detailed steps for achieving those targets, and then allocating resources to accomplish those plans. In contrast, leading an organisation to constructive change begins by *setting a direction - developing a vision* of the future (often the distant future) along with strategies for producing the changes needed to achieve that vision.
- *Aligning people:* The idea of getting people moving in the same direction appears to be an organisational problem but what executives need to align people, not organise them.
- *Motivate and Inspire the Organisation:* Motivation and inspiration energise people, not by pushing them in the right direction as control mechanism do, but by satisfying basic human needs.

Many such empirical studies have highlighted the significant role of leadership in supporting quality initiatives in organisations. Leonard and Sasser (1982) refer to top management's strategic support, proposing that top management commitment is a strategic necessity to achieve the best performance, and that top management should consider quality at every corporate review process. Quality must be covered centrally in the strategic planning, in the trade-offs made among demands for resources, in the risks leaders are willing to take, in the evaluation and rewards systems for subordinates, and in the kinds of corporate performance.

Kanji (2001), in his Business Excellence Model (KBEM), proposes the responsibilities of leadership in creating a Total Quality Culture (TQC) as the following:

- To define a mission, vision and goals which promote a Quality Culture
- To establish a set of shared values
- To define a Quality strategy
- To better co-ordinate the use of resources in order to improve financial performance
- To establish goals and systems to enhance customer satisfaction
- To establish effective information systems and to use objective data in the decision process
- To promote the development of human resources, investing in training and education, and to recognise quality achievements
- To communicate, define and motivate continuous improvement.

It is extremely important for organisations to develop a clear sense of their vision, mission, and values at all levels, to provide clarity about direction, priorities and behaviour (Ancrum, 2007). Leaders, who are responsible for this procedure, should align their own values and personal ethics with the organisation's culture, in order to sustain all the advantages which have accrued (Vorria and Bohoris, 2009).

The idea that senior management should build a clear vision and mission and quality values has received strong support by researchers such as Fortuna (1992), Kehoe (1996), Dean and Evans (1994), Huge and Vasily (1992), and Tummala and Tang (1996).

- Mission is the organisation's reason for being (Evans and Lindsay, 2002). In order to develop an effective mission statement, however, the following conditions are required:

- Top management must support the whole initiative since only when leaders are committed, and understand and communicate the initiative effectively, can the desired results be achieved.
- Leaders must be aware of all organisational stakeholders and understand their needs.
- Top management should not forget that stakeholders' needs and demands are and should be, its top priority (Ireland and Hitt, 1992).

Visionary leadership is the primary requirement for building the long term vision of an organisation's development. Top management thus has the essential task of identifying a clear organisational vision, formulating action plans, and then driving effectively towards achieving the objective (Sureshchandar *et al.*, 2001).

In developing that vision, note must be taken of the organisational culture. Culture consists of a combination of practices, values and beliefs, thereby indicating what is appropriate behaviour. Another definition of culture states that it refers to: "... a system of shared values defining what is important, and norms, defining appropriate attitudes and behaviours" (Detert *et al.*, 2000:852).

Kanji (2001), in his business Excellence Model (KBEM), refers to culture of excellence, which includes all the norms, values and beliefs needed for a successful journey to excellence. However, adopting a new culture norm is not easy, as employees feel insecure and resist change. Only when leaders act as role models, are open and inspire trust, can the transformation of an existing organisational culture become a reality (Strebel, 1996).

Shingeo (1986) believed that values are best transmitted when management overtly believe in them themselves and act accordingly, rather than when they merely speak about them. This view is also supported by Gufreda *et al.* (1992), Nakamura (1992), Dean and Evans (1994), and Martin (1993) who all agree that management should be by example. Moreover, Zhang *et al.* (2000) argue that if top managers are committed to quality, they should not only actively be involved in the QM and improvement process, but should also strongly encourage employee involvement in that process. They themselves should learn about quality-related concepts, develop the appropriate skills, and arrange adequate resources for employee education and training. Likewise, quality-related issues should be frequently discussed in top management meetings, where quality and the long-term business success should be the focus rather than yields.

Solomon (1992, cited in Gonzalez and Guillen, 2002:52) strongly stressed the ethical dimension of leadership as one of the main requirements for TQM implementation, stating that the ethical dimension of leadership refers to *“right decisions and actions combined with good intentions, and accomplished by moral correctness of behaviours. This dimension emphasises the intellectual and practical rightness of the leader’s actions in his/her relationship with followers”*. Gonzalez and Guillen (2002) added that the ethical dimension is necessary to sustain the leader’s influence. Additionally, moral behaviour (trustworthiness, fairness, and honesty) is crucial in this matter.

Nakamura (1992) stated that unless senior management is fully committed to the idea of a real improvement in quality, exercises leadership and devotes time, energy and resources to this objective, it is impossible to motivate the rest of the organisation.

Yusof’s (2000) empirical findings reveal that top management in his study believed in customer satisfaction through a continuous improvement culture. This perception had been translated into good QM practices such as management's participation in improvement activities, improving communication, solving problems in the systems, caring for the welfare and well-being of employees, team working at management level, having a clear mission regarding the business, and management as the key driver in continuous improvement.

Similar findings have merged in a banking research in Turkey conducted by Mellahi and Eyuboglu (2001). In all the participating banks, management commitment was a driving force for TQM implementation, and resulted in more resources being directed to quality issues such as training top management, line management, and employees throughout the bank to deal with quality issues, and the inclusion of quality issues in most management meetings. For instance, in one of the participating banks, according to the current management, TQM was delayed for several years because the top manager was not fully committed to TQM, and only after his departure did the bank start the implementation of quality initiatives. The findings also suggest the importance of a high level of education amongst top and line management responsible for introducing quality initiatives, since all managers of the participating banks were highly educated managers holding degrees from western universities or prestigious Turkish universities.

This notion has been supported by Crosby (1984) who noted that only educated senior management are able to change company culture.

Kehoe (1996), Dean and Evans (2000), and Hand (1992) all recognised the importance of communication in organisations. Believing that management style must support good communication. However, Prigent (1992) stressed that communication should not be limited to the organisation but should be extended to suppliers and customers. This approach can be seen as justifying Baines' (1992) observation that senior management is very remote from customers.

Lack of CEO commitment is a common factor in the failure of QM. The main reason for the absence of commitment is management mobility (Deming's [1986] fourth deadly disease) since when new leaders are appointed, efforts towards continuous improvement often vanish, as a new management philosophy is introduced (see Deming, 1986; Schwinn, 2002; Soltani, 2005; Soltani *et al.*, 2005). In this respect, Soltani *et al.* (2005) observed that CEO commitment is often absent because of a lack of knowledge of the TQM philosophy and a wish to avoid risk-taking, and radical change.

### **2.12.2 Adding Value for Customers**

All quality gurus have argued that quality must be appraised by customer perspectives. For example, Juran (1974) and Crosby (1979) defined quality as 'fitness for use' and 'conformance to requirements' respectively. Ishikawa (1985) considers that achieving quality is associated by recognising the customer's requirements and meeting these requirements. However, Deming (1986) goes beyond meeting requirements to delighting the customer. Similarly, others (Dean and Evans, 1994; Bergman and Klefsjo, 1994; Oakland, 2003) focus on meeting or exceeding the customer expectation. In this context, customer focus and customer satisfaction are the primary goals for any organisational quality initiative.

Sureshchandar *et al.* (2001) identified that customer expectations of service are highly dynamic and complex. Currently, the achievement of customer delight is not evident to the extent it could be and it is the responsibility of management to assure this. However, Schneider and Bowen (1995) consider customer satisfaction as a short-term conception that cannot create a long-term commitment.

Kanji (2001) has suggested that what does 'Delight the Customer' is determined by the extent to which an organisation:

- listens to its customers
- determines current and future customer requirements and expectations
- uses feedback from customers to improve its products and services



*Delighting the Customer* is translated into practice by two core concepts: External Customer Satisfaction and Internal Customer Satisfaction.

According to Kanji (2001), external customer satisfaction shows the extent to which the organisation:

- uses methods for determining and monitoring external customers' perceived quality and value
- uses customer feedback to improve product/service quality
- handles complaints, resolves them, and uses complaint information for quality improvement and prevention of recurrence of problems
- measures performance against customer targets
- compares its customer satisfaction results with those of main competitors

Chapman *et al.* (1997) focused on interdependence levels between internal and external customers as the means of creating best quality for external customers. Furthermore, Conduit and Mavondo (2001) indicate that positive associations exist among internal service quality, employee satisfaction, and customer retention.

The achievement of customer satisfaction is the key for building strong and close relationships with customers. Parasuraman *et al.* (1991) stressed that in the banking sector, the relationship between the buyer and seller is invaluable, creating dimensions of power, co-operation, commitment and trust much higher than in the consumer goods market. Hence, the seller in the banking sector could benefit more from knowing about his/her buyer's habits, behaviour and visions, and then providing the best bank service in the market and meeting the particular demand of products.

The Baldrige Model Award (2010) highlights the importance of building a customer focus culture by listening to customers and developing opportunities for innovation in the organisation. However, the EFQM Excellence Model (2010) has addressed the significance of identifying customers' perceptions of the organisation. Such perceptions may be obtained from various sources, including customer surveys, focus groups, vendor ratings, compliments and complaints.

Zairi (2000) mentions that being customer-focused requires having a clear service strategy which is deployed with vision, purpose, goals, and targets. It also entails creating a dialogue with customers by asking questions about service quality standards, satisfaction levels, future intentions, complaints, etc. According to Zairi (2000), the key requirements in the development of a customer-focused culture are:

- To learn who the customer is and to use a wide variety of means to gather information on all customers.
- To learn about market dynamics, competition, threats and opportunities amongst other things.
- To know what is required, what pressures are on the organisation and what will help in deciding how to create a customer focus.

Clearly, a consideration of customer perspectives and expectations is essential to create a customer-focused organisational culture as noted by several researchers (e.g. Oakland, 1989; Cullen and Hollingum, 1987), who concentrated on determining the exact requirements of customers and how to measure the quality of what is produced in this respect. Stebbing (1993) also stressed that organisations should know precisely what their customers need, describing services as acts and interactions. In these interactions, organisations must harmonise customer expectations and management perceptions by asking customers directly (about their quality perceptions, satisfactions, values etc.) through surveys, focus groups and so on.

Similarly, Parasuraman *et al.* (1985) also demonstrated the necessity of developing a system for gathering information about customer expectations. This should involve continually listening to customers to update intelligence, prioritising the expectations according to the importance to the customer, and ensuring that company resources and the company's ability to deliver the expected service are as they should be.

Clearly, customer feedback is the best way to measure customer satisfaction and the standard of quality at the organisation. Crosby (1984) deemed customer feedback on product as vital, and Besterfield (1986) listed the objectives of such feedback as to:

- discover customer dissatisfaction;
- discover relative priorities of quality in terms of other attributes like price and delivery;
- compare performance with the competition;
- identify customer needs;
- determine opportunities for improvement

Brige and Latvia (2006) consider customer complaints as an indicator to measure customer dissatisfaction, but as noted by Kehoe (1996), dissatisfied customers rarely complain, so this is questionable. Nonetheless, Deming (1982a, cited in Walton, 1985) that organisations should accept customers' negative feedback, but that most do not actually deal with such

criticism constructively. Hand (1992) stressed that complaints should be seen in positive light and used as an opportunity to improve customer relations. Similarly, Zing *et al.* (2000) assert that in order to improve customer satisfaction, customer complaints should be accorded top priority, and warranties should be provided. Methods that can be used for establishing customer satisfaction include collecting customer complaint information, and performing market investigations and customer satisfaction surveys.

### **2.12.3 Succeeding through People**

It is widely accepted that people are crucial to the success of organisations, since individuals who are properly managed and developed bring sustainable competitive advantage (Prahalad, 1983; Pfeffer, 1994; Wright *et al.*, 1994; Nalbantian *et al.*, 2004). The link between effective human resource management and improved organisational performance has been demonstrated by several researchers (e.g. Marchington and Wilkinson, 2005; Youndt *et al.*, 1996; Legge, 1989). Moreover, many studies such as those of Bardoel and Sohal (1999), Helms *et al.* (2001), Yahya and Goh (2001), Wilkinson and Dale (2001), and Baidoun (2003) have focused on the significance of the HRM factor on implementing quality initiatives. Oakland and Oakland (1998) and Zairi (2002) consider HRM or the ‘soft’ aspect of TQM as a new dimension of TQM and business excellence. Succeeding through people can be achieved four following practices:

#### **2.12.3.1 Training and Education**

According to Foray and Lundvall (1996:21) *“the overall economic performance of the OECD countries is increasingly more directly based upon their knowledge stock and their learning capabilities”*.

Generally speaking, training refers to programmes sponsored by an organisation to improve employees’ task-related and behavioural skills (Babakus *et al.*, 2003; Rogg *et al.*, 2001). It brings many benefits to organisations, being associated with higher productivity (Strober, 1990), improving the adaptability and flexibility of employees and their responsiveness to innovation (Bartel and Lichtenberg, 1987), and providing a means of engaging the employee commitment (Heyes and Stuart, 1996; Bartlett, 2001). Furthermore, it is highly likely to be associated with the realisation of sustainable competitive advantage, not least because it has long-term implications for employees and is considered to be integral to the core organisational performance (Soltani and Liao, 2010).

Moreover, training and education is one of the essential features for improving quality (Brown, 1994; Patel, 1994; Perry, 1995), and delivering service quality competently and confidently (Berry and Parasuraman, 1992; Gorchels, 1995; Gronroos, 2000; Lewis and Entwistle, 1990; Rafiq and Ahmed, 2000). Mellahi and Eyuboglu (2001) also note in their banking study that it was able to create a common language throughout the organisation that enables management to effectively communicate the bank's mission statement and the importance of quality initiatives to the rest of the organisation. Additionally, training minimises the risk of service failure (Ueno, 2008). As Kinnell and MacDougall (1994:152) assert: "Investment in training is investment in staff and quality service provision".

The positive statistical relationship between training quality and the overall level of quality within an organisation has been demonstrated (see Juran, 1978; Crosby, 1979; Deming, 1986). Without exception, all quality gurus focus on the significance of employee education and training. Deming (1982a) for example, considered in his 14 points quality approach that "Education and Training are investment in people". The gurus also stressed the significance of formal quality training programmes for organisational prosperity.

Similarly, an empirical study by Motwani and Rice (1994) indicated the significance of training programmes in improving the quality levels of products and services. Effective and efficient training programmes to educate and communicate focus on quality to managers and employees were present in each of the organisations these researchers investigated. Both on-the-job and off-the-job training (specifically in the form of classroom exercises) were emphasised as important, despite the fact that the latter had been criticised by some managers as merely academic exercises that were not understood by the illiterate workers. And likewise, the empirical work of Mellahi and Eyuboglu (2001) in the Turkish banking demonstrated the significance of training for employees to understand the philosophy and principles of TQM and to develop the specific skills to handle quality issues.

It is vital for organisations to view the development of knowledge and skills in employees as an investment rather than a cost, since as noted by researchers (Caruana and Calleya, 1998; Money and Foreman, 1996; Ueno, 2008), they must teach their employees 'why they should do things' and not just 'how they should do things'.

The dominant approach to training - human capital versus human cost – is supported by Soltani and Liao (2010), who note that investment in education and training is imperative for the success of quality initiatives. They believe that employees should be regarded as valuable,

long-term resources worthy of receiving education and training throughout their career. All management personnel, supervisors, and employees should accept quality education and training such as quality awareness education and quality management methods education (Zhang *et al.*, 2000). Dale and Cooper (1992) comment that generally Western organisations do not invest sufficiently in TQM education and training, or in developing their problem analysis skills and expertise.

Crosby (1979), in his 14 points, suggested ‘Supervisor training’ which means that training in skills-related quality issues should be provided for managers or line managers who cascade down to lower levels in the organisation (Palumbo *et al.*, 1994; Cowling and Newman, 1995). However, Berry *et al.* (1990) restricted the responsibility of responding to customer surveys on the quality of their services provision to departmental managers. The empirical study by Soltani and Liao (2010) has shown that most employees experienced training when they assumed managerial positions, and that senior and middle managers were more likely than non-managerial employees to have undergone a long training period.

However, Schneider and Bowen (1992) stressed that training should not be restricted to management and that employees at all layers and levels should be trained to develop a service focus. Training should include technical job skills and cultural values and norms. Spanbauer (1995) also focused on training for different levels of employees, mentioning that administrators and staff need to be educated in how to be more efficient in their respective positions, and require training in TQM concepts, tools and techniques to assist them in knowing their roles and responsibilities in this quest for continuous improvement. Moreover, Spanbauer (1995) considers the education and training within TQM programmes should be directly related to the professional development needs of every individual from the top management to the lowest level of employees.

In the same context, Porter and Parker (1993) argued that education and training should cover all employees as part of an ongoing process, the scope and depth being tailored to suit each group’s needs.

The conflict between developing the skills of employees and the future needs of the organisation has been discussed by Holden (2004), and by Rainbird (1995:337) who noted that “what employees recognise and experience as training may differ from what HR managers recognise and value as training”. Any conflict of interest can affect both the nature and concept of the training programme, and the management approach to training strategies

(Soltani and Liao, 2010). In the study by Soltani and Liao (2010), a negative attitude towards employee training was found since training was infrequent, and shaped to fit only the management priorities and initiatives.

In service organisations with high interaction and strong interpersonal relationships between service provider and the customer, there is a need to invest more in developing the interpersonal skills of employees, especially those with customer contact, as well as developing their skills in quality concepts and tools (Bowen and Schneider, 1988).

Payne and Dale (1990) have further criticised conventional courses run by training departments since they too often lack follow-up and assistance in transferring new knowledge to work situations. Such transfer is clearly essential if a quality initiative is to be successful. Leonard and Sasser (1982) identified that good quality-related training extends far beyond what we normally think of as ‘quality topics’ (statistical methods, sampling techniques, or inspection procedures), and includes equipment operation, advanced milling techniques, preventive maintenance, set-ups and breakdowns, gauging computer-aided design, and interpersonal communication. They stress that American managers must think more broadly about this kind of long-term investment in training and encourage it in areas where the leverage on quality is greatest. In addition, they mentioned that training should align with employees’ needs and product and process technologies change.

### **2.12.3.2 Empowerment and Involvement**

According to Kanji and Asher (1993:5) “the role of people is vital” because “systems, standards and technology themselves will not mean quality”. And Kaisen, in a 2001 *Management Services* article, claims that the key to motivating staff and improving performance, in any business and at any level, is already in the hands of the management and costs them nothing – it is ‘involvement’ which is one of the ten commandments of management, which Kaisen has termed the ‘people enablement index’.

The concept of empowerment in TQM philosophy entails creating an environment in which people have the ability, the authority, the confidence, and the commitment to take responsibility and ownership to improve a process in order to achieve organisational values and goals (Besterfield *et al*, 2003; Morris and Haigh, 1996; Goetsch and Davis, 2003). It refers also to the degree to which employees are encouraged to make decisions without

further approval from their supervisors (Humbrstad *et al.*, 2008). This requires employees to be provided with freedom, democracy and flexibility (Cook, 1994; Greasley *et al.*, 2008).

Schneider and Bowen (1992) consider that empowerment has consisted of systematically re-designing four key aspects through the organisation from top to bottom: power, information, reward, and knowledge. Gufreda and Maynard (1992) further state that involvement implies that every person has two jobs - doing his or her own job and improving the system. This results in excited and committed workers.

Much of the literature on QM emphasises the significance of employee participation in decision-making (Deming, 1986a; Feigenbaum, 1983), in the process of continuous improvement and in its contribution towards customer satisfaction (Crosby, 1980; Deming, 1986), and in making them autonomous, creative, active co-operative, self controlled and really involved in the responsibility for quality (Iskikawa, 1985).

Oakland (1989:298) suggests the theme of total involvement, saying *“Everyone in the organization from top to bottom, from offices to technical service, from headquarters to local sites must be involved. People are the source of ideas and innovation and their expertise, experience, knowledge and co-operation have to be harnessed to get these ideas implemented”*. Similarly, Mersha (1997) insists on the full and active involvement of all employees, believing that one main reason for the failure of TQM is the absence of empowerment of individuals and teams.

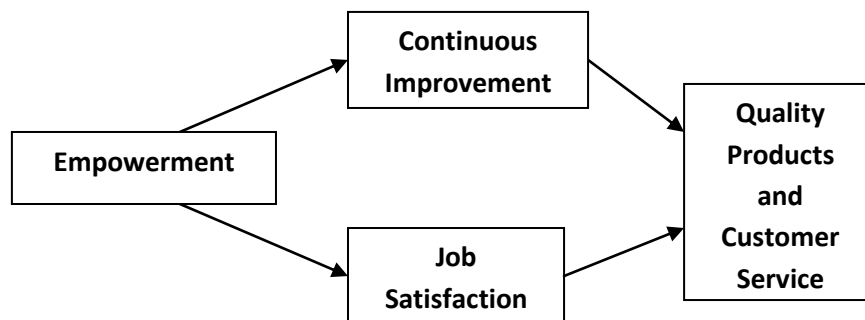
Milakovich (1995) states that the successful implementation of TQS requires the approval of an empowerment approach by all the employees of the organisation as a state of mind, attitudes or behaviour, and not as a set of rigid rules, policies, procedures or practices. In service organisations, the intangible and simultaneous nature of producing and delivering the service requires employees to interact with customers and hence, they must be able to control the quality of service delivered, which means they must be service marketers and not just service deliverers (Schneider and Bowen, 1995). This in turn, demands that employees must be involved in quality improvement efforts (Sureshchandar *et al.*, 2001).

Empowerment of front-line staff could be fundamental for achieving and improving the level of service quality (Berry and Parasuraman, 1992; Ghobadian *et al.*, 1994; Zeithaml and Bitner, 1996; Lin and Darling, 1997; Rafiq and Ahmed, 1998; Humbrstad *et al.*, 2008; Greasley *et al.*, 2008). Previous research shows that empowered employees are more

productive, more competent, more committed, more satisfied and innovative, creating higher quality products and services than non-empowered employees (Katzell and Guzzo, 1983; Locke and Schweiger, 1979; Sashkin, 1982, 1984; Kanter, 1983; Greenberger and Strasser, 1991; Spreitzer, 1992; Whetten *et al.*, 1996).

Further, Bateson (1995) and Zeithaml and Bitner (1996) state that empowered employees are more customer-focused, more dynamic in responding to customer needs and requests, and more likely to recover any service failure. And Zhang *et al.* (2000) mention that employee participation motivates the development of personal capabilities and traits, removes negative attitudes, and creates a company-wide quality culture. Zhang *et al.* (2000) stress that good suggestions from employees should be implemented after being evaluated. The relationship between empowerment and quality has been shown by Dean and Evans (2000) and can be seen in Figure 2.12.

Empowerment of front-line staff can, however, sometimes be harmful (Bowen and Lawler, 1992; Lashley, 1997, 1998; Boshoff and Leong, 1998; Rafiq and Ahmed, 1998; Martin and Adams, 1999), since higher labour costs are involved, and the outcome is often slower or inconsistent service delivery, and bad decisions on the part of employees (Bowen and Lawler, 1992). It may also result in higher prices, external customer dissatisfaction, and negative word of mouth communication. This might be a high price to pay for some if not all organisations (Papasolomou, 2006). A significant association between empowerment and service quality even though it was not straightforward has been demonstrated by Ueno (2008).



**Figure 2.12: The Relationship between Quality and Empowerment** (Dean and Evans, 2000:261)

According to Huge and Vasily (1992), an employee involvement effort will be most successful if the following are regarded:

- Employees feel good about offering suggestions for improvement;



- Employees have the power to take whatever steps are necessary to ensure a quality output;
- Each employee has a sense of how his or her individual action affects the realisation of the company's new vision of excellence;
- Employees' job security is ensured to the greatest possible degree during the change process.

In reality, however, the notion of total involvement can be regarded as very limited. In this matter, Wilkinson and Witcher (1991:30) observe that "TQM seeks to achieve a form of employee involvement in operational aspects of the business. Of course it is a form of involvement to be dictated by customer requirements. Therefore employees are immersed in the logic of the market and are thus more likely to be convinced of the legitimacy of company decisions". Sun *et al.* (2000), Kondo (1997) and Ang (2002) all argue that employees should be given more responsibility and freedom in order to participate effectively, otherwise employee involvement will remain ineffective for making continuous improvement and be limited simply to making suggestions.

Management has the main responsibility for promoting empowerment through praising, encouraging, and reassuring employees (Whetten *et al.*, 1996). Supportive and responsive managers who regularly provide feedback for employees are crucial in fostering empowerment (Kanter, 1983; Bandura, 1986). Practically, empowerment diminishes the role of administration and the number of managers at various levels (Sutherland and Canwell, 1997). The relationship between employee involvement and empowerment and managerial control has been identified in the empirical study of Mellahi and Eyuboglu (2001), who clarify that TQM implementation took a dual pathway, resulting in a hybrid model: empowerment with strict management control. Management of the participating banks adopted the 'iron hand in a velvet glove' approach, delegating some authority to line managers and lower subordinates, but not tolerating resistance to management decisions, over-ruling line managers' and employees' decisions without prior consultation, and keeping a firm grip on decision procedures. Essentially, the message to employees was "do what you think is right but remember we are watching you and don't forget who is the boss". Likewise, Gilmore and Carson (1995) revealed that managers may refuse to empower their subordinates because of: their personal insecurities, need for control, the belief that the subordinates are not confident enough, and fear of delegating power and authority. In reality, as Weiss (1997) reveals, employees may exhibit a reluctance in accepting the increased responsibility and

accountability resulting from empowerment for a variety of reasons including: being embarrassed by managers, fear of ridicule from their peers, and resistance to change because of a feeling of safety with the status quo. Porter and Parker (1993) point out that across the organisations they surveyed, participation in TQ activity ranged from being entirely optional to quasi-mandatory. Viewed as two extremes, both options have their disadvantages. Optional involvement will lead to a loss of quality improvement opportunity from non-participants and mandatory involvement may lead to disruption of progress by unwilling participants. The solution appears to be strong leadership to motivate employees to want to participate. In this respect, several techniques have been introduced such as briefings, videos, posters and newsletters to launch and sustain the TQM message in the first stage as educative process. In the participative stage, Quality Circles, Problem hit squads, Quality Improvement Teams, Cross-functional Teams, Suggestion teams, and Voluntary Teams are all used (Wilkinson, 1994; Smith, 1995; Zhang, 2000).

#### **2.12.3.3 Rewards and Recognition**

The motivation of individuals is critical for achieving organisational objectives, and there are various means available to do this. Juran and Gryna (1993) define both reward and recognition as follows: *Reward* - benefits, such as increased salary, bonuses and promotion, which are conferred for generally superior performance with respect to goals. *Recognition* - public acknowledgment of superior performance of specific activities. Reward may be delayed until an appropriate time, but recognition should always be timely.

The organisational behaviour and sales literature demonstrates the significance of rewards as a motivator (e.g. Hale 1998; Lawler, 1981, 1987). However, the quality literature expresses contrasting views about the effect of remuneration systems on quality initiatives. Some authors insist that financial incentives have a negative effect on attempts to improve quality generally, and especially on TQM (Crosby, 1980; Deming, 1986a; Drummond and Chell, 1992; Oakland, 1993). Crosby (1980) for instance, considers providing financial incentives as compensation for quality commitment as a risky means of encouragement, akin to attaching a price tag for effort. He believes that recognition is the key. Likewise, Deming (1986) considers that linking an incentive scheme to appraisal outcomes diminishes the co-operative, creative, and committed behaviour necessary for continuous improvement.

Juran (1989) also mentions the significance of providing recognition in his ten steps to quality (See Appendix 1), but simultaneously, he also urges organisations to adopt effective

reward systems to appraise performance according to quality improvement. He considers that traditional reward systems are sufficient for meeting quality standards but not for quality improvements.

The guidelines of the EFQM Excellence Model (2010) value both recognition and rewards (Carter *et al.*, 2000; Martensen and Gronholdt, 2001; Wong and Sohal, 2002), confirming the vitality of both in supporting quality initiatives.

Practically, financial incentives can be used in a quality improvement strategy (Schuler and Harris, 1992), since positive effects have been seen if such incentives are carefully designed and appropriately managed (Shadur *et al.*, 1994; Redman and Mathews, 1998). The pay system, for example, can be linked to customer satisfaction and feedback the service quality (Schuler and Harris, 1992; Brown *et al.*, 1995; Palmer, 2001). However, if not used appropriate, these techniques can be damaging (Van Looy *et al.*, 1998).

In the USA, a Conference Board (1991) survey revealed that 85% of TQM organisations had developed compensation programmes to reward individuals and teams for quality improvements. And an empirical study by Redman and Mathews (1995) in the UK service sector demonstrated the relationship between financial incentives and quality strategy. Yet another empirical study by Ueno (2008) found that the association between service quality and performance appraisals and reward in technology and mass services is positive despite it emerging as non-significant in technological services. That suggests that service quality can be achieved in technological service regardless of the presence of performance appraisals and rewards.

It is acknowledged that reward systems for quality improvement purposes should deal with individuals and teams (sections, departments, and divisions) (Dale and Plunkett, 1990; Mehra *et al.*, 2001, Brown *et al.*, 1994; Besterfield, 2003), since all involved in the provision of excellent performance should be compensated (Brown *et al.*, 1995).

Mehra *et al.* (2001) add that effective reward and recognition systems should be regularly revised and updated, such that are seen as dynamic and consistent, and able to cope with changed conditions and organisational requirements.

According to Cherrington (1995), earning money is the most important reason for people to work hard, especially if their jobs do not ensure them sufficient income. Money is a powerful motivator, but the pay system should be linked to performance, effort, skill, and experience.

Similarly, Armstrong (1999) mentions that the reward system should meet employees' expectations of fairness, equality, and consistency.

Zhang *et al.* (2000) stress that rewards activities should stimulate employee commitment to quality improvement, otherwise they are worthless. He suggests that improving working conditions, salary promotions, position promotions, monetary or non-monetary rewards, financial awards for excellent suggestions, are all good methods of recognition and reward. In addition, Shaw (1999) states that incentive systems should push employees to develop their skills and abilities in a way which supports the organisation's needs and culture.

#### **2.12.3.4 Communication**

According to Hopkins (2006) communication is a dual listening process. In a business context, internal communication is the dialogic process between employees and employer, and employees and employees. Goldhaber (1979) observed human communication as the process by which people create and exchange messages to satisfy wants and/or express ideas and feelings.

Many authors mention the significance of communication in the organisation as a feature that improves corporate culture (Lievens *et al.*, 1999), an essential ingredient of successful innovation (Nadler, 1993), and an empowerment tool for employees to fulfil organisational goals (Robitaille, 2006). Moreover, communication can effectively influence people's attitudes and behaviour, as shown by the media and advertising which provide good examples of such influence (Oakland, 2000). Communication can also maintain employees' motivation and interest which in turn will lead to their commitment to the firm and to service quality (Zeithaml and Bitner, 1996; Allen and Brady, 1997; Savery *et al.*, 1998)

Beach (1996) considers organisational communication should be frequent, regular and effective. Downward communication enables employees to deliver what customers expect from the company (Gilmore and Carson, 1995; Görnroos, 2000; Zeithaml and Bitner, 2000), whilst upward communication allows employees to provide management with information about customers (Grönroos, 2000). It also enables frontline staff to articulate what they need in order to meet customers' requirements (Grönroos, 2000). Actually, the direct and regular contact between frontline personnel and customers enable those employees to recognise customers' expectations and perceptions which can then be conveyed to top management so that they improve their understanding of customers (Zeitham *et al.*, 1990). However, Kandampully (1993) argued that unless management is easily accessible and approachable, upward communication will not occur. Top management must deliver the message that the

focus is on the customer and demonstrate its support of the employee who serves the customer (Congram *et al.*, 1986).

The literature emphasises the relationship between communication and quality. For example, Deming (1982a) reveals in his 14 points (see Appendix 1) that fear is a obstacle to the achievement of quality, and that it is important to remove any fear within the organisation by encouraging open, two-way, non-punitive communication. Deming (1982) stresses that lack communication by not asking questions or reporting troubles as the main reason for economic loss. Likewise, Zeitz *et al.* (1997) considered open communication to be the most central prerequisite for successful quality initiatives. Freed and Klugman (1997) also argued that internal communication plays a critical role in clarifying the principles and values of quality, and that it should be evident between all levels without exception, such that no individual can feel isolated. It is also very helpful in removing all the barriers to the achievement of quality goals. An empirical study by Ueno (2008) suggests a strong association between communication and service quality in mass and technological services. Poor communication, is known to cause many problems for QM systems in all types of organisation (Wosik, 2009).

Augsdofer and Harding (1995) indicate that a culture of communication and openness requires a blame-free environment. Lewis and Smith (1994) consider that the communication process must facilitate criticism of the organisational vision by individuals.

Axline (1991, cited in Jabnoun, 2001) identifies many obstacles to effective communication within the organisation such as fear, arrogance, lack of trust, and extra sensitivity for others' feelings. He adds that whilst attention to people's feelings is required, this should not be an excuse for not communicating. People must recognise that when they do not communicate, they send the wrong message. If they see something wrong and do not report it, they convey approval of that wrongdoing. Therefore, not communicating the truth is basically communicating the wrong message. Similarly Wells (1997:92) states that "*Only through good communication establishing an atmosphere of trust, and having a clear shared understanding of the objective can the fear be reduced if not eliminated*".

Porter and Parker (1993) observe that well developed communication channels can be characterised by the following three features.

- Regular communication with staff using a variety of media.
- Communication viewed as a two-way process, with channels for feedback available.
- Communication viewed as an ongoing process, with consideration given to ways of

reinforcing the concepts in the future.

Porter and Parker (1993) mention that some organisations that have implemented TQM reported the need for training in communication and presentation skills for managers and supervisors to ensure the effectiveness of the communication. However, Robitaille (2006) identifies the importance of training employees to use the communication media, asking “*Do people know how to use the e-mail system? Do they know how to use the various forms that are utilised to communicate requirements? Do they know who to ask if they don’t understand the nature of a message? Do people know the protocol or rules for contacting people at other facilities or remote locations? Does the company offer tuition assistance for “English as a second language” courses?*”

It is vital for organisations to assess and verify the effectiveness of their communication processes and means (Robitaille, 2006). Evaluation of internal communications should be built into the strategy and action plan from the beginning so that activity is regularly monitored and assessed to measure its success. Key stakeholders – managers, staff and members – should be surveyed regularly to give feedback on the methods and impact of the internal communications methods (Internal communication, 2009).

Porter and Parker (1993) found that improved feedback mechanisms were appreciated by staff despite the level of their feedback not being high, thus suggesting that managers and supervisors need skills to help them solicit feedback from their subordinates. Feigenbaum (1991) and Besterfield *et al.* (2003) demonstrate the significance of feedback in the organisation, noting that this helps top management to be aware of every single issue in their organisations and to be more confident in building their decisions on facts. Additionally, Kandampully (1993) observed that feedback through service personnel is a management resource which can activate many benefits for the organisation such as strengthening its commitment to quality, enabling a better understanding between management and employees in issues relating to customer satisfaction, and encouraging employees to participate actively in problem-solving and decision-making.

There are many techniques and methods for communication, such as for example, seminars, personal communication, posters, departmental or personal meetings, newsletters, notice boards, Internet, Intranets, annual and quarterly reports, and audio files (Thiagarajan and Zairi, 1997; James, 1996; Besterfield *et al.*, 2003; Freed and Klugman, 1997; Omachonu and Ross, 2004; Hopkins, 2006). Whatever the communication means, however, the most

important requirement is to ensure that the organisation has sufficient resources in this regard (Porter and Parker, 1993; Robitaille, 2006).

#### **2.12.4 Managing by Process**

Generally speaking, there is no accepted definition of a process (Armistead *et al.*, 1999; Garvare, 2002; Lindsay *et al.*, 2003, Isaksson, 2006). The Concise Oxford Dictionary (2002) defines it as “a course of action or a procedure”; it goes on to state “especially in a series of stages in manufacturing or some other operations”. Slack *et al.* (2001) state that a process defines the relationship between the ‘component’ products and services. Munro-Faure and Monro-Faure (1993:20) explain a process as “any activity which takes an input and transforms it into an output”. Similarly, Isaksson (2006:634) indicates a process to be “a network of activities that, by the use of resources, repeatedly converts an input to an output for stakeholders”.

Organisational processes can be classified according to different principles, two common ones being used for categorisation being: the nature of the process, and the hierarchies (Rentzhog, 1996). An example of the nature of the process is the classification into management, operative, and support processes, as noted for example by Cakar *et al.* (2003), Bergman and Klefsjö (2003), and Ould (1995). However, Harrington (1991) classifies processes into hierarchies and divides them into sub-processes, activities, and tasks.

Bessant *et al.* (1994) argue that a company’s capability to improve and align its operation processes with strategic priorities is essential to achieve competitiveness in the long run. And concerning strategic priorities, Carpinetti *et al.* (2003) assert that it is vital to develop a conceptual framework for managing the process of systematically deriving improvement actions from customer expectations and strategic decisions through business processes, and prioritising improvement actions that will most contribute to strategic objectives.

Many researchers (e.g. Garvin, 1983; Juran, 1978; Crosby, 1979; Deming, 1982; Monfon, 1982; Motwani, 1994) have proved the hypothesis that a comprehensive process design improves the level of quality. And Feigenbaum (1991) in his Ten Benchmarks of Total Quality also acknowledges that quality is a company-wide process.

Berman and Klefsijo (1994) and Straker (1995) observe that in the Japanese manufacturing quality approach, process improvement frameworks are established based on the Deming cycle, which generalises the improvement process into four activities: plan (decide what to do, and identify how you will know if it has worked), do (do what you planned, and measure

it as planned), check (check results against expectations), and act (hold the gain, and learn from experience)

The requirements contained in 4.1 of ISO 9001:2000 provide a relevant guideline for organisations to be able to define their own processes and activities as a function of customers' satisfaction and, more in general, of the attainment of quality objectives.

The EFQM Excellence Model (2010) and Baldrige Model (2009-2010) stress process management as one of their criteria to optimise stakeholder values. They emphasise the need to examine how the organisation designs its work systems and how it designs, manages, and improves its key processes for implementation.

Kanji's (2001:264) Excellence Model states 'All Work is Process' thus showing the extent to which the organisation:

- has processes that are designed to meet the quality requirements
- assesses the quality of its processes
- determines which are the critical processes and selects adequate control points
- applies appropriate statistical methods to control its processes
- uses assessment results and benchmarking to enhance knowledge about processes

Additionally, Kanji (2001) stresses that all processes have variability, recognising that the main role of QM is to reduce variation. Carmignani (2008) also proposes that the QM system is necessary to define quality policy and objectives, to reach such objectives, and to preserve them in time, steadily improving their effectiveness. Moreover, he mentions that the system usually consists of complex inter-related processes such as: running actions, strategic planning elements, resource identification and management, personnel, and supplier management, which all inter-relate with the whole company business even if they are not directly accountable for product quality

Measuring and evaluating such processes is a pivotal step of process management. It is critical to visualise the processes and their interaction, and then the performance of each process must be measured against the planned and expected results. Actually, the organisational process performance can be assessed according to the processes, or the outputs, but it can be also based on inputs (Melan, 1992; Tsim *et al.*, 2002).



Tsim *et al.* (2002) recommend adopting the process-based approach which means, first of all, identifying the processes necessary to achieve a product or service, defining the interactions of such processes among themselves and applying to their management (control), both at a global and at a single-process level, the Plan-Do- Check-Act (PDCA) principles. Quality control activities can be based mainly on the application of statistical quality control techniques. According to Deming (1982, cited in Motwani *et al.*, 1994), statistical quality control provides the means for analysing the process, continually improving the process, and controlling the product quality through control of the process.

In respect of services, Sureshchandar *et al.* (2001:385) state that “*service process management essentially refers to the procedures, systems and technology that are required to streamline the service delivery i.e. it delineates the non-human element of service delivery. Service delivery process should be perfectly streamlined, standardised, and simplified so that customers can receive the service without any hassles*”.

Milakovich (1995) stresses that TQ processes must be able to transfer knowledge swiftly since responses to the customer should be dynamic and quicker than those of competitors.

Zemke and Schaaf (1990) state that a study of 1,500 Consumers by Cambridge Report, a Massachusetts-based research firm, found that 44 respondents indicated that they were intending to run a financial firm. The relative ease of doing this was the result of the development of technological capabilities (e.g. computerisation, networking of operations, etc) which played a significant role in modernising and simplifying the service delivery.

Actually, during the last two decades, banks have noticeably developed their working systems and process activities, largely adopting service delivery technology as a way of amplifying the services traditionally provided by bank personnel (Joseph and Stone, 2003). Various reasons have been identified for introducing new systems such as: saving costs to enhance the overall operating efficiency of banks, meeting the challenge posed by technologically innovative competitors, and meeting the customers’ preferences to use self-service delivery systems (see for example, Byers and Lederer, 2001; Howcraft and Beckett, 1996; Kelley, 1989; Pyun *et al.*, 2002; Quinn, 1996). Undoubtedly, the technology has changed the way banks interact with their customers. Now, it takes hours and not weeks to open a new account and transactions can be initiated from any location with a computer. The competition has compelled banks to respond to their customers’ needs promptly, and to do

this, processes must be standardised, transparent and well orchestrated. In the world of financial services, a single mistake can drive a customer to a competitor (Kopp, 2010).

Cowles and Crosby (1990) believed that most individuals are willing to accept some levels of increased technology if they are granted some levels of autonomy. Furthermore, they considered empowering customers by providing them with the option of using technology-based service delivery systems, which is an inexpensive way to maintain customer loyalty

#### **2.12.5 Building Partnerships**

According to Taket and White (2000), partnerships, may include working arrangements, such as joint working, co-ordinated working, collaboration, coalition and alliances. Such arrangements are not limited to the private sector, and are seen in the public sector, in alliances at international, national, regional and local levels, all effected in order to achieve strategic, tactical, and operational objectives. The net result of these partnerships is that strategic alliances and closer relationships with suppliers and contractors tend to blur the boundaries of the enterprise (OECD, 2000).

Generally speaking, partnerships have become common at the organisational level because of rapid changes in economic activities, such as the developments in technology and globalisation. Practically, organisations begin to economise and centre their resources on performing their core activities, thereby being forced to think about partnerships (Doz and Hamel, 1998). By focusing on their core activities, organisations rely on contractors to support and maintain the level of quality for their auxiliary services. Some questions have been raised among organisations about the reliability, competence and overall business philosophies of contractors and whether they can deliver the level and quality of services required. In this environment, an increased level of commitment and trust should be developed between the partners to support the effective partnership and enable each partner to achieve common and complementary objectives (Bresnen and Marshall, 2000).

Cully *et al.* (1999) have identified five key pathways (inputs) required to create a successful partnership: shared goals, shared culture, shared learning, shared effort, and shared information. Kanter (1994) takes a different approach, identifying eight criteria (outputs) that good partnerships demonstrate: individual excellence, importance, interdependence, investment, information, integration, institutionalisation and integrity.

In respect of the banking sector, Zineldin (1996:16) proposed a concept of partnership between the bank and corporate client as “*process dynamics which demands interactions*

*between two active parties, where they both may obtain benefits in the form of cost and uncertainty reduction and/or increased profitability*". He also states that during the life cycle of this relationship, the service provider will try to solve the company's financial problems through a series of transactions, whilst the company will assess the quality of the service received and the relationship developed.

Haubrich (1989) considers that the bank-corporate client long-term relationship is like marriage, and this relationship enables the bank to attain a great deal of information that would be impossible to transfer to another lender.

Zineldin (1996:17) also identifies that *"a partnership relationship strategy should be based on mutual trustworthiness, co-operation, shared interest and objectives, closeness, openness, flexibility, and a commitment to doing business with each other on an ongoing basis. The effective development of this relationship usually leads to client loyalty to a particular product/ service supplier"*.

Many other studies have focused on the relationship between banks and corporate clients (see for example, Donnelly *et al.*, 1985; Moriarty *et al.*, 1983; Thunman, 1991; Zineldin, 1993, 1995, 1996; Edris and Almahmeed, 1997), producing results that have shown contradictory relationships between bank interaction (degree of dependence), and company size. Large companies are more likely than small companies to have several relations with different banks, tending to be more independent of the commercial banks, whereas small companies have more intention to develop a single long-term relationship with one bank (Zineldin, 1996).

In a study in Sweden, Zineldin (1995) found banks and medium and large sized companies in Sweden to have a healthy relationship with an atmosphere of trust and co-operation. However, small companies did not have such kind of relationship with banks. It was also found that banks do not have enough knowledge of, or respect for, the firm's operating environment e.g. industry and market.

Understanding how customer preferences change over the duration of the relationship is necessary for building strong customer relationships (Bell *et al.*, 2005; Mittal and Katrichis, 2000). In this respect, Zinelden (1996) argues that during the partnership, the client can benefit from preferred access to certain forms of low-cost credit and financing. However, the bank is able to collect comprehensive and accurate information about the customer's current

and future investment plans and financial measures, business strategy and tactics, and the branch's competitors and marketplace. Paré (1990) considers that accessing such information like account applications, auto loan applications, mortgage applications is the best marketing tool which banks can have about their customers. Zinelden (1996) stresses that collecting such data is critical in the banking industry to create competitive advantage and enable banks to identify their current and future customers' needs, create strong relations, calculate the revenue the customer generates, and estimate future investment opportunities. In addition, Zineldin (2005) insists that banks have to develop strong relationships with their customers, since such relationships deliver value beyond that provided by the core product. This involves added tangible and intangible elements to the core products, thus creating and enhancing the 'product surrounding'.

The best way for banks to build and maintain effective relationship with key corporate customers/clients is believed to be by developing Relationship Management (RM) strategies by providing high quality products and supporting service in a more systematic manner (Zineldin, 1996, 2006).

Actually, within the literature the concept of 'customer relationship' is a wide one. Nonetheless, it is essential to articulate the concept of relationship quality which has been mentioned as a condition for long-term relationships and customer retention as mentioned by many researchers (see for example, Bejou *et al.*, 1996; Crosby *et al.*, 1990; Hennig-Thurau, 2000; Hennig-Thurau and Klee, 1997; Moliner *et al.*, 2007). Some authors consider the 'dynamic' nature of these long-term relationships (Grönroos, 2001; Moliner *et al.*, 2007), recognising that the customer's perception of quality develops and changes in line with the relationship's duration per se (Storbacka *et al.*, 1994).

The literature has suggested several dimensions for the relationship quality, the most agreed concepts being trust and satisfaction (Bejou *et al.*, 1996; Crosby *et al.*, 1990; Lin and Ding, 2005; Wray *et al.*, 1994, Henning-Thurau, 2000; DeWulf *et al.*, 2001; Lang and Colgate, 2003; Roberts *et al.*, 2003; Macintosh, 2007; and Moliner *et al.*, 2007). However, the majority of authors also add the dimension of commitment (De Wulf *et al.*, 2001, Hennig-Thurau, 2000; Macintosh, 2007; Moliner *et al.*, 2007), while Nyaga and Whipple (2011) have added a new dimension represented by 'relationship-specific investments' which refers to investments that have been launched between the two parties related to a particular

relationship. Within the banking sector, two additional dimensions have been recognised which are conflict and social bonding (Lang and Colgate, 2003).

The benefits associated with quality relationships and ultimately loyalty, have received increasing attention in the literature (e.g. Gwinner *et al.*, 1998; Hennig-Thurau *et al.*, 2002; Reynolds and Beatty, 1999). These benefits include confidence, social and special treatment benefits (Gwinner *et al.*, 1998).

Dagger and O'Brien (2010) believe that the benefits customers derive from engaging in a service relationship will have a differential impact on satisfaction, trust and commitment depending on the customers' experience in service usage

The literature also does not ignore the factors affecting the relationship quality, Zineldin (1995) identifying three major factors affecting bank–company interaction and relationships which are: environment, atmosphere, and interaction process. Subsequently, Zineldin (2006:432) has developed a broader model for the relationship quality including five quality dimensions (5Qs) which impact upon the satisfaction and loyalty of a customer (5Qs), which are:

*Q1. Quality of object – the technical quality (what the customer receives). It measures the core product itself.*

*Q2. Quality of processes – the functional quality (how the product provides the core product (the technical)). It can be used to pinpoint problems in service delivery and to suggest specific solutions.*

*Q3. Quality of infrastructure. Measures the basic resources which are needed to perform the prodserv services: the quality of the internal competence and skills, experience, know-how, technology, internal relationships, motivation, attitudes, internal resources and activities, and how these activities are managed, co-operated and co-ordinated.*

*Q4. Quality of interaction. Measures the quality of information exchange, financial exchange and social exchange, etc.*

*Q5. Quality of atmosphere – the relationship and interaction process between the customer-company are influenced by the quality of the atmosphere in a specific environment where they operate. The atmosphere indicators should be considered very critical and important*

*because of the belief that lack of frank and friendly atmosphere explains poor quality and less loyalty.*

### **2.12.6 Achieving Balanced Results**

Achieving balanced results means including both financial and non-financial outcomes for the organisation. Non-financial results can be classified as customer results, people results, and society results. According to Nabitz *et al.*, (2001) excellence can be translated to different achievements relating not only to the key business results but also to the satisfaction of internal and external customers, and the society in which the organisation performs its activity.

Regarding customer results, it has been demonstrated that service quality is one of the critical factors in achieving customer satisfaction (Parasuraman *et al.*, 1994; Cronin and Taylor, 1992). Similarly, Ennew and Binks (1996) consider service quality as a significant contributing factor for a financial organisation to retain its current customers.

Many studies in the literature have tried to investigate the factors affecting relationship banking and customer satisfaction. For instance, Colgate and Hedge (2001) clarified the most significant reasons for switching banks in Australia and New Zealand, classifying them into three major groups, namely, service failure, pricing, and denied services. It was shown that problems with pricing are the most common reason for switching behaviour. A similar study by Chakravarty *et al.* (2004) has investigated the role of relationship banking for US customers in switching behaviour. The study has proposed that the finance/economic aspects of the relationship with the various dimensions of the service quality relationship are the main determinants of customers' tendency to switch banks.

Regarding customer satisfaction, an empirical study by Anderson and Sullivan (1993) concerning the level of customer satisfaction in Swedish banks, revealed this to have increased with the level of perceived service quality. Similarly, Yavas *et al.* (1997) studied bank customers in Turkey, concluding that bank service quality led to customer satisfaction. In their study, Jamal and Nasser (2002) investigate the impact of the service quality dimensions on bank customer satisfaction, finding that the former is definitely an antecedent of the latter. Additionally, they found the core and relational service quality dimensions to have a positive impact on customer satisfaction.

A more sophisticated study by Chakrabarty (2006) of more than 12,000 UK retail banking customers has classified four significant factors affecting overall customer satisfaction in order of importance, as:

- (1) in-branch satisfaction (speed of service, staff helpfulness, privacy, opening hours);
- (2) economic satisfaction (level of bank fees, overdraft interest rates);
- (3) remote satisfaction (responsiveness and efficiency in dealing with remote enquiries); and
- (4) ATM satisfaction (ATM availability, ATM reliability).

Another comparable study by Manrai and Manrai (2007) has revealed four overall dimensions of customer satisfaction with bank services, which in order of importance are:

- (1) personnel-related considerations (attitudes and behaviour of tellers and other staff, procedures for handling complaints, appearance of staff);
- (2) financial considerations (interest earnings, interest payments);
- (3) branch environment-related considerations (atmospherics); and
- (4) convenience-related considerations (ATMs, opening hours).

In a similar survey (understanding customer behaviour in retail banking) conducted in Europe in 2010 to measure customer satisfaction, service quality emerged as the most important criterion for customers when choosing a bank, about 43% of respondents ranking it as 'highly important'. The study has also confirmed that banks in Europe need to develop new strategies to target dissatisfied customers and prevent attrition. Improving customer service and service quality will have a major impact on achieving customer loyalty. Hence, intensive staff programmes should be considered to reward superior service quality.

A more recent study by Gan *et al.* (2011) has also indicated that service quality has the most influence on bank customers' satisfaction compared to value (price of service), and corporate image.

Regarding people results, this refers to what the organisation has achieved to satisfy its people. In other words, it demotes to the degree of people satisfaction in the organisation. The EFQM Excellence Model (2003) classifies people results according to three main criteria:

- a. Employee motivation and commitment
- b. Employee achievement
- c. Employee satisfaction

However, the new 2010 version of the model focuses on integrating people results with how people perceive the effectiveness of the strategy, especially the 'human' part. The criterion is categorised into two indicators, one for employee perception, and the other for performance indicator.

Employee satisfaction simply reflects the degree to which employees believe their needs and requirements are continuously responded to by the organisation (Sureshchander et al. (2001). This concept was formerly introduced by many authors concentrating on the manufacturing sector (e.g. McGregor, 1960; Crosby, 1979; Deming, 1986; Cranny *et al.*, 1992; Rao *et al.*, 1996; Zhang *et al.*, 2000) who focused on people-oriented issues in quality management. Similarly, the concept has been introduced in the service organisations (e.g. Folger and Greenberg, 1985; Schneider and Bowen, 1992, 1995; Schneider et al., 1994).

The influence of employee satisfaction on organisational performance has been investigated by many studies. Wilkinson (1992), for example, has demonstrated that job satisfaction has a positive relationship with the level of efficiency and work quality. In addition, he considers that job dissatisfaction is the main reason for leaving the job or for a lack of desire to work efficiently as shown by poor time-keeping, or producing low quality services which negatively affect the organisation's profitability. Similarly, Kohler and Mathieu (1993), and Saari and Judge (2004) have proved that turnover and absenteeism rates are very low in organisations that have high levels of employee satisfaction. In the banking sector, Kaya (2010) stresses those employees' attitudes and work behaviour critically affect the level of service quality and consequently, the level of marketing success. And likewise, Babakus *et al.* (2003) reveal that job satisfaction is a considerable motive for the performance of the frontline service employees

Regarding quality issues, many quality studies (e.g. Sureshchandar *et al.*, 2001; Lau and Idris, 2001; Johnson, 1997; McAdam and Henderson, 2004) consider employee satisfaction as a critical success factor for adopting any QM initiative in the organisation. And Arasli (2002) pinpoints TQM specifically, asserting that employee satisfaction is a definite prerequisite for this, since this promoted the best expected service for customers and consequently, the best contribution to the achievement of organisational objectives. Similarly, Ishikawa (1985) considers the role of employees in achieving quality objectives, and thereby, customer satisfaction is critical.

According to Ishikawa, achieving this target requires full commitment, proper training, and involvement of all employees in all quality activities in the organisation. Ishikawa added the need to create a quality culture and highlighted the value of getting the 'right things right the first time and every time'.



Many other researchers have also illuminated the significance of satisfying the internal customer to achieve external customer satisfaction. For instance, Reynoso (1994) stated that a firm's internal customers and their satisfaction provide a 'mirror-image' of the external customers and their satisfaction. Zairi (2000) considered that internal customer satisfaction is the source of excellent quality because if the organisation satisfies the needs of its internal customers, it is also enabling internal customers to perform their tasks and the networks of organisation units are more likely to work effectively together to achieve customer satisfaction.

In this context, it is important to mention that the literature contains many suggested practices for meeting quality objectives, and accordingly for achieving internal customer satisfaction. For instance, Ishikawa (1985) stresses the importance of attention to the reward and recognition systems, creating a good quality work-life environment considering safety, health, well-being and morale, training and education, involvement and empowerment. Additionally, he suggests adopting many quality programmes to develop employees' skills and knowledge, such as multi-functional employee (MFL) programmes, self-managed teams (SMTs) of workers, participative management programmes (PMPs), and quality circles (QC). Floger and Greenberg (1985) focus on the necessity of spreading the justice values between the employees. They consider the employees' perceptions of whether there is fair treatment for all (i.e. equal distribution of financial rewards) lead then to additional beliefs about procedural justice in the form of performance appraisal systems, career and promotion opportunities, superior and subordinate relations, job assignments, etc.

Weeks *et al.* (1995) support this perspective, noting that employee satisfaction can be attained from many practices including fair performance evaluation, praise being endorsed rather than criticism, and promoting fair decisions. They also stress that high satisfaction levels result in high internal work motivation which leads to high quality levels and work performance, and low absenteeism.

Similarly, Sureshachander *et al.* (2001:412) propose many factors to be considered by management in a drive to achieve employee satisfaction as follows:

- Extent to which the management provides ample recognition and encouragement for achievement quality
- Focusing on job enrichment rather than on job enlargement and rotation.

- Degree to which the management actively devises strategies to improve employee satisfaction
- Effectiveness of grievance redressal of employees
- Providing performance-oriented group incentives
- Extent to which the performance evaluation system takes inputs from a combination of supervisory, peer, subordinate and customer sources.
- Extent to which non-financial reward systems (e.g. selection for training programmes, preference for choice of posting, etc) recognise quality contributions and achievements.
- Effectiveness of the appraisal system in giving each appraisee an idea of what is expected of him/her in the future.
- Design of career paths for employees, with opportunities and limitations clearly specified.

The findings of an empirical study by Ooi *et al.* (2007) reveal that teamwork, organisational trust, organisational culture, and customer focus are positively associated with employees' job satisfaction. Additionally, it demonstrates that reward and recognition have a positive effect on employee satisfaction levels specifically in relation to their. Xiao (1996) indicated that training can diminish the influence of the factors causing employee dissatisfaction at work; and Lawler (2000) mentions that incentives influence the level of employee satisfaction in the organisation.

Particularly in the context of banking, Kaya *et al.* (2010) find in their exploratory analysis of the influence of human resource management activities and organisational climate on job satisfaction in Turkish banks, that recruitment and selection, teamwork, written policies of HR activities, and the work environment, all make positive contributions to job satisfaction for bank employees.

Regarding key performance results, many quality gurus have confirmed that good quality practices can add value for the organisation which exceeds the cost of quality expenditures (Crosby, 1979; Deming, 1986; Bohan and Horney, 1991; Carr, 1992). Many studies to date have investigated the relationship between quality practices and both financial and organisational performance, and many of these have demonstrated a positive link between the adoption of a QMS and financial and organisational success. Garvin (1992), for instance, revealed a strong relationship between TQM practices and organisational performance

measured in terms of productivity, profitability, customer satisfaction, and employee relations. The study was conducted with 20 US companies that had implemented the Malcolm Baldrige National Quality Award (MBNQA) efficiently in 1988/1989.

And a similar comparison undertaken by Hendricks and Singhal (1997) with a group of firms that had won quality awards, against a control group of non-winners, disclosed that the quality award winners achieved better financial performance in terms of operating income, sales, total assets, return on sales, and return on assets rather than non-winning firms. For example, the operating income for the winner firms considerably increased by 91% compared to only 43% in the control firms.

Easton and Jarrell (1998) took a similar approach, comparing the performance of 108 firms adopting TQM between 1981 and 1991 with a control benchmark sample of firms not adopting TQM. The results demonstrated that firms with TQM were performing than firms without, the stock price of the TQM firms having risen by 16.05%.

Another study by Rapert and Wren (1998) concluded that firms which manage a service quality strategy yield positive returns on organisational performance in both the short and long term.

In this context, it is significant to mention that there is no need to spend excessively on quality strategies in order to gain long-term organisational success, since in many cases excessive quality expenses cause unexpected failure for the company. Spending on quality should not exceed a definite point, otherwise negative consequences can ensue, as many examples demonstrate. For example, the Wallace Company won the Malcolm Baldrige National Quality Award in 1990, but the high levels of spending on quality resulted in unsustainable losses for the company, and unfortunately, it went bankrupt two years later (Hill, 1993). Similarly, Florida Power & Light spent millions to compete for Japan's prestigious Deming Prize (Wiesendanger, 1993) but the excessive spending required to achieve the target posed additional unaffordable costs which then delayed the quality programme (Training, 1991).

A more recent study by Moballeghi (2011) has found that TQM has a significantly positive effect on operational and business performance, employee relations, and customer satisfaction. However, the results could not confirm that adopting TQM would definitely achieve superior profitability, and did confirm that many companies had achieved good

returns without TQM. In this respect, Moballeghi (2011:420) simply stated: “*a typical manufacturing organisation is more likely to achieve better performance in employee relations, customer satisfaction, operational performance and business performance, with TQM than without TQM*”.

Such examples draw the attention to the necessity of managing the expenditure on quality improvement. Rust *et al.* (1995) introduced a financial approach to quality improvement, known as the ‘return on quality (ROQ)’ approach. This considers quality improvement efforts as investments. These researchers also stress that those efforts should be made financially accountable. The ROQ approach provides sound guidance for managers in respect of *where* to spend on service quality, *how much* to spend, and the likely *financial impact* from service expenditures, in terms of revenues, profits, and return on investments in quality improvement (return on quality).

Additionally, Rust *et al.* (1995) also describe the relationship between service quality improvement efforts and profitability as a chain of effects. According to them, achieving good quality practices (efforts) can produce good service quality, which in terms results in increased perceived quality and customer satisfaction, and perhaps, reduced costs. Increasing customer satisfaction promotes high levels of customer retention, and positive word-of-mouth. Consequently revenues and market share are boosted through high levels of customer retention and the newly attracted customers by the positive word of mouth. The overall increased revenues and reduced costs result in higher profitability. Figure 2.13 clarifies these relationships.

## A Model of Service Quality Improvement and Profitability

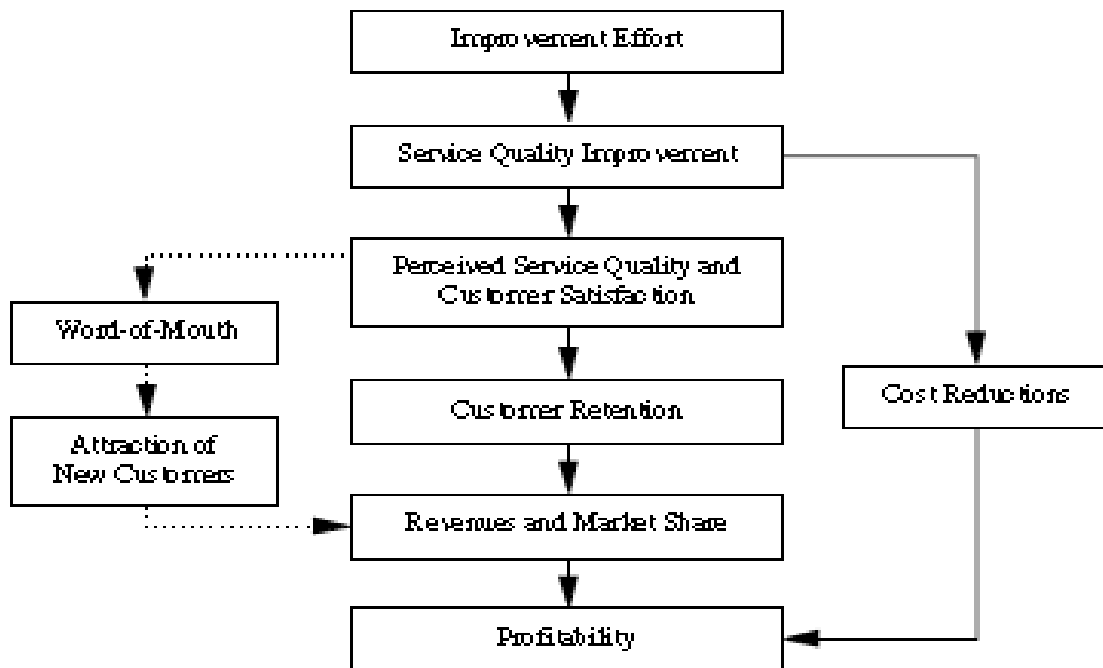


Figure 2.13: A Model of Service Quality Improvement and Profitability (Rust *et al.*, 1995:60)

### 2.12.7 Taking Responsibility for a Sustainable Future

According to Douglas *et al.* (2004:388), there is no single accepted definition of the concept of corporate social responsibility (CSR), it generally referring to “*business decision-making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment*”. The concept of corporate social responsibility has old roots that many authors have tried to elucidate. For instance, Bowman (1953), McGuire (1963), and Sethi (1975) have provided various definitions about corporate social responsibility, all of which have had as their focus, the corporation’s obligation to be compliant with the prevailing social norms, values and expectations for legal and economic obligations. Carroll (1991) believed that corporate social responsibility (CSR) could be understood as a pyramid in which economic, legal, ethical, and philanthropic responsibilities are met in ascending order. Later, other studies (Carroll and Shabana, 2010; Dahlsrud, 2008; Lockett *et al.*, 2006) formulated four popular dimensions for CSR, these being: environmental, ethical, stakeholder-related, and social. And in a more current paper by Beauchamp and O’Connor (2012), the results of an investigation with the 280 most admired

American companies reveal that CSR can be classified to three dimensions: economic responsibility, ethical responsibility, and community commitments.

In simple terms, CSR is concerned with managing the company's social performance which includes the economic, environmental, and social impacts on society, positive and negative, actual and potential (Douglas *et al.*, 2004). Naylor (1999) links the social responsibility of the corporate with the managers' obligation to achieve mutual benefits for both the organisation and society. In this respect, many such benefits have been recognised for companies and society, such as superior profitability and economic results, customer satisfaction, customer loyalty, trust, good brand attitude, positive effect on firm market value, risk reduction, the value of good reputation, the competitive advantage derived from product quality and differentiation, positive effect on people, and positive effects on the natural and physical environments as well as on the social systems and institutions (e.g.; Gildea, 1995; Brown and Dacin, 1997; Drumwright, 1996; Bagozzi, 2000; Maignan and Ferrell, 2001; Murray and Vogel, 1997; Sen and Bhattacharya, 2001; Maignan and Ferrell, 2004; Tsoutsoura, 2004; Sen *et al.*, 2006; Luo and Bhattacharya, 2006; De Schutter, 2008; Lee, 2008; Weber, 2008; Garcí'a-Castro *et al.*, 2010; and Wood, 2010).

It is true that the concept of QM has become more sophisticated since quality gurus introduced their ideas. Quality was (and remains) linked to values like integrity, honesty, and trustworthiness, but a more recent link between it and CSR emerged when the concept of product liability came into being (James, 1996). This link has been demonstrated by many quality scholars. For instance, Waddock and Bodwell (2004) were convinced that general frameworks can manage the QM and social responsibility systematically through several practices. Similarly, José Tarí (2011) considers QM as a philosophy and set of practices for the management of an organisation, while social responsibility is also a philosophy and a set of practices for responsible management. (Jacues, 1993; Takala, 1999) believe that quality and ethics has the same meaning 'doing the right thing right'. Curkovic (2003) and Withanachchi *et al.*, (2007) propose that QM practices support the development of environmental management and social responsibility. Konuse *et al.* (2009) declare that the commitment to quality can improve the organisation's performance which means handling primary ethical values. Likewise, Halici and Kucukaslan (2005), and Mijatovic and Stokic (2010) emphasise that good quality practices positively affect company behaviour in an ethical way. Fisscher and Nijhof (2005) recognise that both QM and social responsibility focus on committing an organisation to honour its responsibilities to its different

stakeholders, and Ghobadian *et al.* (2007) consider the elements of QM to facilitate the elements of social responsibility. For example, people participation, delegation of authority and responsibility, and empowerment are ways to involve employees, increase the degree of communication, and consequently improve transparency. A valuable review by José Tarí (2011) has concluded similar results, suggesting that eight practices of QM (leadership, planning, people management, customer focus, supplier management, process management, information and analysis, and design) can support the development of social responsibility in the organisation. And many other empirical studies have considered that social responsibility is one of the main dimensions of QM (Al-Marri *et al.*, 2007; Parast *et al.*, 2006; Prasad and Shekhar, 2010; Holjevac, 2008; Sureshchandar *et al.*, 2002). For example, a review by Talwar (2009) of 16 quality models has shown that all 16 models include social responsibility as a core value.

International quality organisations like the ISO organisation are concerned about social responsibility, resulting in the publication of the ISO 26000 standard on social responsibility. Similarly, Excellence Models such as the Malcolm Baldrige National Quality Award (MBNQA) and the European Foundation for Quality Management (EFQM) Award have intensively promoted social responsibility issues. According to Aşçigil (2007), the EFQM Excellence Model can align the organisation's social performance with decision-making strategies, and can integrate the three pillars of sustainability (economic, social, and environmental) into a stakeholder-based perspective of QM. In other words, it can transfer the management's attention from functional units to stakeholders' interests in the whole activity chain involving suppliers, retailers, customers, final users and other non-traditional stakeholders such as environment, government and society.

Recently, banks have become aware of the desired benefits of adopting socially- responsible developments. In this context, a group of 30 major international banks, including Citigroup, JP Morgan Chase, Bank of America, ABN Amro, Barclays, HSBC and ING have been urged to sign the Equator Principles agreement which supports the development of social responsibility (Yeomans, 2005).

Many practices are too likely to occur in financial institutions like banks under the CSR umbrella. Gray *et al.* (1995) considered the social expectations of banks might include strengthening corporate governance, fighting money laundering, preventing tax evasion,

protecting financial privacy, offering equal opportunity employment, and promoting environmental awareness.

Some other CRS strategies have been represented, specifically for particular situations, by Auger *et al.* (2006), Bhattacharya and Sen (2004), and McDonald and Rundle-Thiele (2008), including:

- overseas operations (no child labour, no sweat shops, support for human rights)
- employee diversity (support for diversity in the workforce in regards to gender, race, religion, disability and sexual orientation)
- employee support (safe working conditions, job security, profit-sharing, good union relations) ;
- environmental impact (reduction of water and energy consumption, carbon offset programmes, recycling and use of recyclable materials)
- product (R&D, innovation, ethical product marketing)
- community support (offering customers in low socio-economic groups fee-free accounts and low-interest loans, banks' support of their employees' volunteer activities via paid leave and flexible working arrangements).

Corporate social reporting or 'social disclosure' is also one of the main expected bank practices related to good corporate governance. Gray *et al.* (1996) observe that the amount and nature of reporting vary according to the country and the dominant government policies. And Douglas *et al.* (2004) confirm that reporting the non- financial aspects is more likely to be in the developed countries rather than the developing countries. For instance, some European countries have urged their companies to disclose more environmental issues by formulating new legislation. Adams *et al.* (1998) have demonstrated, by studying the corporate social reporting in Western Europe, that German companies disclose more information regarding the environment and employee issues than other companies in the UK, France, Netherlands, and Switzerland. And, in a similar study by Douglas *et al.* (2004) the state of corporate social reporting by Irish financial institutions in their annual reports and on company websites was compared with a sample of European financial institutions. The findings reveal that in all the Irish financial institutions there is very little corporate social reporting, and that voluntary disclosure practices are minimal. This is an issue of shareholder concern, calling for legislation.



A more recent study by Valiente *et al.* (2012) has revealed two main factors affecting CSR strategies in organisations. In particular, the study found company size to be crucial in a firm's corporate social performance. The larger the firm, the greater the stakeholder pressure for a formal CSR strategy, whereas the CSR strategies of small firms are different and less formal as confirmed by previous studies undertaken by Perrini (2006), Spence (1999), and Spence and Rutherford (2003). Valiente *et al.* (2012) also confirm the corporate performance as the second highlighted factor. The high performance firms are more familiar with the concept of CSR than low performance firms as they form the group subject to more stakeholder pressure to adopt CSR strategies.

#### **2.12.8 Nurturing Creativity and Innovation**

According to Sundbo (2006:1) *"both society and the market have changed and with them the art of innovation management has changed"*. Huse *et al.* (2005) believe that innovation is the only way an organisation can convert change into opportunities and thus succeed. Indeed, Tushman and Nadler (1996) state that management of innovation and change is the most critical managerial task. Innovation is the outcome of management that is strategic and leadership that is visionary.

Some other authors (Normann, 2001; Carr, 2003) stress that innovation success is not necessarily linked to technological intervention since high-tech solutions cannot always guarantee superior functional performance. Therefore, Edvardsson *et al.* (2000) and Gustafsson and Johnson (2003) consider that innovation must be viewed in a broader technological context where social dimensions are also considered. In this context, Lusch *et al.* (2009:11) have observed that individual firms do not possess *"enough knowledge and sufficient human resources to create the innovations that are needed to compete globally"*. They, therefore, need to build the inter-organisational relationships of their networks to access and integrate the resources required for competitive innovation.

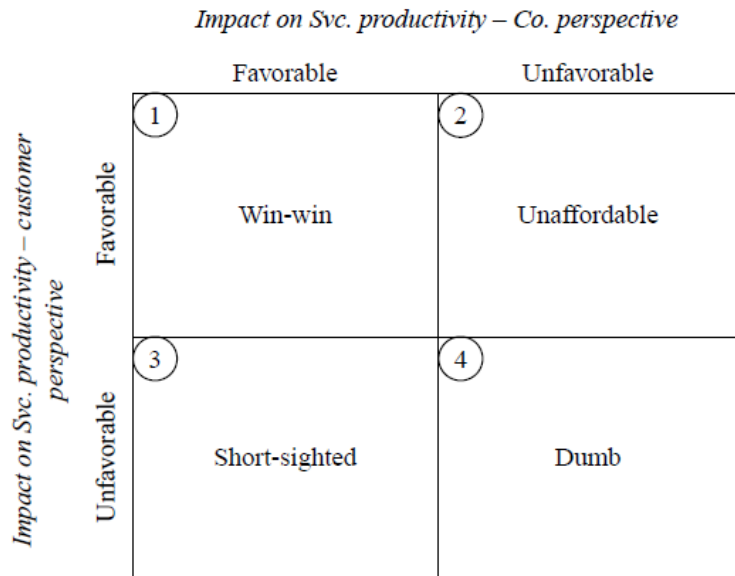
Service innovation has been highlighted for its unique role in fighting commoditisation. Services rapidly become commoditised because service innovations are easy to copy and possess fewer patent protections, lower front-end capital investment, and shorter product cycles (Lyons *et al.*, 2007).

Many authors mention the differences between innovation in service and manufacturing industries (Cooper and de Brentani, 1991; de Brentani, 1993; Easingwood, 1986; Easingwood

and Mahajan, 1989) which is related to the characteristics of service itself (see Chapter 3, section 3.3).

Parasuraman (2010:284) defines service innovation as *“any changes to an existing service in terms of the service delivery process and/or outcome, or any new service(s) being considered to augment a company’s current offerings – on both company resources and customer perceptions of service quality”*.

He also associates service innovation with both service productivity (e.g. innovations in the service-delivery process can lower costs and enhance productivity), and customer service (e.g. innovations that address customers’ unmet needs can enhance their assessment of service quality) Parasuraman (2010:278). Additionally, he suggests the typology presented in Figure 2.14 to systematically analyse the impact of service innovation on the company productivity and customer’s perspectives. He points out that those service managers have to focus on the ideal service innovation ‘win-win’ (quadrant 1) where they can balance their resources between improving their organisations’ productivity and meeting customer expectations. However, they have to avoid the worst service innovation ‘Dumb’ (quadrant 4) where the return (i.e. ‘output’) of the new service is likely to be a negligible influence on organisational productivity, and does not address any customer expectations.



**Figure 2.14: Typology of Service Innovations** (Parasuraman, 2010:284)

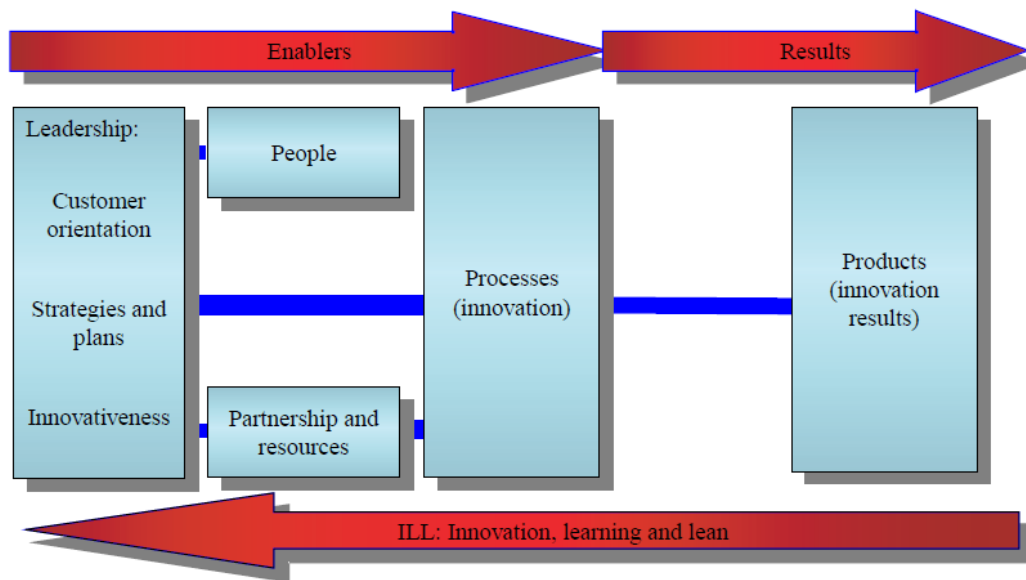
According to Feigenbaum’s (1991) ten benchmarks of total quality, “Quality and innovation are mutually dependent”. (See Appendix 4). The EFQM Excellence Model also stresses that excellent organisations have to adopt continual and systematic innovation by encouraging the creativity of their stakeholders (customers, employees, suppliers and society).

Several studies explore the ability of the EFQM Excellence Model to cope with innovation (Martensen and Dahlgaard, 2000a, b, c; EFQM, 2005; Dahlgaard-Park and Dahlgaard, 2005, 2008; Martensen *et al.*, 2007). However, the latest effort was by Dahlgaard-Park and Dahlgaard (2010), who developed a model for measuring and diagnosing innovation excellence as shown in Figure 2.15. The ‘4P’ Excellence Model adapted for innovation consists of the following four enablers or driving factors and one result factor (Products comprising all form of innovation results):

- (1) Leadership; which includes (innovativeness, customer orientation and strategies and plans)
- (2) People
- (3) Partnership and resources; and
- (4) Processes.

The empirical investigation of Dahlgaard-Park and Dahlgaard (2010), depending on the ‘4Ps’ clearly identified that companies have to improve first the “soft aspects of innovation”= (leadership, people and partnership), before they try to improve the “hard or

logical aspects” = (processes, policy and strategy). This ranking is the same as suggested by Dahlgaard-Park and Dahlgaard (1999, 2001, 2005, 2006, and 2008) in their ‘4P’ model for building organisation excellence.



**Figure 2.15: The ‘4P’ Excellence Model Adapted for Innovation and New product Development** (Dahlgaard-Park and Dahlgaard, 2010:154)

Practically, Karlsson and È hlstrÈ , 1997:481) argue that every company must build and develop its product innovation strategy by answering three main questions:

- (1) What are the firms’ capabilities where are we and what can we do?
- (2) What is wanted by the firms’ customers product /market pull?
- (3) What is technologically possible for the firm technology push?

These must be answered to assess the current situation of the company, and where it plans to be in the future.

Related to the banking sector, an empirical study by Drew (1995) on the innovation practices in financial institutions in Canada identified that banks spend more than non-bank institutions on innovation and have longer development cycles. Banks are more likely to adopt an informal approach to strategic planning for innovation than other institutions. This means that they either do not construct a written strategic plan, especially for new products, or that planning for new products is implicit in some other plan, such as a marketing plan. In addition, banks are most likely to adopt a uniform planning style across their various

divisions. This may be a reflection of greater bureaucracy and rigidity or of greater centralisation. Banks also reported that excessive bureaucracy was a barrier to innovation. This result was supported by Johne and Harborne (1985) who suggest that banks are organisations with high levels of standardisation, formalisation and centralisation, but with low flexibility; that is to say, they are tightly controlled and bureaucratic with power vested in senior management. This indicates that active product innovator banks have now progressed a considerable way in opening up their traditionally tight operating structures for the purpose of initiating product innovation.

Drew (1995) also mentions in his study that human resource strategy, such as the use of rewards and incentives, evaluation and promotion policy, hiring and turnover, training and developments, are good methods for supporting the innovation in the organisation. However, Page (1993) notices that there is very little information about the impact of compensation programmes and practices for promotion on the success of new product development in general.

### **2.13 Chapter Summary**

This Chapter has provided a brief historical review of the concept of quality and its evolution in terms of nature and vocabulary. It is shown that the idiom has its historical roots in the primary stages of humankind. In providing a conceptual analysis of quality, the chapter has reviewed the differing perspectives adopted, demonstrating that in most of its usage, the term 'quality' is misleading and obscure in most of its usage. A multi-dimensional view of quality has been emphasised as one reflecting its true meaning, from which it is concluded that it is very difficult to accept the notion that there is only one single view about the concept. It is noted that the characteristics of quality are extremely helpful in providing a deeper understanding of the term.

The chapter has also reviewed the concept of quality according to the views of the quality gurus', namely Deming, Juran, Crosby, and some other contributors to the debate, since their work in the field has been long-lasting and useful.

It has also been shown that many benefits are available to organisations that engage in quality initiatives, these benefits being identified as reduced costs, increased profitability, and enlarged market share. A discussion has also been presented of the 'quality evolution', showing how ideas on quality have moved from Inspection at the primary stage to detect faults, to Quality Control as a series of activities and techniques used to accomplish and

sustain the quality of a product, process, or service, then to Quality Assurance in which a systematic approach focusing on quality costs, total quality control, reliability engineering, and zero defects is used, and finally to Total Quality Management (TQM) which offers the most comprehensive approach. Despite its many principles, TQM has been shown to have the ultimate objective of ‘customer satisfaction’.

Many QM models and systems were seen to have derived their criteria from the TQM principles embodied in such awards as the Deming Prize, Malcolm Baldrige National Quality Model, and the European Foundation Quality Management (EFQM) business excellence model. A brief description of these models and the relevant national awards has been offered. It has been concluded that there is no doubt whatsoever, that National Quality Awards have a significant role in promoting business excellence values, and in helping to make quality principles more reliable and sensible.

Moreover, this chapter has provided different meanings of the service concept in general and from an organisational perspective. The most important point it has raised is that the perception of service should be approached from the customer’s viewpoint, since customers vary in their values and their standards of assessment, and hence the provision of service quality is complicated, as the ‘product’ must mean all things, to all people. In articulating the notion of service quality, the chapter presents the main differences between service and manufacturing systems, identifying four characteristics of service as being: Intangibility, Heterogeneity, Perishability, and Inseparability. The chapter also highlights the core benefits of managing service quality such as increasing sales and market share, enhancing the corporate profitability and efficiency by avoiding the failure cost related to wasted time, effort, and money, and achieving customer satisfaction, which is the most desired advantage. Additionally, the chapter explores the difficulties linked to managing service quality pointing out that these are related to the nature of the service itself, and to customer expectations which are extremely susceptible to change. The chapter also introduces some indicators for the evaluation of service quality, and the most important requirements for achieving service excellence in banks.

Furthermore, the chapter covers the meaning of the readiness concept with a critical review for readiness studies in the literature approaching the gap in the literature in light of the reviewed studies. Finally, the chapter presents the factors affecting the readiness to implement the EFQM Excellence Model. The fundamental concepts of the EFQM Excellence

Model have been chosen as theoretical framework for this study. The chapter has discussed in detail, the fundamental concepts and sub-concepts of the EFQM Excellence Model, with each one being deconstructed into major points that are then discussed according to the views of quality gurus, quality awards models, and the empirical studies in the literature. The highlighted points are used as guidance for designing the interview questions and collecting other related data.

The next chapter considers the Syrian banking sector, the context in which the data for the study is collected.

## CHAPTER THREE

### SYRIAN BANKING SECTOR CONTEXT

#### 3.0 Chapter Introduction

Syria is an Arab country. It has a strategic location at the meeting-point of three continents (Asia, Africa and Europe). It is bordered by Lebanon and the Mediterranean Sea to the west, Palestine to the southwest, Jordan to the south, Iraq to the east, and Turkey to the north. (Please see Appendix 8 for Syria map). Syria has a total population of (21.3) million inhabitants including (1.5 million) Iraqi Immigrants (IMF Report, 2008), and a total area of 183,885 square kilometres.

This chapter will provide an overview of the Syrian banking sector (SBS), the Guardian authorities which control the sector, and a brief idea about quality in the SBS.

#### 3.1 Overview of Syrian Banking Sector (SBS)

The Syrian Banking Sector (SBS) possessed singular feature represented by state domination for the banking sector since 1963. In 2000 and 2001, the sector was opened to the foreign banks to penetrate the market through relaxing some laws which hampered the banking industry's growth. In 2000, a new law was introduced allowing foreign banks to commence their operations within Syria's Free Zone. In 2001, Act No.28 was activated permitting the foreign banks to work fully within the SBS. The law liberalised the financial sector ending the state monopoly within the banking sector which had applied for about four decades. Another law was introduced in 2001; this was banking security Law No.29 which aimed to increase the sector's competitiveness to attract more foreign investment.

According to a World Bank report (2008), Syria has commenced an economic and political upswing. The report also indicates that the private sector has a critical role to perform economic growth in Syria regarding the new private banking sector and private investment which have developed considerably. The economic indicators point to a negative average growth of 2 percent for the public sector's GDP between 2000 and 2005; however an increase by 8 percent is detected in private sector GDP.

IMF Executive Board directors stress in the article IV Consultation (2005) that the liberalization of the financial market in Syria and the expected aggressive competition require to be more harmonized by a comprehensive strategy to strengthen the banks' regulation and supervision.

Since March 2011, Syria has witnessed an unprecedented period of crisis and growing violence. The impact of the crisis on the economy has been significant, which may, according



to unconfirmed estimates, have contracted 3 per cent in 2011 and 20 per cent in 2012. The negative impact is related to the conflict and the international sanctions that affect different economic sectors like tourism, retail trade, transportation, communication, mining, and manufacturing (World Bank, 2013). Correspondingly, the crisis has had a considerable effect on the Syrian banks in which the international sanctions have isolated the SBS and frozen the external relations with other foreign banks, while the deterioration in the humanitarian and economic situation has shrunk the internal bank dealings. It has been estimated by bankers that the Non-Performing Loan (NPL) ratio has reached 10% of the total loans of the Syrian banks in 2012.

The Syrian Banking Sector (SBS) can be categorized into three main sections.

### **3.1.1 State-Owned Banks**

Syria has six state-owned specialized banks (the Commercial Bank, Real Estate Bank, Industrial Bank, the Agricultural Cooperative Bank, Popular Credit Bank, and Savings Bank). Each bank has the responsibility to provide funds and accept deposits from a particular sector. However, the Commercial bank can deal with different customer categories as the Real Estate bank has been transferred to form a universal bank in 2008.

According to (Kanaan, 2003), the state-owned banks in Syria have some similar characteristics represented by:

#### **1. Specialization and Monopolization**

Resolution / 813 / issued by the Ministry of Economy in 1966 determined the significance of specialization. It transferred the banks from incompatible institutions among their customers to collaborative institutions in each determined field by the state.

In the beginning, the specialization achieved a good merit for Syrian public banks, but later at the beginning of the 1980s this turned to a disadvantage when the majority of global banks were moving from specialized to universal banks. The banks became incapable of satisfying their customers' expectations.

#### **2. The Owner and the Central Administration**

Since the owner is the Government, the state-owned banks have to be subject to all laws and resolutions issued by the government. The responsibility of the GM and the Board of Directors has been restricted to execute such laws.

### **3. Employees Skills**

Banks, like all public sector institutions, are subject to Decree 18 of 1974, as amended by Decree 20 of 1994 and the law of the public workers in 1985 which determine fixed wage rates, and incentives. These laws inhibit the employee's motivation to develop their skills and professional abilities in that they recognise that no change can take place in their employment position or salary in light of the imposed regulations.

Practically, the absence of competition between public banks has shifted the processes to routine administrative work with an ignorance of the internal and external training courses. In addition, an absence of training and scientific research centres existed for many years in Syria.

### **4. Technology and Communications:**

The development of communication means and information technology has helped to develop work mechanisms in the service sector, especially banks. The modern technologies facilitate delivering service for the customer in terms of saving time, effort and cost. However, state-owned banks in Syria have not been able to cope with the technical developments related to the laws and government decisions that impede the introduction of modern technology.

### **5. Banking Services**

The evolution of banking services has significantly introduced e-banking, finance systems across the Internet, ATM cards and other electronic payment cards. However; state-owned banks have maintained their traditional services without providing any modern services for the following reasons: lack of staff knowledge concerning modern services, the high costs of introducing these techniques, the absence of competition between banks that leads to adherence to the old techniques, and failure of the operating systems and the inability to develop under these circumstances.

#### **3.1.2 Private Banks**

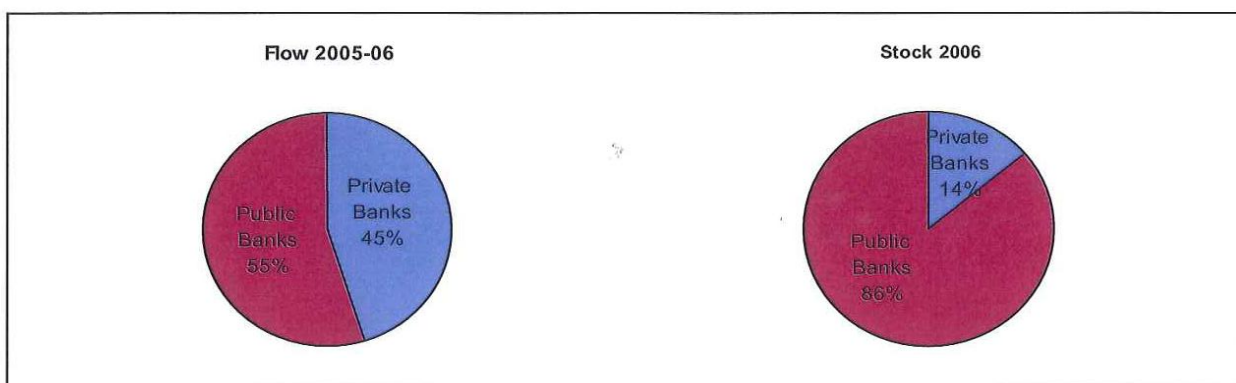
Responding to the new private banks Act No. 28 for 2001, many private banks were launched in the Syrian market. Three private banks started their operations in 2004, followed by another in 2005 and a further two in 2006. These banks are mainly subsidiaries of regional banks (typically Lebanese or Jordanian-based). For example, International Bank for Trade and Finance (Jordanian), the Arab Bank (Jordanian), Banque Bemo (Lebanese), Bank Audi (Lebanese), Bank of Syria and Overseas (Lebanese) and Bank Byblos (Lebanese). Ownership

is mainly held by Syrian investors with a minimum capital of US \$30 million. (IMF Report, 2007).

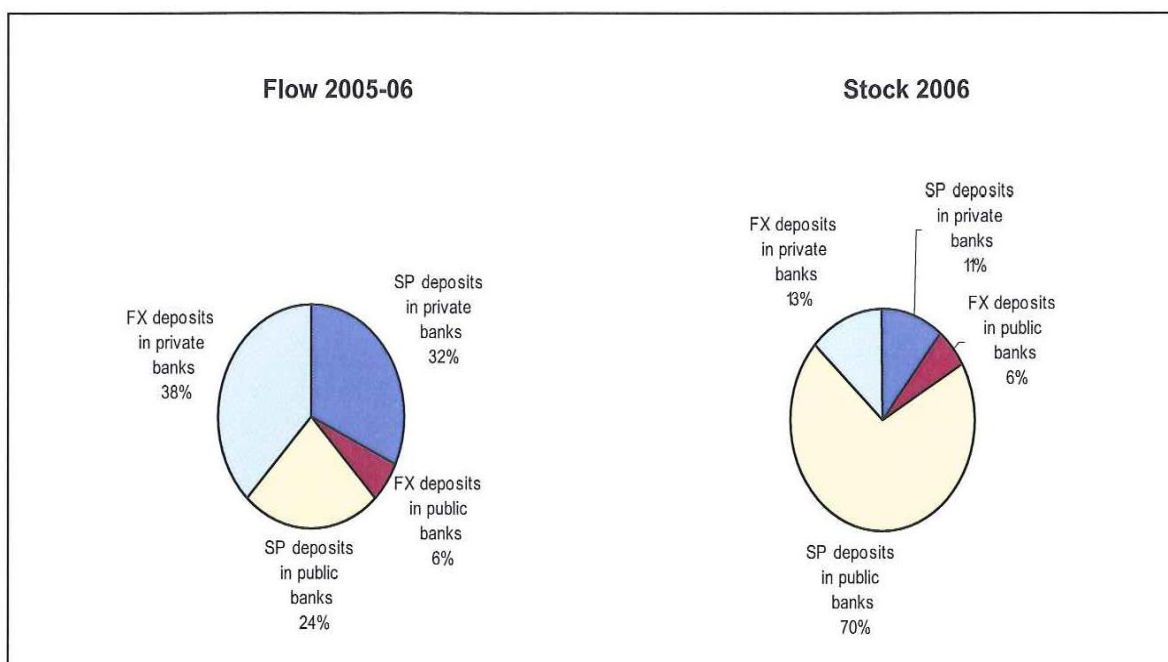
According to an IMF report (2008), private banks in Syria appear to be well capitalized. The banks have reserved 13% an overall capital adequacy ratio in the middle of 2008. This percent age is above the minimum requirement of the CBS and the Basel Committee (12 percent and 8 percent, respectively). However, ratios such as these were not calculated for the state-owned banks in the sector which are granting some risky loans, especially through funding of public enterprises. For example, credit to public enterprises grew by 40 percent in 2007 and by more than 60 percent in 2008. Such rapid credit growth could have undesirable consequences for the banks and create large quasi-fiscal liabilities.

Practically, the private banks have entered the Syrian market with strongly attempts to occupy a sizable share of the market during a very short period. They are providing a variety of new services for the Syrian market which participate sufficiently in improving the quality of financial services and consequently pushing the state-owned banks to improve their own performance through placing more competitive pressure on them.

The statistics of the World Bank Report for 2008 have indicated that private banks have captured 45 percent of the growth of loans to the private sector and captured 70 percent of the increase in private sector deposits in 2006. As a result, private banks were able to capture a 14 percent share of the private sector loan market and about 25 percent of the private sector deposit markets, both in Syrian Pounds and Foreign Exchange, by the end of 2006. (See Figures 3.1 and 3.2, below:



**Figure 3.1: Credit to the Private Sector, 2005–2006**  
Source: World Bank Report (2008:7 )



**Figure 3.2: Private Sector Deposits in the Banking System, 2005-2006**

Source: World Bank Report (2008:7)

### 3.1.3 Private Islamic Banks

Many motives have urged the Syrian Government to introduce Islamic banking to the Syrian markets represented by the high community demand for having banking services that are compliant with the Islamic Sharia, and the need to diversify the sector. In 2005, Legislative Decree No. 35 was issued allowing the launch of Islamic banks in the SBS. The banks will dominate the Islamic credit regarding the absence of finance such as this in the Syrian market. According to Bankakademie International's survey as cited in Karawani (2006), some 34 percent of Syrian companies had avoided the lending of the Syrian conventional banks for religious reasons. (Islamic Sharia prohibits financial dealing with interest on loans). Such reasons push the Syrian investors to borrow their funds from other Islamic banks in neighbouring countries.

In spite of the novelty of the introduced Islamic experience in the Syrian market, it was confirmed that the structure of Syria's Islamic banking legislation has summarized Islamic banking experiences found in other countries. (World Bank Report, 2008).

According to Karawani (2007), Syrian Islamic regulations have considered many significant issues since launching represent by: compliance with the Accounting and Auditing Organization for Islamic Financial Institutions; compliance with the capital adequacy standards of the Islamic Financial Services Board; and compliance with all Sharia principles in providing Islamic services and products.

The first Islamic bank launched in Syria was Al Sham Bank, followed by Al Shall Kuwaiti, Dallah al-Baraka Group, and Syria International Islamic Bank.

### **3.2 Guardian Authorities**

#### **3.2.1 The Central Bank (CB) of Syria**

This bank was established in 1953, and began its operations in 1956 with its headquarters in the city of Damascus, and 11 branches located in the provincial capitals of Syria. The CB is the Bankers' bank. It has some other key functions represented by acting as the state bank, and its financial agent, issuing the national currency, issuing national public debt instruments and participating in international financial negotiations.

CB of Syria has a supervisory role for all the operating banks (state owned and private banks) in SBS which are obliged by law to report to the CB. According to the World Bank Report (2008:4), *“Although the Central Bank has been successful as a regulator, and has a significant amount of discretionary power over the banks; it does not seem to have sufficient capacity to effectively serve as the sole governing body over all facets of the banking sector. This is especially true in the area of prudential regulation and supervision of microfinance”*.

#### **3.2.2 Credit and Monetary Council (CMC)**

This was established by Law No. 23 of 2002, mainly aimed at regulating the banking operations and financial markets in Syria. CMC has restored the authority in controlling private, joint, and state-owned banks. Power which had been distributed between the Ministry of Economy, Ministry of Finance, the Central Agency for Auditing, the State Planning Commission and the Central Office of Control and Inspection. CMC has four essential responsibilities: independence, transparency and professionalism and strictness to protect the banking sector from any financial crisis. In addition, it has the task of setting the interest rate for the banking sector.

#### **3.2.3 Ministry of Finance (MOF)**

State-owned banks are technically owned by the Ministry of Finance (MOF) but are supervised by the Central Bank. The chairmen of the state-owned banks have to report to the

MOF; however the ministry does not directly involve itself with the affairs of the banks. The state banks are given some freedom to extend both short and long-term credit and to accept deposits, although direct controls such as credit limits are established for each bank in each sector. Public banks focus primarily on short term commercial lending, as well as trade financing.

### **3.3 Quality in the Syrian Banking Sector**

In 2006, the European Union (EU) began launching many initiatives in Syria supporting the Syrian Economy to be more competitive and be able to join the European Mediterranean Partnership. (See section 1.2). In terms of quality, the EU has funded three main projects:

- **Programme "Strengthening Quality Management, Capabilities and Infrastructures in Syria"**

It has been implemented by a consortium led by the Belgium-based IBF International Consultancy on behalf of the Ministry of Industry and hosted by the Syrian Enterprise and Business Centre (SEBC). The project has allocated funds estimated at 12 million Euros, with an implementation period of four years. The main aim of the project was to improve the Syrian quality legislation and institutions to the best international standards. This will result in enhancing the level of quality for Syrian products and services. The Quality Management programme provided technical support and tools for the Syrian enterprises to be more familiar with international quality standards. In addition, the project aimed to introduce quality control techniques regarding local and imported products. In terms of results, the projects contributed to raise the level of quality of the Syrian products and services to be compliant with the international quality standardisation.

- **Banking Sector Support Program II (BSSP II)**

This is also a project funded by the European Union during the period from January 2006 to June 2009. It has been financed by the European Commission's Delegation to Syria (€ 6 million). The primary aim for this programme is to increase the soundness of the financial sector in Syria. The programme was launched to support the SBS in its critical stage of the reform and modernisation. In order to avoid the various obstacles facing the SBS, the programme suggested many criteria for improvement represented by strengthening the Central Bank of Syria as Govern independent of the banking sector, improving the human resource skills in the banking sector (management and employees), and facilitating sufficient funds for the private sector.

Additionally, the projects focused on the necessity of avoiding some weakness in SBS performance regarding financial reporting, risk management, and product management and development.

- **Banking Training Project (BTP)**

Banking Training Centre (BTC) was established in 2007. It is one of the main achievements of Banking Sector Support Program II. It is the first formal institution to develop the financial sector in Syria. The Banking Training Centre plans all the training policies and strategies for the administrative and banking programmes. The key objective is development of the Syrian banking sector and increase of its competitive efficiency.

Developing human resource skills and knowledge became a vital necessity for the SBS, especially after opening the Syrian market to foreign competition. The foremost objective for the BTC is to support all the operating banks in the sector through training their staff and increasing their abilities and understanding of the new banking knowledge. In 2007, the BTC has implemented (52 management and banking training courses, 1460 participants, a total of 394 training hours), with funding from the Office of the European Union (project to support the banking sector 2 BSSP II). In addition, BTC had also implemented 39 courses for performance assessment, and one course was provided for training of trainers (3 levels).

BTC has prepared a training plan including the most recent administrative and banking sectors topics, (such as conflict management and resolution of differences, strategic planning, modern management, change management, human resources management, international accounting standards, credit, dealing with troubled loans, bank supervision, Islamic banking and financial control).

Despite the previous mentioned initiatives to improve the service quality in SBS, the level of service quality is still lower than the standard rank for the following reasons (Ahmad, 2012):

- Limited number of banks in Syria (20 banks in 2012), inadequate number of branches (459 branches in 2012), insufficient number of ATMs (755 ATMs in 2012). It can be recognised that more than one million people have one bank in Syria (total population of 21.3 million inhabitants), about 45,000 people have to visit one branch, and about 28,000 people share the same ATM. The number is higher than the international standard recommended rate, which should not be more than 12,000 people per branch. In addition, it is worth mentioning the failure to extend the banking service to all the

geographic areas in Syria, which is a critical difficulty, inasmuch as some cities do not have any bank branch or ATM.

- Lack of technological investments in SBS. Some state owned banks like (Syrian Central bank, Commercial bank, and Real Estate bank) have some technological advancement through linking the headquarters to the branches with computer networks, however, the other state owned banks are still far off these advancements.
- Limited and traditional banking service like accepting deposits, lending loans, etc.
- Small bank size in terms of assets and capital compared with other Arab and foreign banks.
- Lack of financial resources in the state owned banks.
- Lack of professional skills and experience for the employees.
- High proportion of Non-Performing Loans (NPL) related to bad ending practices.

### **3.4 Chapter Summary**

In this chapter an overview of the Syrian Banking context has been discussed in order to create an understanding of the environment where the research took place. The chapter has provided some detailed information about the content of the SBS represented by state-owned banks, private banks, and the private Islamic banks. Following this, definitions of the guardian authorities and their main tasks in the SBS. Thereafter, the chapter clarifies some issues relating to quality in the SBS. The next chapter will discuss the methodology adopted to achieve the aim and objectives of this research.



## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY**

#### **4.0 Chapter Introduction**

This chapter presents the research methodology adopted to achieve the aim and objectives of the study. It considers the philosophical approach to the study, its overall design and process, as well as the research strategy adopted, and the methods used for data collection and analysis.

It is more advantageous to present the research aim, objectives, and questions at the beginning of this chapter:

#### **Research Aim**

The study aims to investigate the factors affecting the readiness to implement the EFQM excellence model within the Syrian Banking Sector by using the fundamental concepts of the EFQM Excellence model as a theoretical framework for this investigation.

#### **Research Questions**

The research aim and objectives has been converted to three questions are asked as follows:

1. What are the factors affecting the readiness for EFQM excellence model implementation in Syrian banking sector?
2. How do these factors affect the readiness for EFQM excellence model implementation?
3. Why are these factors present in Syrian banking sector?

#### **Research Objectives**

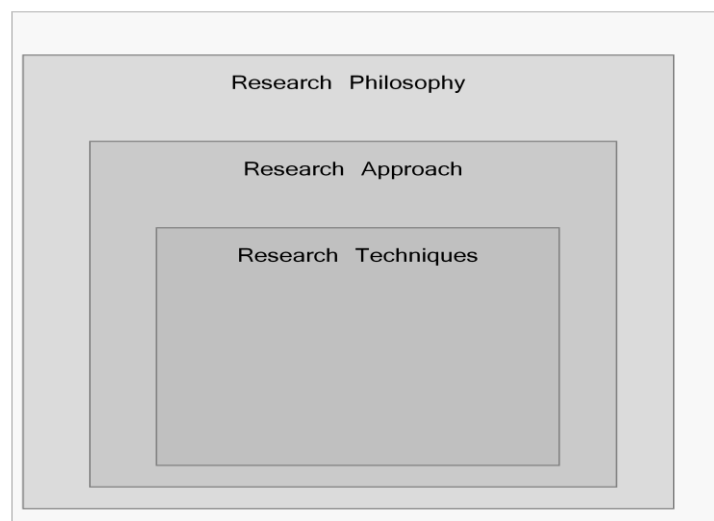
In order to achieve this aim, four objectives are suggested for this study:

1. To review the relevant literature and identify the factors affecting the implementation of EFQM excellence model in the banking sector.
2. To gain in depth understanding of the factors affecting the readiness to implement the EFQM excellence as being addressed in the SBS.
3. To compare the readiness for implementing the EFQM excellence model among the three chosen case studies.
4. To develop an appropriate framework of the factors affecting the excellence of the SBS.

Collis and Hussey (2009:73) describe the research methodology as “*an approach to the process of the research, encompassing a body of methods*”. Schensul (2012:71) considers the methodology as “*a blueprint or set of decisions and procedures, or strategies that researchers use to ensure that their work can be critiqued, repeated, and updated. These strategies guide the choices researchers make with respect to sampling, data collection, and analysis.*”

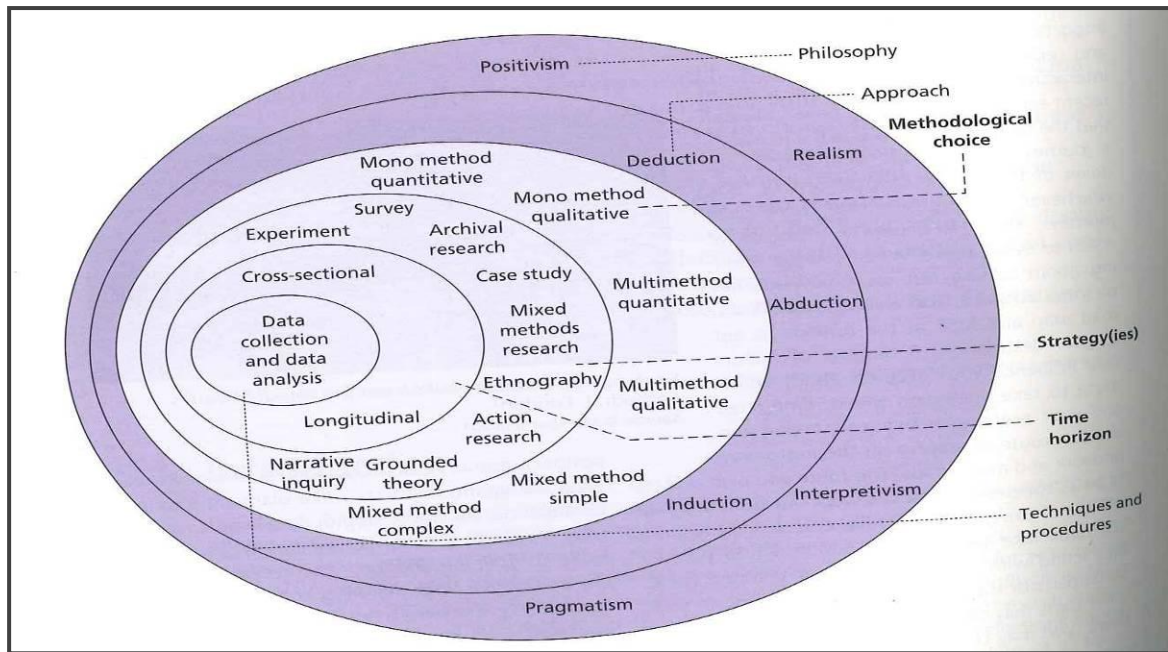
Actually the methodology provides guidance for the researcher, since it requires him or her to clarify the required steps, tools and methods for achieving the research objectives (Adam and Haley, 2000: Antony *et al.*, 2002). Easterby-Smith *et al.* (2008:60) have distinguished between methodology as a “*combination of techniques used to enquire into a specific situation*” and Methods as “*individual techniques for data collection, analysis, etc*”.

In this context, it is significant to mention that there is no universally accepted research methodology, since this varies according to the philosophical assumptions of the researcher, which are highlighted by the way the researcher designs the research questions or hypotheses. The process of the research methodology also varies. In this respect, Kagioglou *et al.* (1998) have proposed a ‘nested’ research methodology integrated into three main themes; research philosophy, research approach, and research techniques. Sexton (2007) summarises nested methodology as shown in Figure 4.1

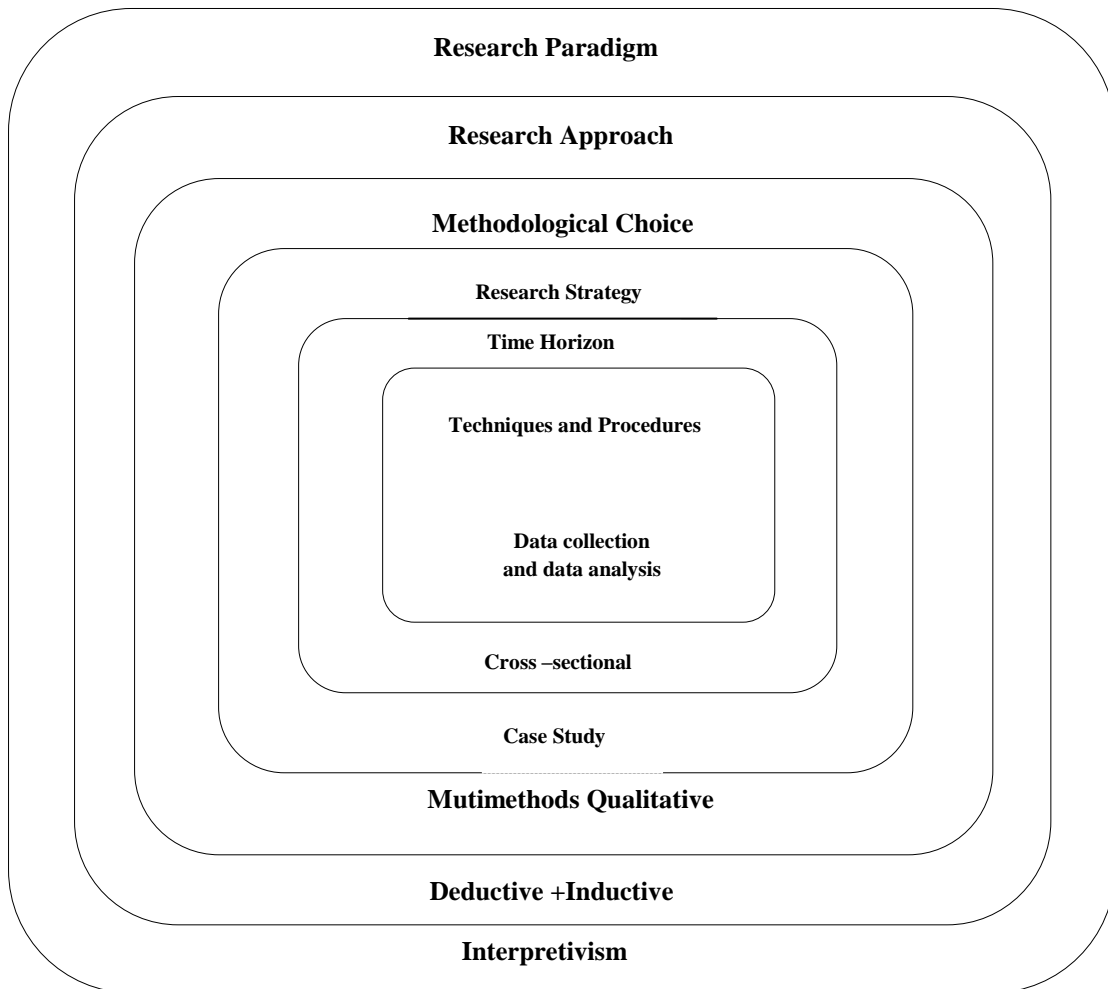


**Figure 4.1: A Nested Research Methodology (Sexton, 2007)**

Saunders *et al.* (2003, 2007, 2009 and 2012) have developed the model of Kagioglou *et al.* (1998) by adding three other processes as shown in Figure 4.2, which depicts an ‘onion’ consisting of six layers. Basically, the researcher must peel away each layer to decide on the research philosophy, research approach, methodological choices, research strategy (ies), time horizon, and techniques and procedures for data collection and data analysis. The researcher applies the model proposed by Saunders *et al.* (2012) to the current study, as shown in Figure 4.3



**Figure 4.2: Research ‘Onion’ (Saunders *et al.*, 2012:160)**



**Figure 4.3: The Research Design for this Study**

#### **4.1 Research Paradigm (Philosophy)**

Before thinking about which methodology to adopt, it is necessary to understand the philosophical assumptions that it is possible to make. In this respect, many authors such as Miles and Huberman (1994), Guba and Lincoln (1994), Creswell (1998), Bryman and Bell (2003), Sexton (2007), Collis and Hussey (2009), and Saunders *et al.* (2012) have identified three philosophical assumptions: ontology, epistemology, and axiology. Each contains important differences which influence the way in which the researcher thinks about the research process.

- **Ontology – What is knowledge?**

The researcher’s views about the nature of reality. There are two aspects of ontology among the researchers of business and management.

The first aspect is **objectivism**. The social actors are observers of social entities when they exist in reality irrespective of whether the actors are interested in its existence. The second aspect is **subjectivism (constructionism)**. The social actors who are concerned about social phenomena are involved when those phenomena exist through their perceptions and actions.

- Epistemology - How do we know what we know? What is the relationship between the observers and the phenomenon that is observed?

The researcher's views regarding what constitutes acceptable knowledge in the field study.

- Axiology – What values go into it?

The researcher's views of the role of values in the research (research ethics).

It is important to note that the terms 'paradigm' and 'philosophy' are interchangeable. Some authors in the social sciences, such as Saunders *et al* (2009), and Easterby-Smith *et al.* (2008) use the term 'Research Philosophy' while others such as Bryman and Bell (2003:23) use the term 'Research Paradigm' defining this as: *"a cluster of beliefs and dictates which for scientists in a particular discipline influence what should be studied, how research should be done, and how results should be interpreted"*, and Collis and Hussey (2009:55) write: *"a research paradigm is a framework that guides how research should be conducted, based on people's philosophies and their assumptions about the world and the nature of knowledge"*.

There are many paradigms (philosophies) in social science such as: Realism, Idealism, Pragmatism, Functionalist, etc. However, according to Schensul (2012), Saunders *et al.* (2012), Collis and Hussey (2009), Easterby-Smith *et al.* (2008), Amaratunga *et al.* (2002), and Remenyi *et al.* (1998), the two main agreed philosophies in business and management research are: Positivism and Interpretivism (phenomenology/social constructivism). There are many alternative terms for these two main paradigms as shown in Table 4.1.

**Table 4.1: Approaches within the Two Main Paradigms**

Approaches within the two main paradigms	
Positivism	Interpretivism
Quantitative	Qualitative
Objective	Subjective
Scientific	Humanist
Traditionalist	Phenomenological

Source: Collis and Hussey (2009:58)

Positivism is a very old paradigm highlighted originally by the French philosopher Auguste Comte (1853). According to Collis and Hussey (2009:56) positivism is “*a paradigm that originated in the natural sciences. It rests on the assumption that social reality is singular and objective, and is not affected by the act of investigating it. The research involves a deductive process with a view to providing explanatory theories to understand social phenomena*”. Schensul (2012) also mentions that positivist researchers should observe independently and reduce their interactions with and effects on the subject matter when gathering their data. They almost always prefer to test pre-existing theories rather than to derive theory inductively from the study situation. Saunders *et al.* (2012) stress that research results can generalise easily in the physical and natural sciences. And Creswell (2009) states that the problems being researched via this paradigm are usually linked to the causes which influence the outcomes, and the ideas are reduced to small, discrete ideas (variables) which can then be tested. Numeric measures should be developed to assess the observation and the behaviour of individuals.

In contrast, Interpretivism (Phenomenology/Social constructivism) is a newer paradigm, being originated in the 1960s by Berger and Luckmann (1967). This is a typical approach in qualitative research. According to Collis and Hussey (2009:57), interpretivism is “*a paradigm that emerged in response to criticisms to positivism. It rests on the assumption that social reality is in our mind, and is subjective and multiple. Therefore social reality is affected by the act of investigating it. The research involves an inductive process with a view to providing an interpretive understanding of social phenomena within a particular context.*”

Creswell (2009) claims that social constructivists believe that individuals attempt to understand the world in which they live and work through developing subjective meanings of their experiences. Interpreting these various and multiple meanings is a complex operation

for the researcher. Saunders *et al.* (2012) have compared and summarised the features of the two main paradigms as shown in Table 4.2.

**Table 4.2: Comparison of the two Research Philosophies in Management Research**

	<b>Positivism</b>	<b>Interpretivism</b>
<b>Ontology:</b> The researcher's view of the nature of reality or being	External, objective and independent of social actors	Socially constructed, subjective, may change, multiple
<b>Epistemology:</b> the researcher's views regarding what constitutes acceptable knowledge	Only observable phenomena can provide credible data, facts. Focus on causality and law like generalisations, reducing phenomena to simplest elements	Subjective meanings and social phenomena. Focus upon the details of situation, a reality behind these details, subjective meaning, motivating actions
<b>Axiology:</b> the researcher's view of the role of the values in research	Research is undertaken in a value-free way, the researcher is independent of the data and maintains an objective stance.	Research is value bound, the researcher is part of what is being researched, cannot be separated and so will be subjective.
<b>Data collection techniques</b> most often used	Highly structured, large samples, measurement, quantitative, but can use qualitative	Small samples, in-depth investigations, qualitative

Source: Saunders *et al.* (2012:140)

Based on the earlier debate regarding the main features of both paradigms, this study adopts the interpretivist philosophy. The researcher's ontological and epistemological view regarding the nature of reality and what constitutes acceptable knowledge is subjective. Thus, the study is purely qualitative. This philosophy will enable the researcher to investigate deeply and acquire rich knowledge about the factors affecting the excellence of service quality in the SBS. As observer, the researcher is not only the key data collection agent, but also part of the scenario being observed and within that context, everything the researcher observes is interpreted on the basis of her own sense-making apparatus. That said, the aim is to use that apparatus to understand what the research sample (those being observed) appreciate about what is happening, and as far as possible the researcher must be objective in her interpretations. It is a fundamental premise in interpretive designs that knowledge and understanding are subjective, being constructed by the individuals experiencing a situation, as opposed to it existing in isolation of those individuals, and consequently, the aim of any such inquiry is to obtain insight into what is constructed. Whilst ultimately, there may be a desire on the part of the researcher to learn how to predict and/or manage people's behaviour resulting from their apprehension of a particular phenomenon, this is by no means essential in

an interpretive paradigm. In this context, all the data gathered relate to activities, events, and behaviours. The sample is small and includes three case studies in the SBS which are chosen for specific reasons clarified later in this chapter. Thus, the generalisation will be through theoretical abstraction (Phillimore and Goodson, 2004; Easterby-Smith *et al.*, 2008; Creswell, 2009; Saldana, 2011).

#### **4.2 Research Approach**

Collis and Hussey (2009) have classified research in business and management as deductive and inductive, according to whether the research logic moves from the general to the specific or vice versa. It is noted by these researchers that “*deductive research describes a study in which a conceptual and theoretical structure is developed which is then tested by empirical observation; thus particular instances are deducted from general inference ... Inductive research describes a study in which theory is developed from the observation of empirical reality; thus general inferences are induced from particular instances*” Collis and Hussey (2009:8).

More clearly, Saunders *et al.* (2009) have identified the deductive approach (testing theory) by developing a theory and hypothesis and testing this hypothesis, while the inductive approach (building theory) depends on collecting the research data and developing theory as a result of data analysis. Saunders *et al.* (2009) link the deductive approach to positivism, and the inductive approach to interpretivism. Sutrisna (2008) has described the two approaches as follows:

The deductive approach:

- Starts by analysing the literature to provide the context for the research;
- Identifies gaps between existing theories or evidence;
- Formulates a hypothesis;
- Collects data and then analyses that data to obtain findings.

The inductive approach:

- Opens up all possible results;
- Does not recommend a review of the literature in the early phases in certain methodologies, such as the grounded theory methodology, as it may influence the stance of the researcher;
- Develops explanations and theories from the observations of the empirical world;

Table 4.3 summarises the main differences between the two.

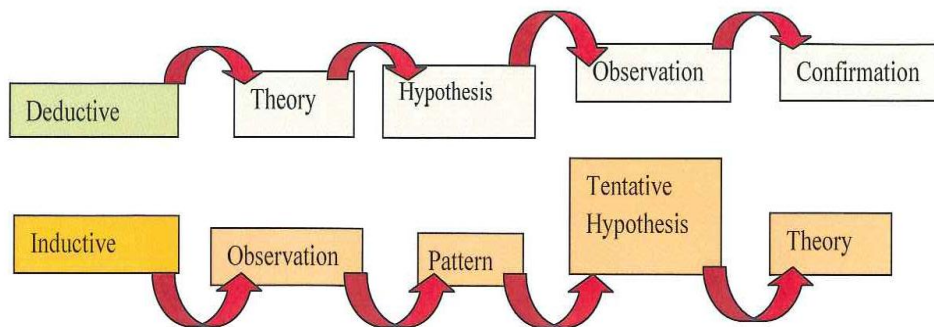


**Table 4.3: The Major Differences between the Deductive and Inductive Approaches**

Deductive approach	Inductive approach
Scientific principles	Gaining an understanding of the meanings humans attach to events
Moving from theory to data	A close understanding of the research context
The need to explain casual relationships between variable	The collection of qualitative data
The application of controls to ensure validity of data	A more flexible structure to permit changes of research emphasis as the research progresses
The operationalisation of concepts to ensure clarity of definition	A realisation that the researcher is part of the research process
A highly structured approach	Less concern with the need to generalise
Researcher independence of what is being researched	
The necessity to select samples of sufficient size in order to generalise conclusions	

Source: Saunders *et al.* (2009:127)

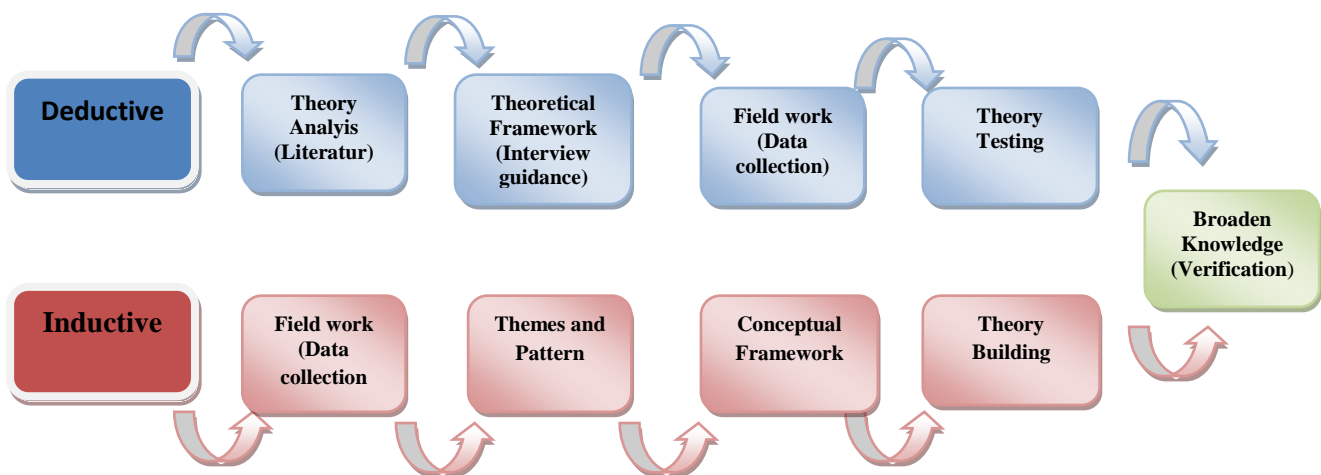
Correspondingly, Al Mansuri (2010) show the main differences between the two approaches as clarified in Figure 4.4.



**Figure 4.4: The Differences between the Deductive and Inductive Approaches**

Al Mansuri (2010:189)

According to the process of this research, the main differences between the deductive and inductive approach can be summarise in Figure 4.5:



**Figure 4.5 The differences between the Deductive and Inductive Approaches according to the Research Process. Developed by the Researcher**

Despite the clear differences between the two approaches, however, many authors, such as Hussey and Hussey (1997), appreciate that a combination of them both in the same study is perfectly possible, allowing the researcher to move freely between them as appropriate. Richards (1993) believes there is no theory-free research and that observation should be based on theoretical thoughts. Likewise, Martin and Cepeda (2005), and Rowan (1981, see Seidman, 2006) argue that all researchers have to review the literature and prepare some kind of framework about the relevant concepts in the area of interest before collecting the data. They argue that it is impossible for an interviewer to enter an interview with a blank sheet. Saunders *et al.* (2009) and Sekaran (2003) also recommend using both approaches to achieve the best benefit for the research. Berg (2009) has suggested new approach in his book ‘*Designing Qualitative Research*’ based on theory–before-research and research–before-theory, which supports the idea of combining the deductive and inductive approach. (See Fig 4.6). Saunders *et al.* (2012:150) have gone a step further and introduced a new research approach which they call ‘abduction’, meaning “*that data are used to explore a phenomenon, identify themes, and explain patterns, to generate a new or modify an existing theory which is subsequently tested, often through additional data collection*”. They observe that using the abductive approach, both inductive and deductive strategies can be used at different stage of the research. Table 4.4 compares the main thoughts associated with the three approaches.

**Table 4.4: Deduction, Induction, and Abduction: From Reason to Research**

	<b>Deduction</b>	<b>Induction</b>	<b>Abduction</b>
<b>Logic</b>	In a deductive inference, when the premises are true , the conclusion must be true	In an inductive inference, known premises are used to generate untested conclusion	In an abductive inference, know premises are used to generate testable conclusions
<b>Generalisability</b>	Generalising from the general to specific	Generalising from the specific to the general	Generalising from the interactions between the specific and the general
<b>Use of data</b>	Data collection is used to evaluate propositions or hypotheses related to an existing	Data collection is used to explore a phenomenon, identify themes and pattern, and create a conceptual framework	Data collection is used to explore a phenomenon, identify themes and pattern, and create a conceptual framework and test this through subsequent data collection and so forth.
<b>Theory</b>	Theory falsification or verification	Theory generation and building	Theory generation or modification; incorporating existing theory where appropriate , to build new theory or modify existing theory

Source: Saunders *et al.* (2012:144)

Accordingly, a combined research approach (inductive and deductive) has been selected for this study. The deductive strategy is used to deduce the factors affecting the excellence of service quality, namely the fundamental concepts of the EFQM model have been borrowed from the literature as a theoretical background to be investigated in the SBS; and the inductive approach is be applied to the research results to develop the relative theory. It is worthy to mention, that the researcher prefers to use the term combined research approach (deductive and inductive) rather using the term abductive approach because the researcher did not test the study’s theoretical framework with further data because of time limitations.

Barqawi (2009) and Ben Jaber (2010) have also adopted the combined approach in their studies which are relative to QM as is this study. Figure 4.7 clarifies how the combination is manifested in this study.

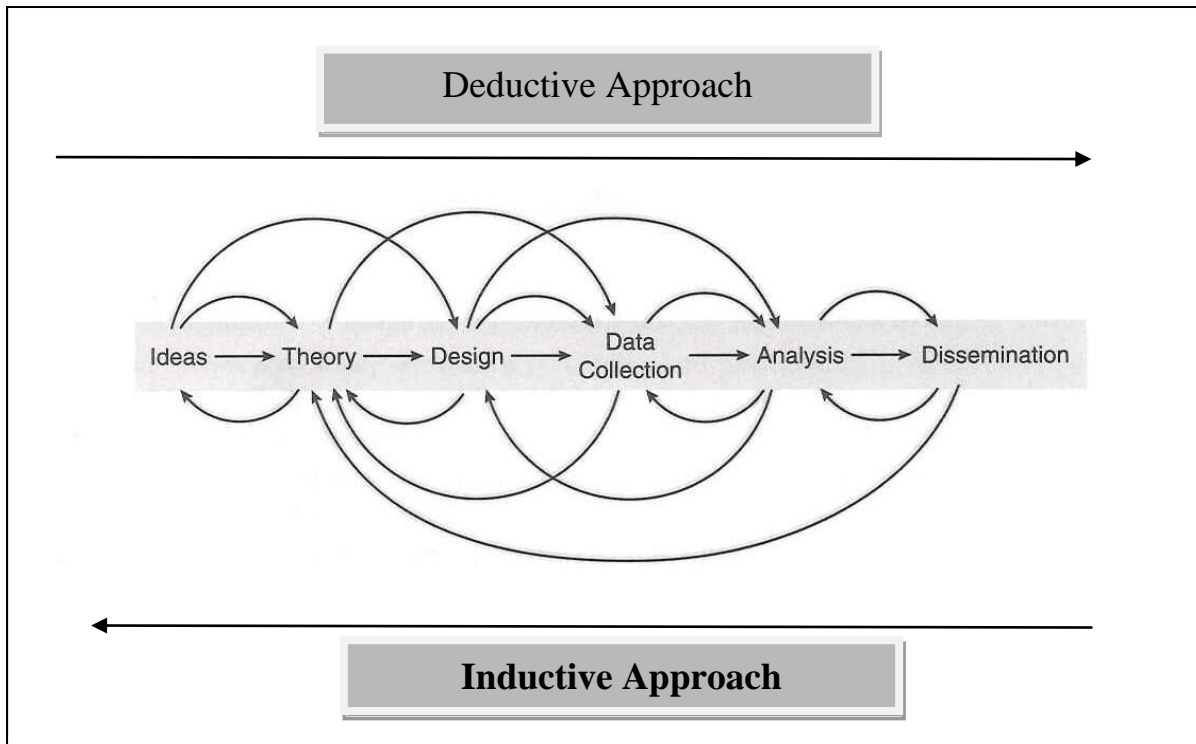


Figure 4.6: The Spiralling Research Approach Berg (2009:26)

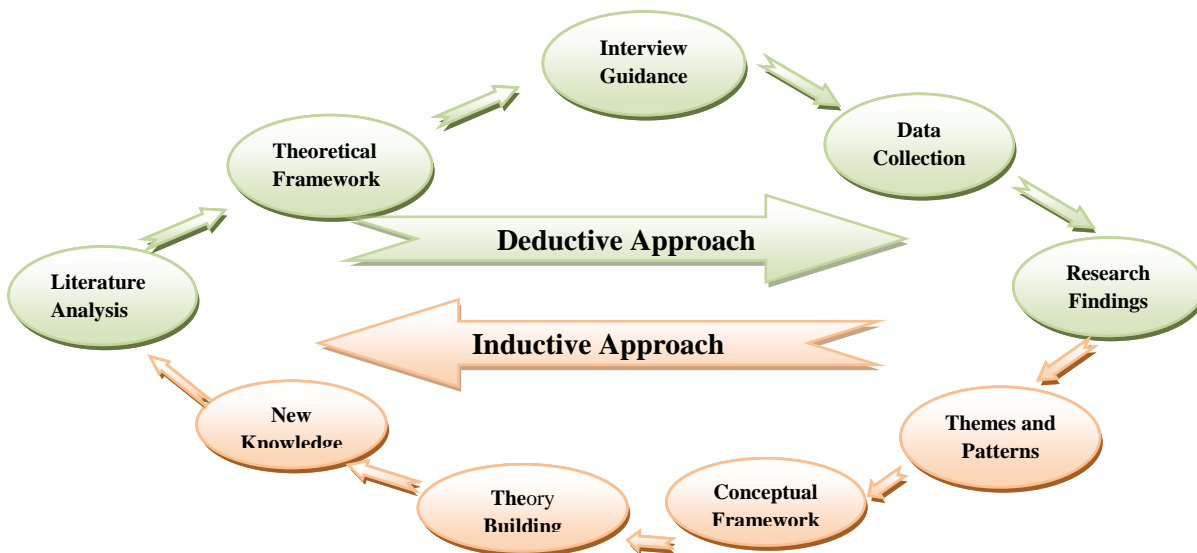
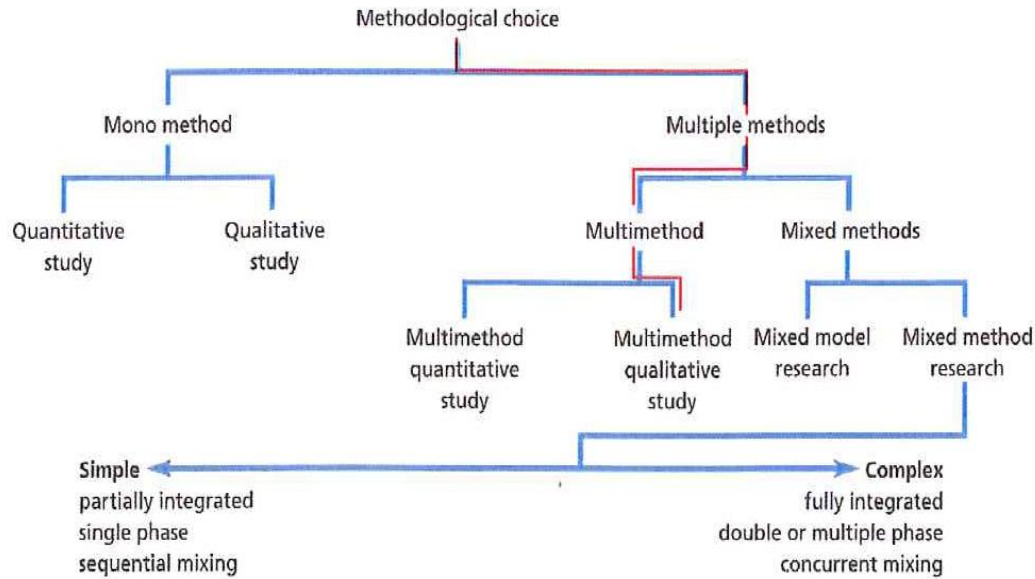


Figure 4.7: The Combination between the Deductive and Inductive Approach Developed by the Reasercher

### 4.3 Methodological Choice

A choice must be made between using a mono- or multiple-methods strategy. Saunders *et al.* (2012) suggest a multi-method approach, which allows for the collection of either quantitative or qualitative data, or indeed a mixture of both. For this study, a multi-method approach, collecting qualitative data is chosen, as shown in Figure 4.8.



**Figure 4.8: Methodological Choice** Saunders *et al.* (2012:165)

### 4.4 Research Strategy

According to Naoum (2007:37), “*Research strategy is a way in which research objectives can be questioned*”. There are many research strategies in the social sciences such as experiment, survey, case study, action research, grounded theory, ethnography, narrative inquiry (Saunders *et al.*, 2012). Creswell (2009) has distinguished between quantitative strategies (survey research, and experimental research), qualitative strategies (ethnography, grounded theory, case studies, phenomenological research, and narrative research), and mixed-methods strategies (sequential mixed method, concurrent mixed method, and transformative mixed methods). However, it is worthy to mention that no research strategy is superior or inferior to any other. Selecting a specific research strategy depends essentially on the type of the research and how the chosen strategy can help the researcher to answer the research questions developed to meet the aim and objectives (Naoum, 2007; Saunders *et al.*, 2009).

Yin (2009:8) points out three main factors as shown in Table 4.5, that influence the selection of an appropriate research strategy, these being:

- a) the type of research question posed;
- b) the extent of control an investigator has over actual behavioural events; and
- c) the degree of focus on contemporary as opposed to historical events.

**Table 4.5: Relevant Situations for Different Strategies**

Method	Form of Research Question	Requires control of Behavioural Events?	Focus on Contemporary Events
Experiment	How, Why?	Yes	Yes
Survey	Who, What, Where, How many, How much?	No	Yes
Archival analysis	Who, What, Where, How many, How much?	No	Yes/No
History	How, Why?	No	No
Case study	How, Why	No	Yes

Source: Yin (2009:8)

The case study is chosen as the research strategy for this study. The following section indicates what is understood by case study, and justifies its choice for this research.

#### 4.4.1 Case Study Strategy

Yin (2009:18) defines case study as: *“an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”*. Berg (2009:317) also defines the case study as an *“approach capable of examining simple or complex phenomena, with units of analysis varying from single individuals to large corporations and business; it entails using a variety of lines of action in its data gathering segments and can meaningfully make use of and contribute to the application of theory”*.

Stake (2000:437-8, cited in Silverman, 2010:139) mentions three types of case study:

1. Intrinsic case study where no attempt is made to generalise beyond the single case or even to build theories.

2. Instrumental case study in which the selected case study is studied in depth, the main focus on something else.

3. Collective case study where a number of cases are studied in order to investigate some general phenomena. Cresswell (1998) recommended no more than four cases where understanding the critical phenomena depends on choosing cases well.

Yin (2009) and Naoum (2007) classified the case studies into three types for research purposes:

- Exploratory case studies: the theoretical approach to the problem. Sometimes considered as a prelude to social research.
- Analytical case studies: may be used for doing causal investigations.
- Descriptive case studies: require a descriptive theory to be developed before starting the project.

According to the above discussion, this research has collective and descriptive case studies, since three different case studies are used to investigate the factors affecting the readiness to implement the EFQM excellence model in the SBS with a descriptive theory about the fundamental concepts of the EFQM.

#### **4.4.2 Justification for Adopting the Case Study Strategy**

Many sources have mentioned the role of case study in theory especially in the areas of business, marketing, and information systems, as well as in the social sciences (e.g. see Alexander and Bennett, 2005; Fernandez, 2005; Woodside and Wilson, 2004). The literature indicates that case study is linked to theory building rather than theory testing, and Eisenhardt (1989), Woodside and Wilson (2004), and Eisenhardt and Graebner (2007) all confirm the usefulness of case study in building theory where the resultant theory should emerge from the data. According to Berg (2009), case study can enrich the theory through providing a kind of deep understanding of phenomena, events, people, or organisations, similar to Geertz's (1973) notion of 'thick description'. Case study helps to understand the processes created and used by individuals involved in a phenomenon by reflecting how people, groups, and organisations make sense of what they hear and see, and how they interpret these experiences in their own actions and interaction with other people. Walton (1992:129) notes that "*Case studies are likely to produce the best theory*". In this respect, Neuman (2011:42) identifies six strengths of the case study strategy:

1. *Conceptual validity*. Case study helps to 'flush out', and identify concepts/variables that are of greatest interest and move toward their core or essential meaning in abstract theory.

2. *Heuristic impact.* Case study is highly heuristic (i.e., providing further learning, discovery, or problem-solving). Case studies help in constructing new theories, developing or extending concepts, and exploring the boundaries among related concepts.

3. *Causal mechanisms identification.* Case studies have the ability to make visible the details of social processes and mechanisms by which one factor affects others.

4. *Ability to capture complexity and trace processes.* Case studies can effectively depict highly complex, multiple-factor events/situations and trace processes over time and space.

5. *Calibration.* Case studies enable researchers to adjust measures of abstract concepts to dependable, lived experiences and concrete standards.

6. *Holistic elaboration.* Case studies can elaborate on an entire situation or process holistically and permit the incorporation of multiple perspectives or viewpoints.

As shown in Table 4.5, Yin (2009) suggests that the case study strategy is the most appropriate to use in three main situations, these being: when the research questions have the form of ‘how’ or ‘why’ (explanatory), when the researcher has little control over the events, and when the focus is on contemporary events. This study must answer three main questions regarding the factors affecting the readiness to implement the EFQM in the SBS which are

1. What are the factors affecting the readiness for EFQM excellence model implementation in the Syrian banking sector?
2. How do these factors affect the readiness for implementation of the EFQM excellence model?
3. Why are these factors present in the Syrian banking sector?

Moreover, the event is contemporary and the researcher has no control over it.

Further, the case study allows the researcher to acquire a holistic understanding of the phenomenon under investigation, even from a single case study (Creswell, 1998; Eisenhardt, 1989, Siggelkow, 2007). Practically, the case study strategy places the researcher as a ‘passionate participant’ through his/her interaction with other actors (Guba and Lincoln, 1994:115) and involvement in the process of data collection and analysis (Creswell, 1998; Klein and Myers, 1999; Morgan and Smircich, 1980; Morse, 1994) which provides the opportunity to obtain deep understanding of the highlighted problem through transcripts of the data. (Neuman, 1997; Andrade, 2009). Similarly, Velde *et al* (2004) considered the case study strategy as appropriate when the main focus for the research is on a specific phenomenon and all its surroundings.

Furthermore, Saunders *et al.* (2009) suggest that the case study is helpful in explanatory and exploratory research, especially because a combination of data collection techniques can be



used within the case study such as interviews, observation, documentary analysis and questionnaire, all of which provide the opportunity for data triangulation.

In fact, the case study strategy has been highly recommended by several researchers in qualitative business projects. For instance, Van der Velde *et al.* (2004) mentioned that case studies are supportive for providing a deep insight into the ways in which people and departments communicate with each other. In addition, case studies give the researcher the freedom to deal systematically with a single case, such as a company, a department or even a single individual. Morris and Wood (1991) considered that adopting a case study in the research is an obligatory way to fully understand the research context and the process being performed. Jankowicz (2005) pointed out that the best achieved benefit of case study research is gaining comprehensive and informative data. This point was also mentioned by Gummesson (2000) who stated that case studies can verify full saturation by gathering appropriate information. Finally, Bell (1999) suggested that case studies are a good tool in merging the implicit knowledge with explicit knowledge, so that practitioners can better understand the performance of their business systems.

In the context of quality management studies, the case study strategy was recommended by some researchers. For example, Mellahi and Eyuboglu (2001) revealed that the case study strategy is helpful in the early development of a particular research area, and, according to their view, the study of the implementation of TQM in developing countries is worthwhile. Another point was raised by Bardoel and Sohal (1999) who clarified that using the case study strategy research in TQM studies can provide momentum. Two mentioned studies by the researchers showed that case studies can provide contextual details about TQM evaluations that cannot be achieved by any other research strategy, such as surveys.

The case study strategy is not, however, without criticism. Hamel *et al.* (1993) suggest two deficits of the strategy as being the facts that it is time consuming, and it generates massive amounts of unwanted data. Van der Velde *et al.* (2004) and Yin (2009) also mention that case study results are not statistically generalised and only valid for the definite situation of individuals and the organisation investigated. Van der Velde *et al.* (2004) and Yin (2009) refer to this as ‘analytical generalisation’, implying that one might generalise theory from case study, either from one such study, or from multiple cases. In such instances, the existing theory can be used as a template to compare the empirical results of the case study. If two or more cases are shown to support the same theory, replication may be claimed. However, the empirical results can be considered more potent.

Hence, the explanatory nature of this study justifies the use of case study strategy and its inclusion of different data gathering methods (semi-structured interview, direct observation, documentation, and archival records). Given the advantages of the approach as discussed, it is believed that case study will enable the researcher to develop existing theory and achieve in-depth understanding of the factors affecting the readiness to implement the EFQM excellence model in the SBS.

#### 4.4.3 Number of Case Studies

As already indicated, case study findings are not statistically generalised, and therefore, a discussion exists as to a reasonable number of case studies. In this matter, Yin (2009) has recognised four possibilities based upon two dimensions:

- single case v. multiple case
- holistic case v. embedded case (related to the unit of analysis)

Yin (2009) mentions that strong justification should be prepared for using a single case study design. He provides five instances where a single case is acceptable, these being: critical case, unique case, typical case, revelatory case, and longitudinal case. Similarly, Tellis (1997) indicated that using single-case design is limited to examples of when no other cases are available for replication. Yin (2009) considers the use of multiple case studies to be generally preferable since this approach can produce more convincing evidence and a more robust study, given the fact that analytic conclusions can be drawn through using two case studies or more. Similarly, Voss *et al.* (2002) consider multiple case study designs have a greater opportunity of generalisation than a single case study. Likewise, Leavy (1994) considered that using multiple case study designs increases external validity and reduces observer bias. In this context, Perry (1998) claimed that no precise number of case studies could be recommended. However, Voss *et al.* (2002) confirm that the number of cases should be small to ensure the achievement of an in-depth understanding.

According to Yin's view, when using a multiple case study design, each case should be selected carefully so that it either

- a) Predicts similar results (a literal replication through using 2 or 3 cases) ; or
- b) Predicts contrasting results but for anticipatable reasons (a theoretical replication through using 4 to 6 cases) Yin (2009:54).

Given the above discussion, a multiple case study-design is chosen for this research, and specifically, three cases within the SBS are selected. The researcher believes this is a reasonable number to achieve the aim and objectives of the research and to acquire an in-

depth understanding of the factors affecting the excellence of service quality in the SBS. Additionally, the number of cases studied is helpful in augmenting external validity, enabling comparison of the results in reaching an analytical conclusion.

It is significant to mention that the case study organisations (CSOs) in this research are banks. For simplicity, the researcher deals with each case study as a holistic not embedded case. Data were collected from the headquarters and branches of each CSO, and three managerial levels (top, middle, and shop floor employees) were involved.

#### **4.4.4 Justification for the Choice of the Case Study Organisations (CSOs)**

The three CSOs were selected for the following reasons:

- Each CSO is representative of a category in the Syrian Banking Sector (SBS), which has three types of banks: state-owned banks, private banks, and private Islamic banks. The Real Estate Bank (REB), case study A, is a state-owned bank, Fransabank Syria (FBS), case study B, is a private bank, and the Syrian International Islamic Bank (SIIB), case study C, is an Islamic bank in the sector.
- Each CSO has a strategic plan to implement the EFQM Excellence Model. CSOC seriously intends to implement the ISO 9001 standard as a step to implementing the EFQM excellence model in the future.
- Permission to conduct the field study has been granted and supported by the GM of each CSO, and a letter of permission has been supplied by each GM to facilitate the researcher's task in the headquarters and the various branches involved. This letter of permission has the advantage that it creates a kind of trust between the researcher and the interviewees, and enables the researcher to access the various documents which benefit the research area. According to Silverman (2002, 2010), accessibility is a main reason for choosing certain CSOs, since this will furnish the researcher with appropriate and sensitive data. Section 6.9.1 clarifies how the researcher gained this accessibility for the CSOs.
- Each CSO is a leading organisation in the market in terms of long history, accumulated experiences, web of relationships with corresponding banks, and customer service relationships. CSOA was founded in 1966, CSOB was established in Damascus in 2009 as a subsidiary Bank of Fransabank Lebanon (a leading Lebanese Bank established in 1921 in Beirut, and CSOC was founded in 2006, although the strategic founder, Qatar International Islamic Bank, was launched 1991.

- Each CSO is a pioneer and all are comparable in terms of service quality (i.e. the variety, efficiency, modernisation, and automation of services).

#### **4.4.5 Case Study Organisations**

This section provides brief information about the three CSOs (more details appear in Appendix 9).

##### **4.4.5.1 Real Estate Bank (REB)**

The Real Estate Bank of Syria (REB) is a state-owned bank founded in 1966, being owned by the Ministry of Finance (MOF), but supervised by the Central Bank (CB) of Syria. It has the second market share in terms of other state-owned banks. The registered fully paid capital is SP 1,500 million. The bank has 26 branches in Syria, five in Damascus, and the rest covering all the Syrian governorates. The bank is referred to as CSOA.

##### **4.4.5.2 Fransabank Syria (FBS)**

Fransabank Syria (FBS) was established in Damascus in 2009 as a subsidiary of Fransabank Lebanon, a leading Lebanese Bank founded in 1921 in Beirut. It is ranked first on the list of banks operating in Lebanon, indicating it to be the oldest bank in the country. Fransabank Syria had a capital of SP 1,750,000 million in 2011, and operates through a network of seven branches covering five major districts. The bank began to make profit in 2010. The bank is referred to as CSOB.

##### **4.4.5.3 Syria International Islamic Bank (SIIB)**

The Syria International Islamic Bank (SIIB) was established in Syria in 2006 as a Syrian private anonymous joint stock company with a capital of 5 billion Syrian pounds. The Qatar International Islamic Bank is the main strategic founder, owning 30% of the shares. A group of Qatari investors (12 investors) have a share of 19% of the capital. According to the Syrian Commission for Financial Markets and Securities report (2010), the SIIB is the best bank in the Syrian market in terms of profit growth. It has a network of 26 branches, 12 being located in Damascus, and the rest covering all the Syrian governorates. The SIIB is considered the largest private bank among private sector banks in terms of the volume of fully paid capital and the number of shareholders. The bank is referred to as CSOC.

#### **4.5 Time Horizon Choice**

Saunders *et al.* (2012) distinguish between two types of study:

- Cross-sectional study: the research represents a ‘snapshot’ depicting a particular phenomenon at a particular time. The majority of academic courses studies adopt this type of study because of time limitations.
- Longitudinal Study: the research is conducted over a given period, presenting a series of snapshots that serve as a diary of events. The main strength of this type of study is its capacity to study change and developments.

This study is cross-sectional in nature, representing a research effort that took place at a particular time.

#### **4.6 Data Collection Methods**

There are a variety of ways in which research data can be collected. Some authors such as Saunders *et al.* (2012), and Sekaran (2003), have classified data as ‘primary’ which are collected specifically for the research project being undertaken and ‘secondary’ which were originally collected for some other purpose and which can be analysed to provide additional or different knowledge, interpretations, or conclusions. Easterby-Smith (2008:142) has grouped the methods of data collection for qualitative research into three basic approaches. The first is the natural language approach which aims to discover the views, perceptions, and opinions from both individual and groups, and uses the in-depth interview as its main method. The second is the ethnographic approach which depends on collecting data through examining and understanding symbols, settings and observations, and uses participant observation, non-participant observation, and visual methods. And the third encompasses interactive methods such as photographs or other visual metaphors.

Regarding case study, Yin (2009) has suggested six major sources of evidence that are listed in Table 4.6 and compared in terms of their strengths and weaknesses. Yin (2009) stresses that no single source of data has a complete advantage over others, and that using multiple sources of evidence is helpful and supportive in understanding the actual facts of the phenomena and in triangulating the obtained information. Many authors have encouraged the use of multiple sources of evidence to improve the validity of data (Silverman, 1993; Denzin and Lincoln, 1998), to enhance the reliability of the research (Golafshani, 2003), and to avoid the bias associated with just one single method (Collis and Hussey, 2008).

Based on the earlier discussion, the researcher has chosen face-to-face semi-structured interviews as a primary source (the natural language approach), with direct observation as another primary source (the ethnographic approach) to access the required information for the

research. Additionally, documentation, and archival records are used as secondary sources of data as these are the most appropriate methods for accessing such information.

Participant observations were not appropriate for this research due to fact that the researcher was not involved in any of the activities within the CSOs. Moreover, that strategy usually requires months or years of intensive work denied in a PhD study. Nor were physical artefacts suitable as this research focuses on investigating the factors affecting the readiness for EFQM implementation.

**Table 4.6: Strengths and Weaknesses of Six Sources of Evidence**

Source of Evidence	Strengths	Weakness
<b>Documentation</b>	<ul style="list-style-type: none"> <li>- Stable: Can be reviewed repeatedly</li> <li>- Unobtrusive : not created as a result of the case study</li> <li>- Exact: contains exact names, references and details</li> </ul>	<ul style="list-style-type: none"> <li>- Retrievability: can be low</li> <li>- Biased selectivity, if collection is incomplete</li> <li>- Reporting bias : reflects bias of the author</li> <li>- Access : may be deliberately blocked</li> </ul>
<b>Archival Records</b>	<ul style="list-style-type: none"> <li>- Same as above</li> <li>- Precise and quantitative</li> </ul>	<ul style="list-style-type: none"> <li>- Same as above</li> <li>- Accessibility may be limited for privacy reasons</li> </ul>
<b>Interviews</b>	<ul style="list-style-type: none"> <li>- Targeted : focuses directly on case studies</li> <li>- Insightful: provides perceived causal inferences</li> </ul>	<ul style="list-style-type: none"> <li>- Bias due to poorly constructed questions</li> <li>- Response bias</li> <li>- Inaccuracies: interviewees say what they think interviewer wants to hear</li> </ul>
<b>Direct observation</b>	<ul style="list-style-type: none"> <li>- Reality : covers events in real time</li> <li>- Contextual : covers context of event</li> </ul>	<ul style="list-style-type: none"> <li>- Time-consuming</li> <li>- Selectivity: poor, unless broad coverage</li> <li>- Reflexivity: events may be processed differently</li> </ul>
<b>Participation / direct observation</b>	<ul style="list-style-type: none"> <li>- Same as for direct observation</li> <li>- Insightful into interpersonal behaviour and motives</li> </ul>	<ul style="list-style-type: none"> <li>- Same as for direct observation</li> <li>- Bias due to investigator’s manipulation of events</li> </ul>
<b>Physical Artefacts</b>	<ul style="list-style-type: none"> <li>- Insightful into cultural features</li> <li>- Insightful into technical operations</li> </ul>	<ul style="list-style-type: none"> <li>- Selectivity</li> <li>- Availability</li> </ul>

Source: Yin (2009:102)

#### 4.6.1 Interviews

Kvale and Brinkmann (2009:3) have defined the research interview as a conversation that *“has a structure and a purpose. It goes beyond the spontaneous exchange of views in every day conversations, and becomes a careful questioning and listening approach with the purpose of obtaining thoroughly tested knowledge”*. Collis and Hussey (2009:144) consider the interview to be *“a method for collecting primary data in which a sample of interviewees*

are asked questions to find what they think, do or feel". Saunders *et al.* (2012) and Berg (2009) have classified interviews into three main types:

- Structured (standardised) interviews as used in questionnaires, based on a formal pre-determined or identical set of questions. They are called 'interviewer-administered questionnaires'.
- Semi-structured (semi-standardised) interviews are non-standardised, and are often referred to as qualitative research interviews. The researcher has a list of themes and key questions to be covered. It is not necessary to ask all the questions of every interviewee, nor to ask them in the same order. Basically, the researcher has the flexibility to add or delete questions as the situation requires.
- Unstructured (unstandardised) interviews are informal interviews, being used to explore in depth, a general area of the researcher's interest, and being referred to as 'in-depth' interviews. There is no pre-determined list of questions, and interviewees have the opportunity to speak freely about events, behaviour and beliefs.

Robson (2011), however, talks of a different typology:

- Focused interviews;
- Non-directive interviews.

Easterby-Smith *et al.* (2008) consider interviews as the best methods for gathering information since the interviewer can develop secondary questions on the basis of non-verbal clues such as facial expressions, inflections in the voice, and the overall appearance of the interviewees; however, they do criticise the complexity and time-consuming nature of certain types of interview. Yates (2004) also believes that interviews are useful for exploring the subjective meanings of participants, bringing the potential for new knowledge which will benefit a study. Yin (2009:108) stresses that "*interviews are a critical source of case study evidence because most case studies are about human affairs or behavioural events*".

#### **4.6.1.1 Justification for Choosing Semi-Structured Interviews**

According to Kvale and Brinkmann (2009:3) a semi-structured life world interview "*is an interview with the purpose of obtaining descriptions of the life world of the interviewee in order to interpret the meaning of the described phenomena*". Easterby-Smith *et al.* (2008) mention that semi-structured interviews are very confidential where they can grant a chance to the interviewees to mention some personnel issues. Additionally, Easterby-Smith *et al.* (2008) consider semi-structured interviews are the most appropriate method for data collection where the need is to understand a construct that the interviewee uses a basis for

his/her opinions and beliefs about a particular matter or situation. Similarly, Saunders *et al.* (2012) state that the semi-structured interview is helpful when the interpretivist epistemology has been adopted and the researcher is concerned to understand the meanings that the participants highlight about various phenomena. This point was also clarified by Sekaran (2003) and Oppenheim (2000) who confirm that in depth face-to-face interviews can help the researcher to interpret the implied additional meaning of people's activities, and detect any discomfort, stress, nervous tapping or any other body language. In addition, this type of interviews helps the researcher to elucidate the research purpose for the respondents smoothly and without ambiguity. Jankowicz (2005) indicates that semi-structured interviews are a powerful data collection technique when used within the context of a case study research strategy. However, Jankowicz (2005) and Easterby-Smith *et al.* (2008) link the use of semi-structured interviews with the nature of the questions affirming that this type of interview is advantageous where there are a large number of research questions to be answered, where the questions are complex or open-ended, and where the order and logic of questioning can be varied. In this study, the research questions are transferred to be covered by a huge amount of interview questions as clarified in Appendix 10 and 11.

Based on the above discussion, the researcher has chosen semi-structured interviews as the main source of data collections since this is the best suggested method for the exploratory and explanatory nature of this study, which seeks to explore the factors affecting the readiness to implement the EFQM Excellence model in the context of the Syrian market. The nature of research questions 'how' and 'why' supports the use of semi-structured interviews as these will allow the researcher to gain an in-depth appreciation of how and why certain factors impact upon the excellence of service quality in the SBS. The researcher also depends on face-to-face interviews to gain more credible information from participants.

#### **4.6.2 Direct Observation**

According to Creswell (2009) qualitative observation refers to noting down some information about the behaviour and activities by the researcher at the research site. Collis and Hussey (2009) mention that the most common type of observation in business research is non-participant observation where the researcher observes and records what people say and do without intervention. Yin (2009) considers that direct observation is a potential method in case study because all case studies should be conducted in the natural setting which enables researchers to observe some relevant behaviour or environmental conditions. Saunders *et al.* (2012) state that if the research questions and objectives are concerned with what the people



do, observation will be the best way to discover this. According to their view, observation involves: systematic observation, recording, description, analysis, and interpretation of people's behaviour. Manning (1987) confirms that close observation of individuals can generate data which might support, contradict or substitute for any oral records. Robson (2011) has distinguished descriptive observation where the focus is on observing and describing the physical setting, the key informants and their activities, and particular events and emotions involved. He stresses that the researcher must go further than journalist, and focus on particular events and interactions between key informants, which lead him to call it focused observation. Sekaran (2003:253) has recognised some unique advantages for observational studies:

1. The obtained data are generally reliable and free from respondents' bias.
2. It is easy for the researcher to note the effects of the environmental influences on specific outcomes. For example, the weather (hot, cold, and such other factors) can be noted as a reason for behaviour patterns, such as absenteeism, late arrival, etc
3. It easier to observe some groups of individuals – for example, very young children and extremely busy executives, from whom it may be otherwise difficult to obtain information.

However, there is a substantial criticism of observation, that being that the very act of observing itself may cause people to change their usual behaviour since they know they are being observed.

Nonetheless, the researcher used direct observation to collect some primary data regarding the employees' behaviour, relationships, communication, and interaction with each other as employees at the same and different managerial levels. For example, one branch manager in CSOA claimed to fully empower his employees, yet during the interview, many employees interrupted the proceedings to consult the manager about small routine matters, thereby highlighting a contradiction between what the manager declared and the reality. A similar observation was made in CSOA when an employee mentioned that her manager was very supportive and modest, and then her manager entered the room and gently asked her to sign a document, which she had forgotten to do. This behaviour confirmed the interviewee's impression of her manager as supportive towards her.

#### **4.6.3 Documents**

Yin (2009) notes that documentation includes different types of information such as letters, memoranda, agendas, e-mail correspondence, administrative documents, progress reports,

newsletters, newspaper articles, minutes of meetings, formal studies, news clippings and other media articles related to the investigation area. Proverbs and Gameson (2008) suggest that such kind of documentation can be useful in helping to corroborate evidence from other sources and in obtaining some basic factual information about the case at hand. Saldana (2011) has recommended looking for or reviewing any publicly-accessible document in the field site but only with permission of the participants. It is preferable to keep a copy of the key document or scan it if possible.

The researcher has accessed various documents from the three CSOs such as: annual reports, records of the organisational structure, job description, samples of training files, some circulars and management review results, and some unpublished financial results. For example, she accessed the training plan for 2010 for CSOA which shows the type of training courses followed by the employees, from which she observed that no courses on quality or customer service had been held, and that whilst the training plan suggest training about 300 employees during the year, only 95% of the plan was performed in 2010, and even if 100% of the plan had been implemented, it would still not have been enough to meet the entire bank's needs.

#### **4.6.4 Archival Records**

According to Yin (2009), archival records include service records, organisational records, lists of names, staff and payroll records, old correspondence, and other such records. Yin confirms that archival records are relevant for many case studies. In the present study, the researcher examined records showing the history of the organisations, their establishment and structure. The researcher also saw the historical development of the Quality Departments and the improvements in the quality journey in CSOA, B and C.

### **4.7 Structure of the Interview Protocol**

#### **4.7.1 Generating and Developing the Interview Questions**

The main purpose of the interview questions is to collect the required data to achieve the aim and objectives of the study. The researcher generated and developed questions concerning the factors affecting the excellence of the service quality in the SBS. Appendix 10 presents the interviews questions with Top Managers (TMs), and Middle Managers (MMs). Appendix 11 presents the interview questions with Shop Floor Employees (SFEs). The researcher depended on the fundamental concepts of excellence regarding the EFQM Excellence Model as theoretical background to develop the interview questions, which were inspired by the literature review which identified the main themes. Appendix 12 highlights the link between

the fundamental excellence concepts, the literature review themes, and the related interview questions.

#### 4.7.2 Preparing the Interview Protocol

The researcher took some steps before conducting the case study interviews. First, she discussed the interview protocol with her supervisors and with some PhD students working on related subjects. This helped to enhance the validity of the interview questions and to ensure that the key areas of enquiry were covered. A decision was made to interview the three managerial levels in each CSO represented by top managers, middle managers, and shop floor employees. Table 4.7 shows the hierarchical level and the identification details for the interviewees. The three hierarchical levels were included to gain in-depth data about the factors affecting the excellence of service quality in the SBS, and to increase the validity of the research by providing the opportunity to triangulate the data obtained from the three managerial levels. Schensul (2012:94) recommended this approach, stating the “*choosing the individual level for the semi-structured interview can identify the commonalities and differences across individual respondents in one or more topic*”. Additionally, all the employees at the three managerial levels share the responsibility of the quality issues in the organisation.

**Table 4.7: Interviewee Groups and Respondent Level for the Three CSOs**

<b>Hierarchical level</b>	<b>Identification details</b>	<b>Referred in the findings</b>
<b>Top Management</b>	Executive managers, deputy executive managers and directors of business units in the headquarters.	Top Managers (TM)
<b>Middle Management</b>	Branch managers, heads of department and team leaders.	Middle Managers (MM)
<b>Shop Floor Employment</b>	Ordinary employees in different departments.	Shop Floor Employees (SFE)

#### **4.7.3 Translating the Interview Protocol**

The interview questions were designed in the English language, but as the research was to be conducted in Syria, a translation into Arabic was made since this is the mother tongue in Syria. The researcher translated the questions individually, then the translation was reviewed by two other researchers holding PhDs in a similar area to the research. Additionally, the researcher asked another Arabic speaker, proficient in the English language, to revise the translation to ensure its accuracy. It was decided to conduct all the interviews in all three CSOs in Arabic despite the fact that some interviewees speak good English, because the mother tongue helps people to understand the context of questioning more effectively, and enables the expression of their views with more ease and less effort. Fontana and Frey (1994:371) confirm that *“the use of (native) language is very crucial for creating the participatory of meanings in which both interviewer and respondent understand the contextual nature of the interview”*. For the data analysis purpose, the researcher translated all the interview transcripts back into English. To increase the reliability, the researcher asked an Arabic-English professional translator to check a sample of the translation for the interview transcript.

#### **4.7.4 Number, Time, and Location of the Interviews**

Interviews took place between December 2010 and February 2011, and were arranged at the interviewees' convenience. The number of interviews varied, being 40 in CSOA, 18 in CSOB, and 22 in CSOC as shown in Table 4.8. There is no one sample size appropriate for qualitative research, this being determined by the purpose of the study and the time and resources available (Patton, 2002; Oberle, 2002). Hence, qualitative researchers do not work to a prescription in this respect, but rather, as noted by Kvale (1996), must ask the question ‘how many interview subjects do I need?’ to which the answer is simply, ‘interview as many subjects as necessary to find out what you need to know’. Additionally, Taylor and Bogdan (1984) have stressed that the type of interviewee is important in qualitative research rather than the number of them.

According to Hackely's (2003) view, it is very hard to provide a satisfactory answer to the question ‘how much data shall I collect?’ There are many issues that have to be considered, such as the research objectives, the nature of the subject, the type of data that is perceived, and the quality of the data acquired, as well as pragmatic considerations, such as time-scale and cost. Hackely revealed that the sample can be decided on the grounds of:

a) Pragmatism, which dictates the time limitation for the research students who cannot wait months for organisations to reply to their request for accessing the data. If there is a positive response from the organisation, the techniques of data gathering will determine the amount of data gathered. It is very significant to mention that the in-depth interviews are very time consuming. The transcription of a one hour interview is a very lengthy task.

b) Representativeness. It is very important that the sample in the qualitative research is representative of a larger group rather than random.

c) Quality of generated data. Before the data are gathered it is not easy for the researcher to ascertain the respective quality. The quality of data mainly depends on the rapport that the researcher can establish with the interviewee.

A more recent paper by Baker and Edwards (2012) which is entitled “*How many qualitative interviews is enough*” summarized the views of 14 famous social scientists about this issue. The views about the rationale for the number of qualitative interviews can be categorized in the following points:

- The purpose of the research – the type of research question to be addressed and the methodology that it is proposed to adopt.
- The epistemological issue (how we know what we know). The researcher needs to be aware of what evidence will satisfy their mentors, peers and readers, and then make decisions regarding size, diversity and analysis. It is recommended that the researcher collect as much evidence as possible to avoid the criticism. ‘What constitutes excellence rather than adequacy in the field’
- Saturation is central for the qualitative sample. The researcher has to keep asking as long as he is getting different answers. The researcher can stop when he gets repetitive evidence.
- Population availability and the nature of the subject. There are some types of research in which a larger number of subjects may be easier to obtain. First, when subjects are plentiful and easy to find; for example, if a research has been conducted on college campuses, the researcher can gain access to a huge number of interviewees. Second, it is recommended to look for a larger subject pool when groups or subpopulations have different views, roles, statuses, problems with, or decisions about the science. Third, a larger number of subjects is more commonly sought in certain circumstances, such as in funded research, where the conductor of the funded research can generate a large sample because they have the money to hire interviewers and pay subjects.

According to the above discussion, the rationale for the number of interviews in this study can be justified on methodological and epistemological issues where the nature of the study (Interpretivism study) has a main purpose represented by generating new theory and interpreting the factors affecting the readiness to implement the EFQM excellence model in the context of the Syrian banking sector. The researcher tried to provide as much evidence through interviewing as many employees to be aware of the epistemological community for the subject. Further, the researcher interviewed until she felt that most answers had become repetitive (saturation issue), and that the information collected was enough to achieve the research aim and objectives. Furthermore, the sample is large in relation to the conducted interviews for three managerial levels (top, middle, and shop floor employees) in each case study seeking out their various perceptions and positions. It is worth mentioning that the availability of employees (shop floor) in case study A (the state owned bank) was higher than for case studies B and C (private banks).

However, it is also significant to mention that the variation in the number of interviews in the three CSOs was related to following reasons:

- The size of the organisation, which dictated the maximum number of employees available at each managerial level. For CSOA there was good availability because as a state-owned bank, there was a large number (1,500) of employees. This was not the situation in CSOB and CSOC, and indeed in CSOB the staff were very busy.
- The availability of each candidate to attend the interviews and to answer the researcher's questions. Some interviewees did not answer all of the questions because they had limited time and/or knowledge about certain issues.
- The amount of repetition in the answers obtained during the interviews

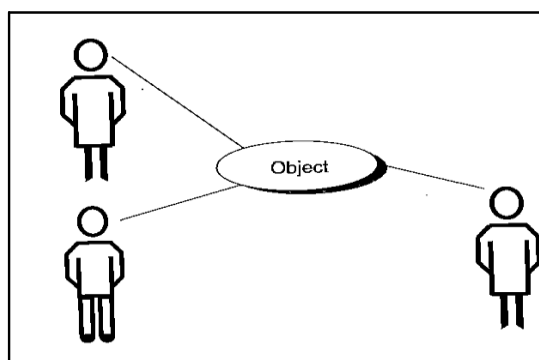
The duration of each interview also varied from 45 minutes to two hours, it being the case that some top and middle managers were pleased to dedicate extra time to support the research. However, in general, interviews took around one hour. All interviews were conducted on site at the CSOs, thereby allowing the researcher to access appropriate documents.

**Table 4.8: Number of Interviewees in the Case Study Organisations**

	Interviewee Categories			Sub-total	Total
	Top Management	Middle Management	Shop Floor Employees		
No. of interviewees in CSOA	9	7	24	<b>40</b>	<b>86 interviews</b>
No. of interviewees in CSOB	9	3	6	<b>18</b>	
No. of interviewees in CSOC	8	4	16	<b>28</b>	

#### **4.8 Triangulating**

Triangulation is defined by Collis and Hussey (2009:85) as “*the use of multiple sources of data, different research methods and/or more than one researcher to investigate the same phenomenon in a study*”. Neuman (2011) clarifies the concept of triangulation in social science, referring to it as the act of obtaining more accurate knowledge through observing multiple perspectives rather than by looking from only one angle. Saunders *et al.* (2012) consider the term as one used in social and managerial sciences to refer to the use of different data collection techniques within one study in order to check that the data coming from different sources are telling the same story. Moore *et al.* (2012) stress that triangulating increases the validity and the trustworthiness of the findings.



**Figure 4.9: Triangulating: observing from different viewpoints** (Neuman, 2011:164)

Patton (2002, as cited in Yin, 2009), Collis and Hussey (2009), and Neuman (2011) classify triangulation into four types:

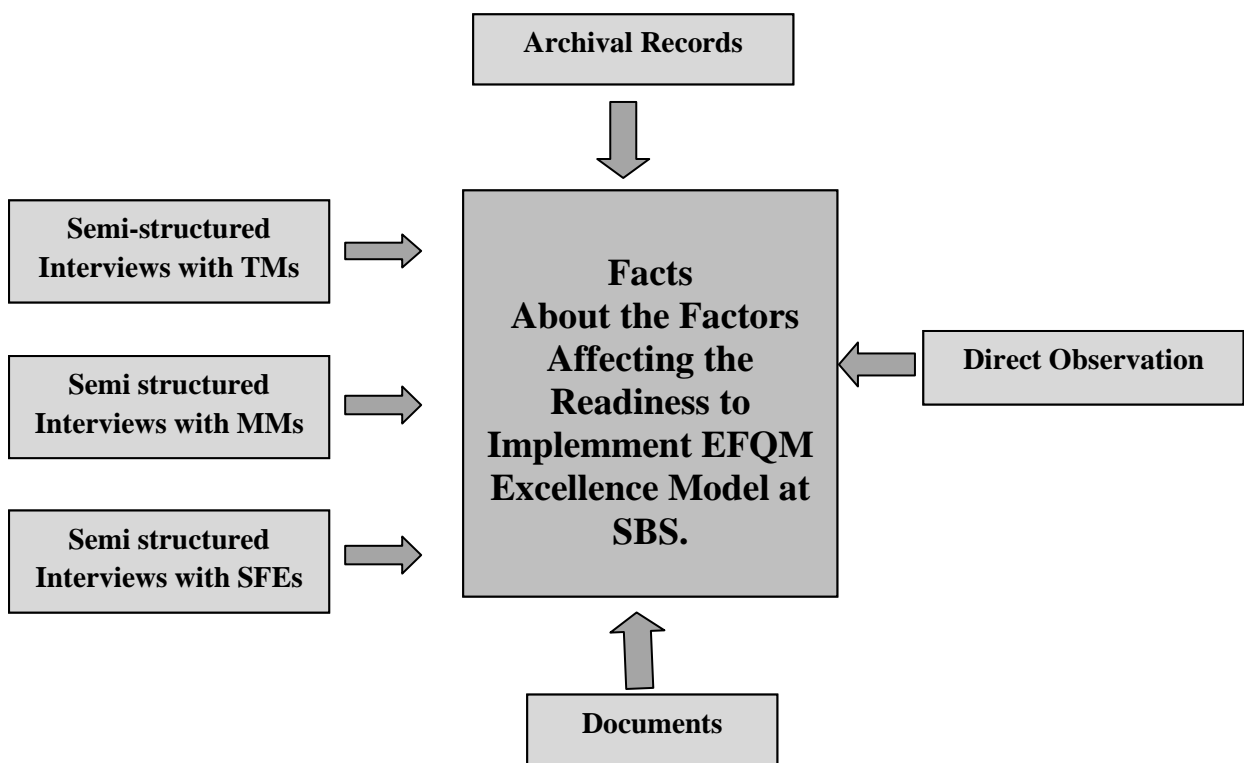
- Data triangulation - data are collected at different times, or from different sources
- Investigator triangulation - multiple observers provide alternative perspectives, backgrounds, and social characteristics.
- Theory triangulation – the use of multiple theoretical perspectives to plan a study or interpret the data.
- Methods triangulation – the use of more than one method to collect and analyse the data, whether within the same paradigm (Collis and Hussey, 2009) or from different approaches - qualitative and quantitative (Neuman, 2011).

Given the discussion, triangulation in this study is achieved by using face-to-face open-ended interviews as the main method for data collection, and supporting these by other sources of evidence, i.e. document review, archival records and direct observations. Figure 4.10 depicts how this is achieved in the study.

In this context, it is very significant to mention that data collection methods can complement each other. Actually, gathering data by interviewing three managerial levels in each case study is very helpful to understand the different perceptions of the participants according to their various positions in the organisation. Documentation and archival records can provide official evidence about what has been performed in the organisation. However, the direct observation reflects the researcher's awareness regarding the participants' actions, behaviour, incidents, and events. Accordingly, complementing the data collection methods with each other enables the researcher to see the whole picture about the studied phenomenon. For example, the researcher enquired about the efficiency of the training courses (scope, depth, and variety) the majority of TM and MM in the CSOA were satisfied about the quality of



conducted training. However, a contradictory view was identified for the SFEs. By checking the training plan for the bank in 2010, although it shows many training courses for different directorates, there is no mention of any training course concerning developing of the perception of quality or developing staff interpersonal skills. Indeed, the researcher noticed the low numbers of employees nominated for these courses. Although according to one TM, 95% of the plan was fulfilled in 2010, the researcher believes that even at 100% the plan is still insufficient to meet the entire bank’s needs. Additionally, the researcher noticed a lack of knowledge about the SFEs in respect of certain issues regarding the awareness of service quality context, and the interpersonal skills linking to customer service. Another instance verifying the complementarity between the data collection methods is related to the concept of empowerment. The majority of TMs in the CSOA alleged to be empowering their employees; however, the researcher observed in some interviews, that employees had to consult their managers on each issue before taking further action by themselves.



**Figure 4.10: Triangulation in the Study** (model adapted from Yin, 2009:117)

## 4.9 Negotiating Access and Research Ethics

### 4.9.1 Strategies for Gaining Access

It is important for researchers to clarify what is required of all participants (Robson, 2011). Moreover, they should gain approval from those in authority to access research sites and individuals whose co-operation is required, since this will remove any uncertainty or suspicion on the part of participants, and especially about whether they are authorised to devote time to research activity (Saunders *et al.*, 2012). Easterby-Smith *et al.* (2008) suggest that a request for access is more likely to be granted if the amount of time and resources required are kept to minimum, and if confidentiality of the data and anonymity of the organisation are guaranteed.

In order to obtain access to the three CSOs, the researcher adopted the following protocol:

- An introductory letter from Aleppo University in Syria (the researcher's sponsoring University) signed by the Dean of the Faculty of Economics, and clarifying the main purpose of the study, and the relationship with the researcher was prepared in Arabic (Appendix 13).
- A similar introductory similar letter from the University of Salford signed by the researcher's supervisor was prepared. This also indicated that the research data and documentation would be used for scientific research purposes only (Appendix 14).
- A letter granting ethical approval by the Research Governance and Ethics Committee (RGEC) at Salford University was enclosed (Appendix 15).
- An information letter and consent form for the interviewees, indicating a guarantee of anonymity for participants was enclosed (Appendix 16).
- For CSOA and CSOB, the researcher was introduced personally to the GMs by one of her relatives, whilst for CSOC; the researcher introduced herself personally to the Marketing Manager, and did this in a professional and enthusiastic way. The manager welcomed the researcher and ensured accessibility, having considered the likely costs and benefit of such research. In fact, he was keen to be assured in this regard, saying that "*the banks pay too much on such kind of studies*", an issue raised by Easterby-Smith *et al.* (2008) as a consideration when approaching companies for accessibility.
- CSOB asked the researcher to sign a declaration letter preventing her from publishing the research results regarding the organisation before obtaining permission to do so. The researcher did this, fully appreciating the management's fears that there may be negative information about the bank that would affect its competitive position,

especially because of the novelty of the bank in the Syrian market. Again, Easterby-Smith *et al.* (2008) mention that sensitivity of the topic leads some organisations to be less likely to co-operate for fear that they will not be shown in a good light.

- The researcher promised to provide a copy of the thesis to each CSO, as an expression of gratitude for the support and help rendered, and in the hope that the CSOs would derive benefit from the outcomes. Saunders *et al.* (2012) mention the need to offer a summary report of the research findings to all participating organisations in order to fulfil any expectations about exchange between the provider and the receiver of research data.

The researcher relied on the above protocol to build trust and remove any anxiety among the CSOs and/or individuals within them at all three managerial levels regarding the research purpose and the accessible data. Easterby-Smith *et al.* (2008) mention that developing trust with interviewees is a difficult task but essential since failure to develop trust may result in unreliable information being given, or in the participant simply saying what s/he believes the researcher wants to hear. Similarly, Robson (2011) and Neuman (2011) stress that gaining co-operation from the intended participants is a matter of developing relationships and building rapport. To create a more relaxed and comfortable relationship, the researcher answered any questions asked prior to starting the interviews, even those relating to personal issues, such as her background, interests, etc. Neuman (2011) confirms that the disclosure of such personal information can build trust and close relationships with interviewees.

#### **4.9.2 Ethical Approval**

Mertens (2012:19) stresses that *“qualitative researchers’ interactions with individuals and communities provide fertile ground for the emergence of ethical dilemmas”*. In this connection, Saunders *et al.* (2012:226) define research ethics by *“the standard of behaviour that guides your conduct in relation to the rights of those who become the subject of your work, or are affected by it”*, and they cite several principles which are considered as ethical issues and which must be considered in different research approaches, these being:

- The integrity and objectivity of the researcher
- Respect for others
- Avoidance of harm
- Privacy of those taking part *“Anonymity provides protection to participants by ensuring that their names are not identified with the information they give”* Collis and Hussey (2009:46)

- Voluntary nature of participation and right to withdraw
- Informed consent of those taking part
- Ensuring confidentiality of data and maintenance of anonymity of those taking part.  
*“Confidentiality provides protection to participants by ensuring that sensitive information is not disclosed and the research data cannot be traced to the individual and organisation”* Collis and Hussy (2009:46)
- Responsibility in the analysis of data and reporting of findings
- Compliance in the management of data
- Ensuring the safety of the researcher

In this respect, and according to the University of Salford policy, the researcher applied for ethical approval prior to conducting the field study. The Research Governance and Ethics Committee (RGEC) subsequently granted the researcher such approval (Appendix 15). Prior to conducting the interviews, the researcher contacted the participants to obtain their agreement, and then arranged an interview time most convenient for them. Interviewees were informed about the general purpose of the research, and told that they had the right to withdraw at any time without having to give a reason. They were informed that they would remain completely anonymous in the thesis and that their personal responses were guaranteed complete confidentiality (Appendix 16).

#### **4.10 Conducting the Pilot Study**

Saunders *et al.* (2012:677) define a pilot test as a *“small-scale study to test a questionnaire, interview checklist or observation schedule, to minimise the likelihood of respondents having problems in answering the questions and of data recording problems as well as to allow some assessment of the questions’ validity and the reliability of the data that will be collected”*. Moore *et al.* (2012) distinguish between a **Pilot test** which means the researcher can share the data collection instrument with a colleague to ensure that questions are designed appropriately and are understood and interpreted as intended, and a **Field test** when the instrument is tested on participants similar to the actual participant who will be studied. Yin (2009) stresses that conducting a pilot study is very valuable in helping to refine the data collection plans regarding the content of data and the followed procedures.

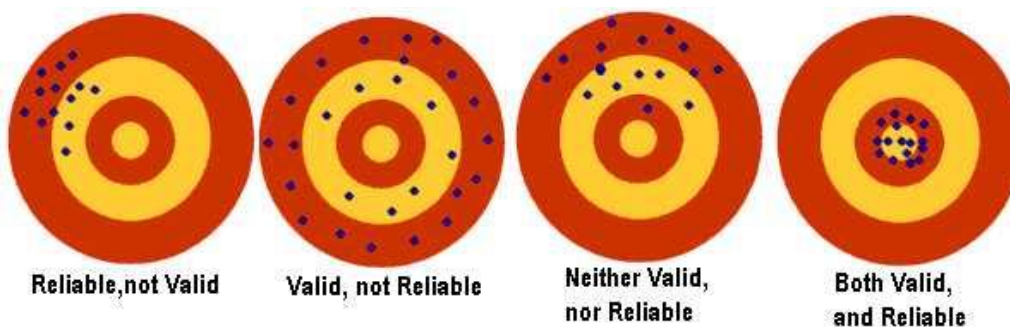
In the present study, the researcher conducted two pilot tests in the UK with two PhD colleagues working in a similar area in quality management. Additionally, the researcher undertook six pilot (field) tests with six employees (two from each of CSOA, B, and C) in December, 2010. The pilot study provided excellent feedback enabling the researcher to:

- refine the interview questions through deleting some repetition and redesigning some other questions so that they were clearer and more understandable for the interviewees;
- ensure the interview questions covered all the research objectives effectively;
- ensure the length of the interview questions was suitable for the granted interview duration (60-90 minutes).

#### 4.11 Quality in Qualitative Research

Validity and Reliability address the issues regarding the quality of the data and the appropriateness of the methods used in conducting a research project. Patton (2001) states that validity and reliability are two factors which any qualitative researcher should be concerned about during the design, analysis, and evaluation of the quality of a study; he also states that reliability is a consequence of the validity in a study, and that both emanate from the researcher's ability.

Figure 4.11 depicts the concepts of validity and reliability as suggested by Klassen (2008).



**Figure 4.11: Validity and Reliability Comparison**

(Klassen, 2008) As cited Barqawi(2009: 97)

In this respect, Klassen as cited in Barqawi (2009:97) explained:

*“Reliable, not Valid: when measurements are consistent (clustered), but they don't hit the target. This missing the target usually indicates that the concepts require substantial rethinking. Valid, not Reliable: when measures are scattered widely around the target but they are not tightly clustered. This wide spread indicates that the indicators are not focused on the core concepts. Neither Valid, nor Reliable: when measures are scattered but not focused around a core concept. This missing the target without clustering indicates that the entire tool needs to be rethought. Both Valid and Reliable: The measurements are consistent*

*and tightly focused around the core concept. This indicates that the tool is a solid measure of the concept”.*

Collis and Hussey (2009) consider the validity to be very low in positivistic research where the focus is on the accuracy of measurements and the ability to repeat experiments reliably. In contrast, it is very high in interpretivistic research where the phenomenon is investigated in depth and rich data is provided.

#### **4.11.1 Validity**

According to Saunders *et al.* (2012:684) validity is related to “(1) *the extent to which data collection method or methods accurately measure what they are intended to measure, and (2) the extent to which research findings are really about what they profess to be about”.*’

Neuman (2011:214) has defined validity by reference to truthfulness, suggesting that in qualitative research, it is essential to achieve *Authenticity* which means “*offering a fair, honest, and balanced account of social life from the viewpoint of the people who live it every day*”. Similarly, Golden-Biddle and Locke (1993, cited in Easterby-Smith, 2008:96) mention three key issues regarding validity in qualitative research: *Authenticity* which involves convincing the reader that the researcher has a deep understanding of what was taking place in the organisation; *Plausibility* through linking the research with other concerns/interests among other researchers; and *Criticality* which encourages readers to question their taken-for-granted assumptions. However, Yin (2011) considers a qualitative study is valid if the data are properly collected and interpreted, and consequently, its findings reflect and represent the real world that was studied. He suggests two main strategies to strengthen the validity of qualitative research, these being rival explanation, and triangulation. Rival explanation involves looking for rival interpretations at every step of the study and not only in the final interpretations of the study’s findings. Triangulation involves collecting data from many sources. In the same context, Maxwell (1996:87) also stresses that the issues of validity are related to “*the correctness or credibility of a description, conclusion, explanation, interpretation, or other sort of account*”. Later, Maxwell (2009:244-245, cited in Yin, 2011:79) presented seven strategies for combating threats to validity in qualitative research, as follows:

1. Intensive long-term (field) involvement – to produce a complete and in-depth understanding of field situations, including the opportunity to make repeated interviews and observation.

2. 'Rich' data – to fully cover the field observations and interviews and obtain detailed and varied data.
3. Respondents' validation - to obtain feedback from the people studied, to lessen the misinterpretation of their self-reported behaviours and views;
4. Search for discrepant evidence and negative causes – to test rival or competing explanations;
5. Triangulation – to collect converging evidence from different sources;
6. Quasi-statistics – to use actual numbers instead of adjectives, such as when claiming something is 'typical', 'rare' or 'prevalent'; and
7. Comparison - to compare the explicitness of the results across different settings, groups, or events.

Yin (2009) and Saunders *et al.* (2012) recommend the following tests of validity for case studies:

- Construct validity, concerned with the extent to which the research measures actually what it should do, can be achieved through using different sources of evidence, establishing a chain of evidence, and having key informants review the draft case study report.
- Internal validity (for explanatory or causal studies only and not for descriptive or exploratory studies), can be considered during the data analysis by using different tactics such as: pattern matching, explanation building, rival explanation, and logic models.
- External Validity, concerned with the possibility of generalising the study's findings to other relevant setting or groups, can be achieved through two tactics: either using the theory in a single case study, or using replication logic in multiple case studies.

Considering the discussion, and because of the significance of validity in qualitative research, the following strategies are used to increase the validity of this study:

- Construct validity was achieved by:
  - Getting rich, detailed, and various data from the three case studies. The researcher worked hard to obtain in-depth data. A full explanation and description of the field observation and interview data appears in Chapter Seven.
  - Using multiple sources of evidence such as semi-structured face-to-face interviews as the main source of data plus three other sources: documentation, archival records, and direct observations. Triangulation is one of the major tactics to enhance the construct validity.

- Using three managerial levels to collect the data. The researcher interviewed the TMs, MMs, and SFEs in each case study, comparing and contrasting the participants' answers to increase the clarity and the accuracy of the obtained data.
- Ensuring the draft case study report is passed to key informants for their review. A draft of each interview was validated by the participants concerned for their confirmation of the accuracy of what was reported.
- Internal validity was achieved by:
  - Using the explanation building method to analyse the data, and comparing and contrasting between the three case studies and then between the data and existing theory.
  - Using quasi-statistics instead of adjectives. The researcher asked some questions about typicality and asked for rankings of the perceived levels of service quality from the participants.
- External validity was achieved by using three case studies to allow for the achievement of replication and theoretical (analytical) generalisation.

#### **4.11.2 Reliability**

According to Saunders *et al.* (2012) reliability can be achieved if the data collection techniques and analytic procedures would conclude the same results were they repeated on another occasion or if they were replicated by a different researcher. Similarly Creswell (2009:232) mentions that reliability refers to whether scores for items on an instrument are internally consistent (consistent across constructs), stable over time (test–retest correlations), and whether there is consistency in test administration and scoring; this implies that the approach must be consistent across different researchers and different projects. Collis and Hussey (2009) consider that reliability is the absence of differences in the results of a study if repeated, stressing that in interpretivistic research, this can be achieved through establishing protocols and procedures that support the authenticity of the findings. Similarly, Yin (2009) suggests two strategies to achieve reliability, the first being the use of case study protocol, and the second being the development of a case study database. Both tactics were employed in this study. A case study protocol was clarified including all the steps followed (the research design/process, semi-structured interview questions, pilot study, data analysis techniques, research discussion, and conclusion); and a database for the three case studies was established, keeping all the data and information for the purpose of further research.



Similarly, Saunders *et al.* (2012) demonstrate that reliability can increase by clear reporting of each part of the research in a transparent way to allow others to judge for themselves and to replicate the study if they wish. In this context, the researcher reported every single process to aid in other's replication of judgement of the study.

Furthermore, Flick (2007) asserts that reliability can be enhanced by interview training for the interviewers and by checking the interview guides or questions in test interviews after the first interview. Consequently, the researcher attended training seminars held by Salford Business School at the University of Salford, and supported this with practical experience gained during the pilot study. Additionally, the interview questions were refined and revised several times by the researcher, with the help of her supervisors and some other PhD students in relevant areas.

Some authors, namely Lincoln and Guba (1985) and more recent contributors such as Clont (1992), Seale (1999), Robson (2002), and Neuman (2011), consider that 'dependability' or consistency is a more appropriate term than 'reliability' for qualitative research. According to Lincoln and Guba (1985:317, cited in Collis and Hussey, 2009:182), dependability can be enhanced in qualitative research by an 'inquiry audit', focusing on the following four criteria:

- **Credibility:** demonstrates that the research was conducted in such a manner that the subject of the enquiry was correctly identified and described. Credibility can be improved by the researcher involving him/herself in the study for a prolonged period of time, by persistent observation of the subject under study to obtain depth of understanding, by triangulation by using different sources of evidence, and by peer debriefing by colleagues on a continuous basis. Among those techniques, the credibility of this study was enhanced by triangulation of data collections from different sources of evidence such as interviews, direct observation, archival records, and documentation; and by peers' and colleagues' reviews; the researcher and other researchers from different schools within the University of Salford held weekly meetings to discuss their research aims, objectives, and associated methodology.
- **Transferability:** this is concerned with whether the findings can be generalised to another situation.
- **Dependability:** this illustrates that the research process is systematic, rigorous, and well documented.
- **Conformability:** this should be used as a criterion where the study has described the research process fully and it is possible to assess whether the findings flow from the data. The researcher documented all the research processes and procedures, and

checked and rechecked the data throughout the study to improve the dependability and the conformability.

#### 4.12 Data Analysis

Many challenges are presented by the analysis of qualitative data in both positivist and interpretivist paradigms. For instance, Collis and Hussey (2009) mention the difficulty in summarising huge amounts of data (hundreds of pages) of qualitative data to arrive at the findings, and Robson (1993) criticises the lack of clear and accepted set conventions for analysing qualitative data compared with quantitative data. Neuman (2011) compares and summarises the main similarities and differences between qualitative and quantitative data analysis in Table 4.9.

**Table 4.9: Comparing Quantitative and Qualitative Data Analysis**

Similarities	Differences
Both infer from empirical data to abstract idea	Quantitative uses a few shared standardized techniques Qualitative uses many diverse, nonstandard techniques
Both use a public process and describe in detail	Quantitative analyzes after all data have been collected Qualitative begins data analysis while still collecting data
Both make comparison	Quantitative tests preexisting theories and hypotheses. Qualitative conceptualizes and builds a new theory.
Both avoid errors and false conclusions	Quantitative uses precise and compact abstract data. Qualitative uses imprecise, diffuse, relatively concrete data.

Source: Neuman (2011:509)

According to Huberman and Miles (1994 in Berg, 2009:54-55) qualitative data analysis can be defined as consisting of three concurrent flows of action :

- Data reduction - through focusing, simplifying, and transforming raw data into a more manageable, understandable form.
- Data display - by presenting the data as an organised, compressed assembly of information that permits conclusions to be analytically drawn. Collis and Hussey (2009) state there is no limit to the type of diagram and illustration that can be generated by qualitative data, although the most common are networks, and matrices.

- Conclusion and verification - through making various informed evaluations about the study and the data. Verification includes two steps: 1) ensuring that conclusions are drawn from the pattern apparent of the data, 2) ensuring that all the procedures used to arrive at the conclusion have been clearly articulated.

Similarly, Collis and Hussey (2009:167) summarise the main features of qualitative data analysis as:

- Reducing the data - finding a systematic way to select relevant data, often through the use of coding.
- Restructuring the data - using a pre-existing theoretical framework or one that emerges during the data collection stage to provide categories into which the data can be fitted.
- Detextualising the data - summarising data in the form of a diagram.

Consequently, Miles and Huberman (1994) recommend using the *general analytical procedure* which can be used with any methodology, to analyse qualitative data, and the procedures involved are clarified by Collis and Hussey (2009:170) as:

- Converting rough field notes (together with some personal thoughts and reflections of the researcher) into a written record for later understanding by the researcher and supervisor.
- Ensure that any material cited in the data collected by whatever method, is properly referenced, to include who was involved, the date and time, and the context.
- Coding the data as soon as possible.
- Grouping the codes into small categories according to patterns or themes, and writing summaries of these findings as the research/analysis progresses.
- Using the summaries to construct generalisations to be used in confronting existing theories or in constructing new theory.
- Continuing until the generalisations are sufficiently robust to enable analysis according to existing theory or to construct new theory.

Yin (2009) suggests five analytic techniques can be used for case study analysis, these being: Pattern Matching, Explanation Building, Time-Series Analysis, Logic Models, and Cross-Case Synthesis.

- Pattern Matching: pattern matching logic is used to compare an empirically-based pattern with a predicted one. If the case matches the predicted patterns then the case

supports the theory in the same way as successful experiments support a theory. If the pattern coincides, the results can help to strengthen the internal validity of a case (Yin, 2009).

- Explanation-building: explanation-building is a special type of pattern matching. The goal of this technique is to analyse the case study data by building explanations about the case. The main focus is to explain a ‘phenomenon’, and identify causal links about it, or to clarify ‘how’ or ‘why’ something happened. It occurs in narrative form and essentially builds a theory.
- Time-Series: the main logic underlying this technique is to compare the observed (empirical) trend for a set of events in the case study and either of the following: (a) a theoretical trend or (b) some rival trend. If they match, it will support the theory, if it does not, then modification is required together with further research. This happens when some events always occur before others.
- Logic Model: this is a combination of pattern matching and time-series analysis covering independent and dependent variables. It deliberately stipulates a chain of events over an extended period of time. The events are in a repeated cause-effect-cause-effect pattern, whereby a dependent variable (event) at an earlier phase becomes the independent variable for the next phase.
- Cross-Case Synthesis: this is a technique especially relevant to research consisting of at least two cases, and treats each individual case study separately (Yin, 2009).

Based on the above discussion of different techniques for qualitative data analysis, the researcher adopted the explanation-building strategy since during the data collection process, unpredicted patterns emerged and needed to be tackled.

#### **4.13 Chapter Summary**

This chapter has provided an overview of the research methodology. Interpretivism is chosen as the most appropriate philosophy to achieve the main aim of the study (to gain an in-depth understanding of the factors affecting the excellence of service quality in the SBS). The chapter has clarified the reason for adopting the a combined inductive and deductive approach, and a multi-case study as a main strategy. A solid justification has been provided for selecting the three cases involved, and issues relating to accessibility of the organisations have been detailed, thereby confirming the researcher’s ethical conduct throughout the process. It has also been shown that semi-structured interviews with representatives from three managerial levels within each CSO were the main source of evidence, supported by

direct observation, archival documents, and some other documentation, to allow for data triangulation and increased validity. Finally, the chapter has shed some light on the techniques of qualitative data analysis, and indicated why explanation building has been chosen as the technique in this study. The next chapter presents the findings of the interviews and the other methods of data collection.

## CHAPTER FIVE

### PRELIMINARY RESEARCH FINDINGS

#### 5.0 Chapter Introduction

This chapter presents the preliminary findings of the empirical investigation conducted within the three CSOs in the SBS. As indicated in Chapter Four, face-to-face semi-structured interviews were the main source of data collection, supported by direct observation, archival records and various other documentations. The interview questions were formulated to collect detailed information from top, middle, and shop-floor levels in the CSO regarding:

- The significance of the service quality concept.
- The appraisal of service quality.
- Factors affecting service quality.
- Factors affecting the service quality according to the fundamental concepts of the EFQM Excellence Model which are:
  - Leading with Vision, Inspiration, and Integrity
  - Adding value for customers
  - Succeeding through People
    - Training and Education
    - Empowerment and Involvement
    - Communication
    - Rewards and Recognition
  - Managing by Process
  - Building Partnerships
  - Achieving Balanced Results
  - Taking Responsibility for a Sustainable Future
  - Nurturing Creativity & Innovation

The findings from the three CSOs are now presented.

#### 5.1 Service Quality Significance

The significance of service quality at bank was confirmed strongly by the three managerial levels in the three CSOs. Service quality was highlighted as one of the most important standards to achieve excellence and continuity in the market. Diverse reasons have been introduced by the interviewees to justify their views. Six main motives were generalised of

the three CSOs represented by (customer satisfaction, work efficiency, profit boosting, market share and continuity, competitive advantage, and trust building).

It is undoubted that service quality is a real competitive advantage and a way of differentiation in service organisations such banks where the service is the essential product of these organisations with similar services can be imitated easily. Service quality is a critical factor for success and excellence in a competitive environment.

Trust building is another unique motive had been recognised related to the financial and monetary nature for banks' work which requires creating and gaining strong customer trust.

*“Service quality has become very important, which is related to the strong competition dominating the market after opening the Syrian market to the private banks recently. Service quality is very significant to keep our present customers, and increase their trust. It is also vital to attract new customers”.* [CSOA TM3]

Additionally another TM had clarified:

*“Every bank can provide its customers what we call the ‘Essential or Core Service’, however currently every bank becomes forced to distinguish its services by adding some levels of quality which we can call ‘Supported Service’”.* [CSOC TM3]

Some other motives had emerged from one or two of the CSOs such as attracting new customers, saving time, ensuring good reputation and image, reducing the risks through granting more accurate and safe procedures, safeguarding the rights of shareholders, depositors and customers, and undertaking the safety of banking in terms of legitimacy.

In contrast, two of the SFEs at the CSOA expressed different views, believing service quality to be more important in private banks than in state-owned banks since social responsibility dominates the atmosphere in the latter. And, unfortunately one SFE did not appreciate the meaning of *service quality* despite the researcher having clarified the idiom. This individual had 20 years' work experience at the headquarters dealing with financial issues.

The researcher recognises that the CSOC has a special directorate for managing the quality ‘**Quality Assurance and Compliance**’. The researcher interviewed the quality director of the bank to clarify some points. The director confirmed the serious desire of the bank to achieve an ISO 9001 certification where it was agreed with the studies and consultation company DNV to assess the bank's performance according to ISO 9001 standards. The company had a ‘Gap Analysis’ of the bank to identify the gaps that would prevent the bank from obtaining this certificate. One of the key problems found to hamper progress is the lack

of documentations for many of the actions undertaken by the bank, in addition there is a need to re-arrange, and coordinate some of the organizational structures of departments, evidence of policies and procedures, evidence of the tasks and duties (full job description of the tasks). Actually, according to the quality director, all the required documents are available for the bank but they are presently disorganised. Additionally, the quality director mentioned the various managerial experiences which resulted in the bank where the TMs have dissimilar experience and backgrounds related to their work in other Arab countries like Qatar, Dubai, Jordan ... and therefore they do not have one work standard that unites them. Actually, this adversely in work paradigm affects the progress of work so it was necessary to standardize and unite the system of work. The quality director mentioned too the significance of obtaining this certificate as a mean to standardize the bank's branches performance, and as a step to adopt also the European Excellence Model in the future.

Tables 5.1 and 5.2 summarise the findings so far of the three CSOs.

**Table 5.1: Service Quality Significance at the three CSOs – Views at all Managerial Levels**

Service Quality Significance	Case Study A 40			Case Study B 18			Case Study C 28		
	TMs 9	MMs 7	SFEs 24	TMs 9	MMs 3	SFEs 6	TMs 8	MMs 4	SFEs 16
<b>Important</b>	100%	100%	87.5% (21)	100%	100%	100%	100%	100%	100%
<b>Not important</b>			8.33% (2)						
<b>None</b>			4.16% (1)						
$\Sigma$	100%	100%	100%	100%	100%	100%	100%	100%	100%

Table 5.1 presents the views of the three managerial levels at the three CSOs as classified to Important, Non important, and None.



**Table 5.2: Motives for Service Quality Significance at the three CSOs – Views at all Managerial Levels**

The Motives	Case Study A	Case Study B	Case Study C
Customer Satisfaction	X	X	X
Work Efficiency	X	X	X
Profit Boosting	X	X	X
Market Share &Continuity	X	X	X
Competitive Advantage	X	X	X
<b>Trust Building</b>	X	X	X
Attracting New Customers	X	X	
Time Saving	X		
Reputation and Image	X		X
<b>Risk Minimising</b>			X
<b>Legitimacy Safety</b>			X
<b>Safeguarding Stakeholders' Rights</b>			X

Table 5.2 presents the motives for service quality significance according to views the three managerial levels at the three CSOs. Some motives are shared by the three CSOs, and some of them are unique to one or two CSO. The red colour refers to motives are not mentioned in the literature previously.

### 5.2 Service Quality Appraisal

The main purpose of asking about this issue was to explore how the three managerial levels in the three CSOs assessed their service quality and how close to achieving excellence they felt they were. In this respect, the majority of all interviewees ranked their bank's service quality at 4 out of 5, and indeed 25% of all CSOA participants evaluated their service quality at 5, giving reasons such as serious follow-up of the top management (management control), good relationship between management and employees, human resource skills, the unique and pioneer services, and service features (speed, transparency).

Similarly CSOB and CSOC participants considered their organisations to be in a strong position by virtue of being subsidiaries of respected parent companies, providing perfect bank employees, and a desirable variety of bank services. Additionally, the interviewees from CSOB referred to the great degree of work flexibility regarding the small bank size and the

limited number of branches, while the participants from CSOC highlighted the bank's strategic planning.

However, some participants ranked the service quality provided by their banks at 3, raising many negative points. Such items were mentioned by interviewees in all three managerial levels. In CSOA, it was commented that there was a lack of qualified human resources, lack of appropriate training, employee dissatisfaction, slowness in providing the service in some branches (for example, credit cards take three to four months to be issued), and sluggishness in introducing new services such as external drafts and money orders.

The participants from the private banks who ranked their service at 3, introduced different reasons related to the banks' internal and external environment, such as the novelty of the private banking sector in the Syrian market, and consequently the freshness of employees' qualifications and experiences especially in Islamic banking knowledge, lack of client culture in banking understanding, unscientific management approach, limited number of branches and concentration on major cities thereby not achieving any geographic spread, and the lack of advanced technological infrastructure in Syria. Table 5.3 summarises the findings regarding the self-appraisal.

**Table 5.3: Service Quality Self-Appraisal at the three CSOs – Views at all Managerial Levels**

Service Quality Significance	Case Study A 40			Case Study B 18			Case Study C 28		
	TMs 9	MMs 7	SFEs 24	TMs 9	MMs 7	SFEs 24	TMs 9	MMs 7	SFEs 24
<b>Rank 5</b>	3 33.33%	2 28.57%	5 20.83%	1 11.11%	0 0	1 16.66%	1 12.5%	0 0	3 18.75%
<b>Rank 4</b>	5 55.56%	3 42.86%	10 41.67%	4 44.45%	2 66.67%	4 66.67%	4 50%	2 50%	8 50%
<b>Rank 3</b>	1 11.11	2 28.57%	4 16.67%	4 44.44%	1 33.33%	1 16.66%	2 25%	2 50%	5 31.25%
<b>Rank 2</b>									
<b>Rank 1</b>									
<b>None</b>			5 20.83%				1 12.5%		
$\Sigma$	100%	100%	100%	100%	100%	100%	100%	100%	100%

Regarding the question of performance typicality, a contradictory view emerged from CSOA interviewees. The TMs and MMs consider the bank to be typical when compared with other state-owned banks in terms of its long history in the Syrian market, pioneering electronic services ( eg. single window system ) , management and staff experiences, and competitive prices for its services.

*“Transforming our bank to a universal bank in 2008 dramatically enhanced its performance. The public banks still exceed the private banks related to the security factor, funding size, and the geographical spread of urban and rural areas. In addition, private banks can attract fresh highly educated graduates who do not have enough experience in the banking sector, which makes the public banks the pioneers in providing better services for their customers” [CSOA TM8]*

In contrast, some SFEs disagreed about this point, raising issues such as favouritism (*Wasta*) in staff recruitment, too few employees in some branches, slowness in the service, insufficient research into some investment loans meaning a failure to repay the instalments.

Regarding CSOB, most interviewees were convinced about their organisation’s typicality in terms of service quality, citing several characteristics such as: the good market reputation gained since being launched two years previously, the great support of the parent company (Fransabank Lebanon), customer service management (CRM), the management style in dealing with staff (objectiveness, openness, co-operation and flexibility), team work, and small bank size.

Likewise, CSOC interviewees confirmed the typicality of their organisation, appreciating the serious effort to improve service quality through many initiatives such as the attempt to obtain ISO 9001 certification in 2008, launching the new training centre for the bank, increasing the number of branches, improving the technical system, increasing the number of employees, and the variety of services provided.

In contrast, few interviewees did not consider the performance of the CSOC as typical related to the novelty of the private banking sector in Syria, and the lack of public’ awareness for the banking culture in general and for the Islamic banking culture in particular. In addition, was the aspect of a dearth of qualified and trained staff in the market, especially those with Islamic banking experience. Table 5.4 summarises the findings of the three CSOs.

**Table 5.4: Typicality of Organisational Performance at the three CSOs – Views at all Managerial Levels**

Service Quality Appraisal	Case Study A 40			Case Study B 18			Case Study C 28		
	TMs 9	MMs 7	SFEs 24	TMs 9	MMs 7	SFEs 24	TMs 9	MMs 7	SFEs 24
<b>Typical</b>	9 100%	5 71.44%	14 58.34%	8 88.89%	3 100%	3 50%	5 62.5%	1 25%	14 87.5%
<b>Non-Typical</b>	0	1 14.28%	5 20.83%	0	0	2 33.33%	2 25%	1 25%	1 6.25%
<b>None</b>	0	1 14.28%	5 20.83%	1 11.11%	0	1 16.67%	1 12.5%	2 50%	1 6.25%
$\Sigma$	9 100%	7 100%	24 100%	9 100%	3 100%	6 100%	8 100%	4 100%	16 100%

### 5.3 Factors Affecting the Excellence of Service Quality

A great number of factors affecting the excellence of service quality in the three of CSOs were identified, and hence, they are presented in Table 5.5 raised at the three managerial levels.

For simplicity, the factors are classified as External and Internal, the latter being further subdivided into three main groups, related to the bank, human resources management, and service characteristics respectively. The external factors are considered as government regulations, competition, guardian authorities (intervention), religion and culture, banking culture, and customer relationship management.

Government regulations and competition were confirmed by the interviewees of all three CSOs as critical factors affecting service quality. Market competition is a serious issue for all banks operating in the Syrian market because the newly-introduced regulations within the Private Banking Act No.28 of 2001 and the Islamic Banking Decree No. 35 (2005) opened up the Syrian market to foreign banks.

Regarding the banking government regulations, there was a clear contradiction of views between the participants from the three CSOs. Some interviewees were appreciative of the Syrian Islamic governing regulations, describing them as excellent and comprehensive. According to their views, the legalised Islamic banking regulations in Syria summarise the cumulative experiences of various global and local legislation worldwide. However, other participants criticised the regulations on the grounds of lack of clarity and accuracy which

cause some confusion in banking work. Additionally, they blame the restricted procedures of the Central Bank of Syria (CBS) which prevent the operating banks from performing many services related to foreign exchange, etc. Furthermore, they complained about the high taxation rate imposed by the Ministry of Finance on the operating banks, which forces them to raise their interest rates. And, they do not approve of certain regulations that hinder the bank's profitability in some cases. For instance, it is forbidden for state-owned banks to reinvest properties which are obtained through non-performing loans. Instead, the government requires these properties to be sold at auction whereas the private banks can reinvest these assets to gain profits.

As a state-owned bank, CSOA has some unique factors affecting service quality, represented by the intervention of guardian authorities (the Central Bank of Syria, Ministry of Finance, and the Council of Monetary and Credit) which impedes decision-making and affects work flexibility. Practically, the leaders of state-owned banks have limited authority to adjust their products according to their customers' wishes because of the guardian authorities' interference. Conversely, the private banks have full authority to produce new services according to consumer demand and at the required speed.

Additionally, the association between governmental organisations causes delays in service delivery, negatively affecting customer satisfaction. For example, issuing some official documents like the Housing Register from other state-owned organisations takes a few weeks in some cases, or transferring money from the General Organisation for Housing to the REB requires several days which causes longer delays in granting loans.

And another unique factor revealed in CSOA was the religion and culture, since many interviewees indicated dissatisfaction with their jobs because of their Islamic values and principles. In addition, some SFEs in CSOA referred to society's conservative approach to banking in general, and indicated that they had been criticised for working in banking and that such denigration negatively affected their emotions, and accordingly their work productivity and motivation.

CSOB and CSOC, as private banks, present two other unique factors represented by the lack of banking culture, and customer relationship management.

Lack of banking culture is a serious issue affecting banking sector performance as well as the monetary and economic cycle in society. Practically, customers in Syria can be grouped into two main categories, those who prefer to save their money in a cupboard, and those who

prefer to remove their capital from the Syrian banking sector. According to the view of the participants, both kinds of customer should be more knowledgeable about the ways banks in Syria work, so that their trust may be increased, and custom gained. Additionally, Islamic banks face genuine scepticism about their ability to provide banking services compatible with Islamic law (*Sharia*). These doubts relate to the novelty of the Islamic banks in the Syrian market and the lack of knowledge about Islamic banking values.

Not surprisingly, customer relationship management features as the other unique factor emerging in both CSOB and CSOC, since private organisations generally work hard to develop strong and positive relationships with their customers. The interviewees stress the significance of building a clear strategy in dealing with customers and developing all the required communication skills among staff so that they recognise all the customers' needs. 'Know your customer' was one of the highlighted values by the majority of the participants.

Regarding the internal factors, the first group bank-related factors, which include the IT system, infrastructure, work pressure, routine and bureaucracy, marketing and market research, job description, control and accountancy, and sufficient top and middle management skills.

The interviewees recognise the role of their IT systems in improving service quality and in generally providing fast and reliable service related to computers, counters, cameras, detectors, and queue systems. However, they do stress the need to update their IT capability to provide more secure and reliable service for customers (mainly in respect of electronic banking), and to overcome the daily technical problems affecting work such as faults in the queue systems, and deadlock in the network connections.

The other mentioned factor by the three CSOs is the lack of infrastructure and mainly the technical infrastructure in Syria, such as computers, ATMs, electrical circuits (digital) in rural areas to connect the ATM, and the limited number of branches. For instance, in CSOA the Audit Directorate has not yet been activated officially because of space restrictions.

Moreover, the number of branches remains limited in some governorates (e.g. there are two branches of CSOA in Aleppo, the second largest city in Syria, while other state-owned banks like the Commercial bank of Syria has nine branches in this city). Clearly, as a state-owned entity, CSOA should have the capability to achieve a much better geographical spread. In fact, the CSOA has extended from 15 branches in 2003 to 26 branches in 2010, but this growth does not compare with that of the private banks in the sector, and it is believed that the public sector bureaucracy impedes expansion by presenting many obstacles to the

opening of new branches like opening new credits and budgets, the slow process of materials purchase, etc.

*“REB has extended from 15 branches in 2003 to 26 branches in 2010. However, this growth is still not enough compared to private banks. The routine and bureaucracy in the public sector impede the expansion process and launching new branches through many obstacles like opening new credits and budgets, the mechanism of materials purchase, etc. In addition, the huge number of customers who deal with public banks requires launching more branches with high capabilities. The new strategy for REB suggests launching offices instead of branches to save some expenses related to the geographical space and human resources.”*[CSOA TM4]

Other bank factors included work pressure that was cited in both CSOA and CSOC, where interviews cited a causal relationship between the work pressure and the limited number of branches. Participants confirmed that work pressure negatively influences customer perception of service quality since long queues exist in some branches at certain times of the day (10-12 am).

*“We have long queues of customers, which we cannot avoid at particular times of the day (10-12 am). No doubt work pressure negatively affects the service quality. In my opinion the limited number of branches is the main reason for work pressure”.* [CSOA SFE7]

Some other common factors highlighted by one or two of the CSOs included the routine and bureaucracy. Interviewees from the state-owned bank complained about the complexity of decision-making regarding the granting of loans, and other bureaucratic procedures which consume both customer and employee time.

*“The application forms for opening accounts should be filled by hand and then using the computer, which consumes much effort and time. Opening an account at REB requires a waiting time of about 45 minutes by the customer. Such complex procedures and unnecessary documents is a cause of aversion and dissatisfaction to the customers”.* [CSOA SFE7]

Many other examples have been referred by the interviewees regarding the routine and bureaucracy in dealing with other public organisations and affect the service delivery. For instance, it takes three to four months to obtain permission to install an electricity metre for an ATM chamber or to change the place of the metre.

Likewise, the interviewees in CSOC mentioned the need to curtail the degree of bureaucracy by reducing the number of papers and documents required for each process, and especially for routine processes. They justified their comments by reference to the work cycle in Islamic banks that is longer than traditional banks in order to ensure compliance with the Islamic law.

Marketing and market research represented the other unique factor, although the precise issues were different in CSOA and CSOC. The absence of a marketing approach in the state-owned banks is a general problem, but in the case of CSOA, it was apparent that having been in existence for more than four decades, the bank is devoid of any marketing approach, having no concept or techniques associated with marketing their financial services. And whilst in 2008, a Marketing Directorate was created, this is a dependent of the IT Directorate, and has so far failed to design any marketing plan for the bank.

*“There is a big gap between the practical performance of our bank and the bank’s image in the customers’ mind. The main reason is the lack of marketing or banking marketing at REB. Actually we have a lot of available services which need to be introduced clearly to the customers”.* [CSOA TM2]

In contrast, CSOC has a very active Marketing and Market Research Directorate, which has performed much research, assisted by other external marketing companies. Indeed the Marketing Directorate has a vital role in promoting all the bank’s services and products as well as in accessing the customers’ perceptions about the bank.

Other factors were exposed by CSOA and CSOB, like the absence of job descriptions which means that the occupier of any position does not recognise his task and responsibility appropriately. One TM clarified:

*“The absence of a job description for each position is a real problem. It is very difficult for every employee to understand his tasks and responsibilities without a precise job description. The diversity of tasks for each director makes the issue of accounting difficult and complicated.”* [CSOA TM6]

In fact, the researcher also recognised that some vital positions were occupied by the same person, as for example in CSOA, the Treasury Director also heads the Foreign Relations Exchange Directorate, and the Marketing Director is as the Assistant IT Director. Such lack of specialisation and overload affects service quality since it is difficult for those managers to allocate sufficient time and skill to these different responsibilities. In complete contrast,



CSOC interviewees indicated there were having clear policies and procedures in spite of their bank's recent launching.

Control and accountancy is another factor mentioned by some TMs and MMs in CSOA and CSOB. They consider control to be significant in the success of any quality initiative, and hence in achieving the best service quality for customers. One TM in the CSOA underlined control and accountancy as a main tool to motivate employees and improve their performance.

The skills possessed by TMs and MMs were also noted by interviewees in CSOA and CSOB as sufficient in as much as they were good at communicating with their staff and creating a friendly relationship with employees and customers.

Some unique factors emerged for each case study. Regarding CSOA, one such factor was seen in the preference of different categories of customer to bank with a state-owned enterprise rather than a private one because of the perception that such banks were more secure.

For CSOB, one unique factor is represented by the smooth work flow according to the interviewees, a product of the small size of the bank and the consequent limited number of directorates and branches, which makes communication easy and effective between units.

For CSOC, however, four unique factors emerged in this case but not in the other two cases, these being a clear strategy for the bank, clear vision and mission, clear quality perspectives, and commitment to Islamic values. As confirmed by the respondents of CSOC that there is a clear identification for bank's strategy (in particular quality strategy), Bank's vision and mission, and quality perceptions.

In fact, the researcher recognises a clear understanding of the quality concept by all the bank's departments and employees where they did not restrict the quality liability on the quality directorate. (As opposed to the public sector where there was blurring and lack of clarity in the quality perspective for the majority of the interviewed employees). Additionally, Islamic values commitment was mentioned by some SFEs who consider the degree of bank commitment and compliance with Islamic values and principles is a very significant factor in achieving the best service quality within Islamic banks.

Concerning the human resource management factors, the three CSOs share many perceptions of such factors as training, qualifications, experience, recruitment, and employee satisfaction. Particularly, participants elucidate the significance of continuous training for employees especially to demonstrate the legitimacy of those performing certain tasks. Unfortunately, much negative feeling was expressed in connection with training, especially in CSOA, and this whole issue is discussed in detail in section 5.4.3.1. In respect of legitimacy, the lack of banking qualifications among staff is a critical factor that was highlighted by interviewees in all CSOs. Generally speaking, the Syrian banking sector does not have well qualified staff, but a difference is noticeable between the state-owned and private banks as a review of the qualifications of employees in CSOA reveals that the majority are limited to high school and commercial college certificates, whereas the majority of employees in CSOB and CSOC have postgraduate certificates. Additionally, there was some concern about the lack of banking experience in the Syrian market, especially Islamic banking experience, which is still quite new and has had no time to develop.

Another aspect of HRM identified by the three CSOs as being problematic was recruitment. Recruitment was a main bone of contention affecting service quality, since this was not based on professionalism according to one particular MM in the CSOA. Further, some SFEs in the CSOA and CSOB complained bitterly of favouritism and cronyism (*Wasta*). *Wasta* is an Arabic wording translated as 'mediation' or 'intercession', and essentially operates by people using personal relationships and/or political/economical influence to gain benefits for relatives or friends. Basically, this is corruption, and it dominates Syrian society. Hence, as mentioned by the SFEs, some CSOA employees have been appointed without qualifications. Additionally, CSOA interviewees underline two further issues regarding recruitment, the first being inconsistency in the staffing policies of different branches, such that some have more staff than others with no variation in the volume of work to be completed. The second issue relates to the tendency for state-owned organisations not to consider graduates' specialisms when recruiting (appointing the right people in the right place), as evidenced by the fact that in one branch there were five law graduates and two economics graduates when the branch actually needed five economics graduates and two law graduates.

In fact, recruitment in the Syrian public sector is subject to the Authority of Social Affairs and Labour criteria which are very much affected by *Wasta*, and hence many employees are appointed in jobs for which their qualifications are not suitable. This problem, coupled with the inconsistency in the size of the staff compliment in different branches, represents a unique factor for CSOA.

Empowerment is another factor mentioned by the interviewees in both CSOA and CSOC, seeming to demonstrate practices at both ends of the spectrum. In CSOA, the excessive centralism associated with state-owned banks impedes the work flexibility and restricts the ability of middle management to make any decision without consulting top management at the headquarters. Moreover, middle management's limited authority prevents even the most routine decisions relating to maintenance contracts or stationary purchases from being made without approval. In complete contrast, however, CSOC participants indicated a decentralised management style in the bank which empowers employees and contributes to increase the work flexibility as well as the level of service quality provided. Empowerment and involvement are discussed in detail later in section 5.4.3.2.

Another factor that attracted contradictory views from interviewees in the three CSOs is employee satisfaction, which varies from being at a low level in the state-owned bank to a high level in the private banks. The poor reward and recognition system and the unfair salaries and wages considering the workload, represent the main reasons for these attitudes in CSOA. In fact, the researcher received complaints on this issue from the majority of interviewees who she met in CSOA. This point is considered in more detail later in the chapter.

Employee commitment is an issue in CSOA and CSOC. Lack of employee commitment was indicated by some interviewees who linked the problem directly to employee satisfaction as just discussed. Moreover, the absence of attractive financial incentives is the main reason for employees leaving their jobs in both CSOs. That said, religion and culture do also play a vital role in encouraging employees who work in non-Islamic banks to leave their employment.

*‘Employee commitment does not exist in our bank. The bank provides high salaries with a lot of other benefits. The bank also spends a lot of money, and effort on training to get professional employees. However, unfortunately the employees take the first job opportunity that pays them some more pennies. We have a real problem in creating an employment commitment’.* [CSOC TM5]

Employee relationships were commented on in CSOA and CSOB, it being clear that the prevailing friendly and warm relationships between the employees themselves and, with their managers are fundamental to the creation of a productive work environment. Moreover, the affection, respect and mutual support arising from these relationships travel beyond the workplace into the social sphere, helping to cement strong bonds among people as they meet at a range of activities (visiting patients in hospital, dinner meetings, offering condolences,

etc). Indeed, it is obvious from the routine interaction between all individuals in these CSOs that a comfortable work atmosphere is sustained by their polite and friendly exchanges, and taking tea and coffee with each other. The absence of conflict between people promotes employee productivity and satisfaction, and goes some way towards making up for the dissatisfaction with the limited financial incentives and low salaries in the public sector.

Two other unique factors emerged in respect of CSOA, which relate to HRM issues. Firstly, there is discrimination between permanent and temporary employment, the Syrian public sector regulations forbidding temporary employees from receiving any financial incentives, bonuses, health insurance, or vacations. At the same time, these regulations they impose a maximum on the amount that permanent employees can receive as annual reward and incentive, this being no more than two months' salary. These regulations stifle any desire among employees to improve their performance or to develop their skills since they realise that no benefit can be gained by this, and consequently they depress the service quality.

Secondly, CSOA has a policy of employing 'stand-in' workers in some departments to ensure work continuity in case of the absence of other employees. For example, in the Current Account Department at Bab Jnene Branch in Aleppo, the biggest branch in the city, there were many such employees who had been trained to undertake the duties of others who might be absent for whatever reason. CSOA interviewees stressed the value of this policy, and argued that in some other vital departments, that same practice was required.

In respect of CSOB, one unique factor was clarified by the interviewees that being the good communication between all the managerial levels and all the bank units, attributed to the bank's small size and the limited number of employees.

Regarding the factors linked to the service itself, many were mentioned by the interviewees of the three CSOs, the most significant being the quality of the product, variety, cost, transparency, accuracy, speed in delivering the service, and the comprehensiveness of service for all branches (some services in CSOA such as remittances, policies, letters of credit, and foreign exchange were restricted to certain branches). Speed in delivering the service was confirmed by the interviewees of the three CSOs; however transparency of services was unique factor for the CSOA.

Table 5.5 presents the factors affecting the excellence of service quality according to the findings of this question.

**Table 5.5: Factors Affecting the Excellence of Service Quality in the three CSOs-Views at all Managerial Levels**

	Case Study A			Case Study B			Case Study C		
	TMs	MMs	SFEs	TMs	MMs	SFEs	TMs	MMs	SFEs
<b>External Factors</b>									
<b>Competition</b>			X	X					X
<b>Banking Government Regulations</b>	X		X	X	X	X	X		
<b>Guardian Authorities Intervention</b>			X						
<b>Religion and Culture</b>			X						
<b>Banking Culture</b>						X	X		
<b>Customer Relationship Management</b>				X	X			X	X
<b>Internal Factors</b>									
<b>Factors Related to the Bank</b>									
<b>Information Technology (IT)System</b>	X	X	X	X				X	
<b>Infrastructure</b>	X	X	X		X	X	X		X
<b>Work Pressure</b>			X				X		X
<b>Routine and Bureaucracy</b>		X	X					X	
<b>Marketing and Market research</b>	X							X	
<b>Job Description</b>	X			X			X	X	
<b>Control and Accountancy</b>				X	X				
<b>Sufficient Managerial Skills</b>	X			X					
<b>Security</b>	X	X	X						
<b>Smooth Work Flow</b>				X		X			
<b>Clear Strategy</b>								X	
<b>Clear Vision and Mission</b>								X	
<b>Clear Quality Perspectives</b>							X		
<b>Islamic Values Commitment</b>									X
<b>Factors Related to Human Resource Management</b>									
<b>Training</b>	X	X	X	X	X	X	X		X
<b>Qualifications</b>	X	X	X	X	X	X	X		X
<b>Experience</b>	X		X	X	X		X		X
<b>Recruitment</b>	<b>Favouritism(Wasta)</b>		X	X		X	X		X
	<b>Inconsistency in Staffing Policies</b>		X	X					
	<b>The Right People at the Right Place</b>	X	X	X					
<b>Empowerment</b>		X	X				X		
<b>Employee Satisfaction</b>				X	X		X	X	X
<b>Employee Commitment</b>	X						X		
<b>Employee Relationships</b>			X	X	X				
<b>Permanent and Temporary Employment</b>			X						
<b>Employee Alternatives(stand-in)</b>		X	X						
<b>Communication</b>					X				
<b>Factors Related to the Service</b>									
<b>Quality Product</b>	X								X
<b>Variety</b>	X			X		X			X
<b>Cost</b>	X								X
<b>Transparency</b>	X								
<b>Comprehensive</b>		X	X			X			
<b>Speed</b>			X	X		X		X	X
<b>Accuracy</b>			X						X

Table 5.5 presents factors affecting the excellence of service quality which emerge of the three CSOs at the three managerial levels. For simplicity reason the factors had classified by the researcher to two groups. External Factors are related to the external environment of the bank, and internal factors are related to the internal environment of the bank. The internal factors had been classified to factors related to the bank, human resource management, and to the service itself. The red colour items refer to unique factors for the CSOA. The green colour items refer to unique factors for the CSOB, the orange colour items refer to unique factors for the CSOC.

#### **5.4 Factors Affecting the Excellence of Service Quality According to the Fundamental Concepts of the EFQM Excellence Model**

##### **5.4.1 Leading with Vision, Inspiration, and Integrity**

TMs and MMs at the three CSOs confirm their extreme commitment to improve service quality their organisation by providing various examples of their responsibility. The interviewees confirm also that their dedication to improve the service quality is not an optional choice in the current competitive circumstances. The management commitment could be represented by following up, training, reviewing, controlling each single task for their employees, and adopting clear plans and targets for their directorate.

For instance, one of the TM interviewees identifies:

*“We are conducting statistical studies twice annually by some external companies, such as (Mystery shopper), to measure the level of service quality at our branches where the best branch can be rewarded and the recognised problems can be solved ” [CSOC, TM1]*

Another TM at the CSOC mentions the bank’s plan to achieve the ISO 9001 certificate by the end of 2012 as an indication of achieving the best service quality in the market.

Similarly, MMs confirmed their commitment to developing service quality in their branches, one in particular saying:

*“We are committed to the maximum possible extent by reducing the complexity, simplifying the procedures, introducing new services, controlling the workflow, and studying new proposals to adopt new ideas, such as setting up a private clients parking area in front of our branch, and approving two new programmes. The first one is to facilitate the repayment of loans and cancel the benefits in the case of repaying the instalments earlier. The second one prevents the manipulation that can be done by the cashiers and improves the quality of performance by hiding the actual balance where only the branch manager can monitor this balance at the end of the day. ” [CSOA MM5]*

Linking the years of service and qualifications of the TMs to their commitment, the results are presented in Table 5.6. It was noticeable that all the TMs are highly qualified; however the years of service vary between two to twenty five years. The majority of TMs in the CSOA were in their positions for more than five years. Similarly, the majority of CSOB and CSOC respondents were occupying their positions since the bank's launching which justifies their strong commitment to improve the service quality at their organisations.

**Table 5.6: Years of Service and Educational Qualifications – TMs in three CSOs**

	CSOA			CSOB			CSOC		
	Years of Service in CSOA	Years of Service in TM position	Qualifications	Years of Service in CSOB	Years of Service in TM position	Qualifications	Years of Service In CSOC	Years of Service in TM position	Qualifications
TM1	5	5	PhD Economics	5	3	MBA, MSc finance	3	3	BSc Economics
TM2	10	5	BSc Computing	2	2	MSc Economics	3	2	MSc Banking
TM3	25	10	BSc Economics	2	2	BSc Finance & Banking	3	3	BSc Economics
TM4	24	9	BSc Economics	8	3	BSc Computing	4	4	PhD Islamic Law
TM5	7	2	MSc Computing	2	2	BSc Finance & Banking	3	3	BSc Economics
TM6	3	2	MSc Banking	2	2	MSc Finance & Banking	3	3	BSc Banking
TM7	15	10	BSc Economics	25	3	BSc in Economics	4	4	MSc Banking
TM8	23	1	BSc Economics	3	3	BA English	4	4	MSc Banking
TM9	25	12	BSc Economics	20	3	BSc in Economics			

Practically, the notion of commitment to improve service quality was clear in the minds of TMs and MMs at the three CSOs. However, the job descriptions for TMs and MMs (Manual of Procedures and Tasks) at the CSOA, and CSOB clearly revealed that they held no

responsibility for improving service quality whether as a main or subsidiary task. The interviewees of CSOB justify the unavailability of such important documents by the bank's newness. In contrast, by checking the Manual Procedures and Tasks for CSOC, there was clear job description for each position in the bank with reference to improving the service quality as one of the key tasks for every top and middle management position.

Nonetheless, as part of the data triangulation, SFEs were asked about their views of their managers' commitment to service quality, and the vast majority believed that their managers were very committed in this respect. They provided different examples, with one SFE saying:

*“Our branch manager is very committed to improving the service quality. There is a direct follow up by him for every single issue in our branch. He works hard to make sure all our suggestions are considered at the headquarters. We feel that he is always with us in that he used to spend some time each day wandering between the different departments to ascertain our feelings and ensure we are working as one team”.*

[CSOA SFE5]

Additionally, the majority of SFEs confirmed their good relationships with their managers, characterised by equality, trustworthiness, and fairness. Moreover, they emphasised that their evaluations were based on professional standards rather than personal standards. Some SFEs clarified the fairness aspect, giving examples of managers trying to reward excessive effort with special treatment, regular rewards, and vacations, regular enquiries about their suggestions and opinions, understanding their characters and ambitions, solving any dispute between the employees immediately through invitations in out of work hours, highlighting their participative efforts through mentioning their names for any project they perform or by promoting them to higher positions. But many felt the friendly relationship with their managers to be enough.

The researcher indeed noticed this friendly relationship between managers and SFEs. For instance, in one branch at the CSOA, an event occurred whereby an employee forgot to sign a document which progressed to the branch manager. The manager concerned simply came into his office and gently asked him to complete the document. The employee concerned appreciates the respect and patience of his manager.

The researcher noticed a great degree of satisfaction and contentment among the majority of SFEs at the CSOC which she met regarding their managers' behaviour and the bank's evaluation standards. The fairness and equality values were considered regarding the



promotion and recognition for employees. Excellent performance, qualifications and experience are the most valuable standards which are taken into consideration.

In contrast; the researcher met some dissatisfied SFEs in the CSOA who referred to unfairness and inequality at work, with one expressing her opinion frankly, laughing loudly and claiming:

*“We do not have fairness between employees at our branch. These concepts are unrealistic; you can only find the fairness in Plato city. Unfortunately some managers are really lacking in their manners with their employees; they need some professional courses to develop their managerial skills. For example, I think the manager should not blame the employee in front of the customer for any reason”.* [CSOA SFE17]

Perhaps not surprisingly, some SFEs preferred to remain neutral in this matter, not wanting to give frank opinions, especially about their current managers. They asserted that such issues as fairness; trustworthiness, etc. are relative, varying according to the manager’s characteristics. One SFE expressed this opinion using non-verbal signs that reflected his dissatisfaction, saying:

*“Yes we have fairness, but this issue is relative and linked directly to the manager’s characteristics. Generally speaking, some managers who I dealt with were really good for their employees, but some of them were not”.* [CSOA SFE11]

Regarding the authority empowerment and the ability to take risks and guide radical organisational changes, four TMs at CSOA stated that the Board of Directors had full authority in these respects, and that their role as TMs was merely to provide their periodic reports, plans, and initiatives to the GM who in turn passed them to the Board. The Board was cited as having the responsibility to study all proposals and make appropriate decisions. However, in many cases the Board must negotiate issues with the guardian authorities (Central Bank of Syria, Ministry of Finance, and the Council of Monetary and Credit), which have the full authority to approve or disapprove any decision.

That said, two TMs indicated that they had partial authority in certain issues, although these are relative to their position. Three TMs thought it was inappropriate for the power structure to remain as it was (GM to the Board, and the Board to the guardian authorities), as they were restricted, but as noted by two MMs, there are big risks within the branches in terms of approving loans since branches can grant these up to 3 million SP without consulting the headquarters. In addition the branch is responsible for estimating the actual cost of loan

projects so that the head office can determine what amount to lend. Consequently, five MMs agree with their limited authority as branch managers, one saying:

*“We have very strict administrative regulations to follow in the public sector. In my opinion, these regulations restrict the manager’s authority to make decisions on his responsibility, like, for example, making a decision to grant loans to farmers to invest in the agriculture or livestock, etc. But, at the same time I think these constrained regulations protect the manager from taking a big risk or making a mistake”.* [CSOA MM6]

Another MM pointed out:

*“The authority of the branch manager is very limited. The main responsibility for him is executing the decisions rather than making the decisions. Actually we have great centralism in making the decisions at our bank. The limited authority for the branch manager is limited to resolving daily disputes, such as some cashiers mistakes or the pursuit of borrowers to repay their instalments. Practically, we do not have radical changes to do”.* [CSOA MM3].

Similarly; the majority of TMs (6 out of 8) at the CSOB confirm that they have limited authority. They have an intermediary role between the board of directors and the branch managers. Many decisions can be taken through committees (3-4 members), such as the Credit Committee and the HR Committee.

Likewise, MMs agree with their limited authority. They have to consult and convince the top management of any suggested change in their organisation.

*“As branch managers, we have theoretical delegation for the authority, we have to discuss every single issue with TMs, hence branch managers are employees in this organisation and they have limited authority”* [CSOB MM2]

Having a radical change in the organisation requires the approval of the GM and the board of directors. According to the interviewees, the critical financial nature of the bank’s decisions is the main reason for the limited authority.

In complete contrast, the majority of TMs (5 out of 8) and MMs (3 out of 4) at the CSOC confirm their full authority and their ability to face a risk and guide radical changes in their directorates. Every employee at CSOC has a specific annual target to achieve. Achieving the target means involving a risk in many instances or guiding a radical change. The change mechanism is approved and favourable according to the organisation’ values. Decisions can

be taken individually or collectively through committees such as those that relate to credit decisions.

Authority and powers are granted for each employee at SIIB from the very top of the managerial pyramid to each level beneath.

*“There is freedom and independence for every employee at SIIB to make an appropriate decision according to his responsibility. There is granted authority and power based on the mutual trust between the management and staff.”* [CSOC MM3]

The rich experience of leadership and hiring the right person at the right place are the most significant reasons for delegating authority at CSOC.

In terms of developing the quality strategy, the majority of TMs (8 out of 9) and MMs (6 out of 7) at the CSOA emphasised that a clear strategy for their directorates and branches does exist. According to their views, the bank’s current strategy focuses on automating all the banking operations, developing the infrastructure and software of the bank, training the employees in accordance with the modern banking requirements. They demonstrated that improving service quality is a continuous process at bank with regular feedback.

One TM mentioned:

*“REB’s strategy tends to adopt international rather than local standards. For example, since 1996, REB linked all the branches to one network, which helps the customer to access his account from any branch in Syria. The customer belongs to the whole bank and not just to one branch. In addition, the marketing directorate has been launched recently at REB as the first state owned bank is concerned about the marketing issues”.* [CSOA TM5]

Another MM said:

*“Our quality strategy for 2010 is represented by increasing ATMs from 40 to 60 machines in Aleppo, buying a new machine to issue Syrian cards instead of waiting for 3 months to issue these cards in Damascus and send them to us”.* [REB MM 5]

Having accessed one of the strategic plans for CSOA, prepared in the context of the Eleventh Five-Year Plan of the State, the researcher found a clear focus on service quality improvement and achieving excellence in bank performance through many programmes, policies and projects. According to the TMs and MMs, this quality strategy was established by the GM and the Board of Directors, and all the TMs and MMs confirmed their participation in formulating the strategy through developing the primary plans and reports of

their directorates and branches and passing these to the GM and the Board of Directors for discussion and then final strategy design.

When asking the SFEs about this matter, the majority (16 out of 24) could not verify who was responsible for formulating the bank's quality strategy. Some (8 out of 24) mentioned the Board of Directors as having the main responsibility in co-operation with the bank's guardian authorities. They also clarified the role of each directorate in illustrating its own strategy and then passing this up the hierarchy for approval. Once approved, the strategy is then re-communicated throughout the organisation from headquarters to notify all staff of its implementation. Regular meetings are the best method to communicate this strategy between all the managerial levels.

Regarding the CSOB, there was absolute agreement by the TMs and MMs that their bank does not have a clear strategy for improving the service quality related to the bank's recent foundation (since two years). There is simply a plan to increase the number of branches and ATMs; however the bank misses any integrated strategy to develop the service quality. Quality issues can be adopted through daily instructions from the TMs to their directorates. The interviewees clarify that their bank has only a general strategy (guidance) which has been set by the GM and the board of directors with some business action plans for the directorates. Similarly, it was evident that the concept of quality strategy was not understandable and entirely obvious for the SFEs. There is insufficient knowledge about who set the organisation's strategy or how they communicate. Some interviewees (3 out of 6) consider that the GM is responsible for designing this strategy.

The researcher could not access any document related to the general bank strategy or partial business plans where the majority of bank documents were unprepared or restricted to GM's possession

In complete contrast, the CSOC was having a clear quality strategy which is prepared collaboratively between the GM, TMs and quality directorate. Each director is responsible to prepare the quality plans and policies for his directorate and raise them to the quality directorate and GM. After approval, the quality directorate notifies these back to the directorates in the form of action plans.

In the context of the bank's general strategy, there is annual focus on particular aspects of bank development. For instance, the general strategy for the bank in 2010 focused on developing service quality through service variety. Such a strategy has been founded on the orientation of the board of directors and the national economic system. Each TM formulates a special primary strategy and partial action plans for his directorate to conform to the general

strategy of the bank. The strategic planning directorate have the responsibility to refine and compile all the partial strategies to finalise the general bank's strategy.

The researcher accessed the bank's general strategy for 2010, the strategy referred clearly to developing service quality through three primary points:

- *Develop the current services and products, and innovate new Islamic banking services and products according to the customers' needs and expectations.*
- *Increase the number of bank branches and ATMs in different cities.*
- *Improve the level of service quality and increase the productivity and work efficiency with caring to provide excellent service for customers. (SIIB Annual Report, 2010).*

SFEs have also possessed intensive knowledge about the quality strategy where they consider that the responsibility of designing this in the organisation is mainly linked to the bank's board of directors.

In respect of the bank's vision, mission and quality values, the TMs and MMs at the CSOA stated that the Board and the GM are responsible for establishing these values. However, despite checking different sources (Annual Report, Manual of Procedures and Tasks, the bank's website), the researcher was not able to find a clear and written mission and vision of the bank. Indeed, the majority of TMs (7 out of 9) and MMs (5 out of 7) confirmed that the bank had no clear written statement of its vision and mission, although some TMs (3 out of 9) were able to articulate their own understanding of these values, one saying:

*"The vision of REB is represented by:*

- 1. The continuity of playing a leader role in the SBS, and an effective role in the regional, and international market.*
- 2. The embodiment of the social role for the bank in the society by providing the services to all segments of society and performing the government policies by granting suitable loans for the limited income individuals and granting the low interest loans for the Housing Associations.*
- 3. Improving the bank performance in terms of increased assets, increased profits, and reduced risks annually.*

*The mission of REB being a public bank is represented by providing services for all the society segments while considering the variety and timeliness of those services according to the customers' needs without ignoring the profitability to the shareholders (state)". [CSOA TM3]*

And another TM said:

*“The current vision of REB simply embodies converting REB to a universal bank, transferring the society from cash to a non-cash community through electronic payment methods, and providing a variety of products and services for the customers”.* [CSOA TM5]

Moreover, one MM confirmed that the basic vision for REB is supporting construction in the country and providing different types of loans. However, some TM interviewees expressed the opinion that like other publics, the REB does not have a clear vision, one in particular saying:

*“Unfortunately REB, as a state owned bank, does not have any clear vision and mission; these concepts are foggy in the culture of public organisations. I think the intervention of the guardian authorities negatively affects the clarity of the bank’s vision”.* [CSOA TM2]

Regarding the communication of these values in the organisation, the TMs and MMs affirmed this as being the responsibility of the Human Resource Directorate through its provision of training courses targeting all managerial levels.

In terms of funding for quality resources, some TMs (5 out of 9) and MMs (4 out of 7) believed these were sufficient to improve service quality. However there is no clear budget is allocated for this purpose. For instance, the own stated organisations are forced by regulations to allocate 3% of their budget for training purposes. It is a very big percent if it was allocated for these aspects, but unfortunately as mentioned by one TM that REB never allocates this budget for training or improving the service quality purposes.

It can be recognised that quality concept is still neglected in own stated organisations because of the lack of awareness about quality’s role as a competitive advantage for the organisation.

When enquiring about the authority and the flexibility to distribute these resources between different departments and activities in the bank, the researcher was told by the majority of TMs (7 out of 9) at the CSOA that they did not possess full authority and flexibility to do this because of the fixed designed financial plan which provides such allocations for departments and branches, and any minor change in this plan requires the approval of the guardian authorities and the Board of Directors, a bureaucracy that overly complicates the issue and takes much time. However, a third (3 out of 9) of the TMs believed they did have flexibility to reallocate those resources between the different activities within the same directorate where no risk was involved in making such transfers.

Most MMs (5 out of 7) stated that they had no authority or flexibility in allocating funds between the different activities and departments in their branches, confirming that all financial issues are completely centralised within the headquarters. There were opportunities for the branches to prepare estimates for certain services for customers, but these estimates were required to go to the headquarters for approval.

Similarly the vision, mission, and quality values were unformulated clearly in the CSOB where the researcher could not access any document about these values. The majority of the interviewees confirm that these values are still under development currently, however; it was noticeable that these values are comprehensible and clear in the minds of TMs and MMs who clarify that FBS seeks to be one of the main market leaders at SBS through financing small and medium enterprises (SMEs). According to some interviewees, the main responsibility for launching these values in the organisation is for the GM and board of directors. Other interviewees articulate the delay in elucidating these values are due to the absence of a marketing directorate in the organisation where FBS relays completely on the marketing unit in Fransabank Lebanon. The latter department plays a critical role in highlighting and communicating these values inside and outside the organisation.

The majority of TM and MM interviewees confirm the financial capability of FBS to improve the service quality; however no item in the bank's budget can be labelled clearly below to the quality issue. Supporting quality issues can be underscored through three main aspects (training, IT system, policy and procedures). An annual review can be undertaken for the allocated budget for each aspect.

There is an annual allocated fund for each directorate in the budget, where each TM has partial authority and flexibility to use this fund in his directorate for different purposes. For instance, the HR manager has the power to distribute the training budget between new and old staff training. For MMs the authority is limited where the fund is already allocated for different activities for each branch. Any change in the allocated fund needs the approval of the board of directors. Risks the financial authority delegation are the main reason for restricting the power by the GM and the board of directors.

In contrast, the vision, mission, and quality values were underscored and published clearly for CSOC where the Annual Report, Bank website, and bulletin boards in banks highlight these values.

These values as mentioned in (SIIB Annual Report, 2010), are represented by the following:

### ***Vision***

*SIIB aims to be the premier choice and pioneer Bank in the Islamic Financial domain.*

### ***Mission***

*Offering a wide range of high quality Sharia -compliant financial services, funding and investment products to clients as individuals, institutions or companies in a way that meets their needs and exceeds their expectations, in accordance with the latest developments in the modern banking industry.*

### ***Policy***

*To adopt a comprehensive quality management, strategic management, and local and international banking standards.*

*To adopt renewable technology to maximize returns of shareholder equity and assets.*

### ***Values***

*A. Commitment to provide Sharia -compliant services.*

*B. Commitment to provide extra high quality services and build strong and permanent relations with customers.*

*C. Welfare of employees and provision of incentives to reward great performances.*

*D. Cooperation and Team work.*

The GM and the board of directors are mainly responsible for formulating these values with some participative efforts with SFEs who provide their valuable experience and suggestions.

The values can be communicated via different means such as training courses, annual meetings for the GM with SFEs, circulars on the internal bank website.

All TMs and MMs confirm that SIIB have sufficient funds and resources to develop different quality aspects. For example, there are allocated budgets for training, customer service orientation, employee satisfaction, geographical spread, and improving the internal environment for branches. However, no fund in the budget is marked clearly for developing the aspect of service quality.

The interviewees additionally agree with their partial authority where no full authority can be granted for any reason. Authority is conditional upon the approval of the GM and the board of directors. There are annual financial plans and financial budgets for each directorate with some flexibility for implementation. Even distributing the financial resources between various activities requires the approval of the GM. According to the interviewees' views, the financial authority is a risky responsibility to delegate within financial organisations.



Table 5.7 and Table 5.8 summarise the findings of the questions for the three managerial levels related to leading with vision, inspiration, and integrity.

**Table 5.7: Leading with Vision, Inspiration, and Integrity (CSOs- TMs and MMs)**

Leading with Vision, Inspiration, and Integrity	CSOA		CSOB		CSOC	
	TMs 9	MMs 7	TMs 7	MMs 3	TMs 8	MMs 4
<b>Commitment to service quality development</b>	100 % agree They have commitment	100% agree They have commitment	100 % agree They have commitment	100% agree They have commitment	100 % agree They have commitment	100% agree They have commitment
<b>Having the authority and the ability to have a risk and guide radical changes</b>	66.66% disagree they have just partial authority according to the case (relative issues)  33.33% agree they have full authority	71.42% disagree they have full authority  28.57% agree	77.77% disagree They have full authority	100% disagree They have full authority	62.5% agree They have full authority	75% agree They have full authority
<b>Having a clear strategy for developing the service quality</b>	88% agree They have a clear Strategy  12% disagree	86% agree They have a clear strategy  14% disagree	100% agree They do not have clear quality strategy	100% agree They do not have clear quality strategy	100% agree They have clear quality strategy	100% agree They have clear quality strategy
<b>The responsibility of setting the vision and mission of the organisation</b>  <b>Having a clear vision , mission and quality values</b>	100% agree Board of directors and GM  78% disagree REB have a clear vision and mission	100% agree Board of directors and GM  71% disagree REB have a clear vision and mission	100% agree Board of director and GM  100% agree FBS does not have a clear vision and mission yet	100% agree Board of director and GM  100% agree FSB does not have a clear vision and mission yet	100% agree Board of director and GM  100% agree SIIB have a clear vision and mission	100% agree Board of director and GM  100% agree SIIB have a clear vision and mission
<b>Having</b>	56% agree	57% agree	77.77%	100% agree	100% agree	%75 agree

<b>enough funds and resources for improving the service quality</b>	REB have enough funds, but unallocated clearly in the budget for service quality purposes	REB have enough funds but unallocated clearly in the budget for service quality purposes	agree FBS have enough funds but unallocated clearly for service quality purposes	FBS have enough fund but unallocated clearly for service quality purposes	SIIB have enough fund but unallocated clearly in the budget for service quality purpose	SIIB have enough fund  %25 No answer
<b>Having the authority and flexibility to distribute these resources between different departments and activities</b>	78% disagree they have authority to distribute these resources	71% disagree they have authority to distribute these resources	100% agree Partial authority in limit of budget allocation for TMs	100% agree No authority and flexibility for MMs	100% agree Partial authority in limit of budget allocation for TMs	100% agree No authority and flexibility for MMs

**Table 5.8: Leading with vision, inspiration, and integrity (CSOs - SFEs)**

	<b>CSOA</b>	<b>CSOB</b>	<b>CSOC</b>
<b>Leading with Vision, Inspiration, and Integrity</b>	<b>SFEs</b>	<b>SFEs</b>	<b>SFEs</b>
	<b>24</b>	<b>6</b>	<b>16</b>
<b>Do you consider that your manager is committed to develop the service quality in your department?</b>	87.5% yes 12.5% no answer	100% agree There is commitment	87.5% yes  12.5% no answer
<b>Do you think that your manager considers the ethical dimension in his behaviour?</b>	58.33% agree 16.66% disagree 25% somewhat	100% agree	%87.5 yes  12.5% no
<b>Who sets your organisational quality strategy?</b>	67% I do not know 43% (Board of directors)	50% GM 50% I do not know	87.5% Board of directors 12.5% No answer

#### 5.4.2 Adding Value for Customer

SFEs at the three CSOs were familiar with the term ‘customer satisfaction’, interpreting the concept by providing the required service at the best reasonable conditions for customer, and understanding the customer needs and trying to support him patiently and respectfully.

One SFE stated that:

*“Creating a good impression for customers through providing them with a reliable and competitive service, meeting their needs and expectations through reducing the probabilities of error and bureaucracy, which cause customer aversion”.* [CSOC SFE12]

Generally, the three managerial level have realised the significance of customer satisfaction, being convinced that the ‘customer is always right’. The interviewees agree totally that customer satisfaction is linked to the bank’s capability in providing an excellent, various, transparent and courteous service with maximum speed and minimum cost.

One TM stated:

*“Customer satisfaction is a very broad concept. I think, providing the customer with the best service quality at the required speed is the main reason for customer satisfaction. However, the guarantee of customer loyalty requires recognising in advance the customers’ perceptions and expectations. Unfortunately, we are losing many customers annually without checking their real reasons for leaving our bank.”*[CSOA TM1]

Many SFEs mentioned that the positive ‘word of mouth’ as the best and most effective method to achieve customer satisfaction. Some other practices have been mentioned like meeting customers’ needs respectfully and politely, and trying to explain and clarify all the required information and procedures, listening to customers’ suggestions and informing them that these will be considered in the future, reinforcing the importance of the customer to the organisation by memorising his name, sending him a blessing message on his birthday, or telephoning the customer and informing him about new services.

Additionally, many interviewees confirm that customer satisfaction is one of the primary considered values. However, no doubt there is great difficulty in achieving this target where the satisfaction is a somewhat relative issue in many cases.

*“Customer satisfaction is an unattainable target. The new banking system depends on going to the customer through providing the latest banking services, not waiting the customer to come. REB has a real effort to delight its customers as the three managerial levels do their best to achieve this target. They meet all customers’ demands and respond to the complaints*

*and take suggestions into account .On October 2010, we lunched the Marketing directorate which is responsible on identifying and meeting customers' needs and expectations". [CSOATM9]*

Some interviewees at CSOA and CSOC criticize the new banking knowledge for customers in the Syrian society. The interviewees have recognised that new technological services (ATM, POS, and Internet banking...) are useless in many cases for a large category of customers who refuse may to use these new technological services because they do not trust them. For example, they prefer coming to receive their salary within a branch instead of using an ATM, withdraw their whole salary on the first day of the month, and refuse to use internet banking as an option.

The majority of interviewees at CSOA and CSOB confirmed that their bank had no clear and professional indicators to measure customer satisfaction, and whilst the Marketing Directorate at CSOA, launched in 2010, had prepared a customer satisfaction survey, it had not yet been distributed. One TM did refer to the internal control missions which involve asking a sample of customers for their opinions on the service. Similarly, the interviewees of CSOB reveal some future plans for the bank to distribute surveys to enquire about customers' expectations and levels of satisfaction.

Unfortunately, both of CSOA and CSOB depend on some basic methods for exploring customer satisfaction such as the oral and facial expressions of customers, some general published views in magazines and newspapers about the bank, and complaint boxes.

Regarding the complaint boxes, some interviewees state that the majority of bank customers do not prefer to use these boxes to raise their complaints and suggestions. They choose to meet the branch manager and highlight their concerns directly. Additionally complaints can be generated by telephone or on the bank website; however, none of the interviewees clarified how any such complaints might be dealt with, i.e. whether there was a special committee in the bank for this purpose.

*"We have different indicators for customer satisfaction, such as the facial expressions and appreciation phrases that we receive from our customers. We also have a noticeable increase in the number of customers, and the number of loans granted annually. The reduced number of complaints is a good indicator, in my opinion, for good performance. In addition, we follow up our customers' feedback through what they write in the magazines and newspapers about our service. However, unfortunately, we do not make any personal efforts to enquire directly about their views". [CSOA MM4]*

Recently, the CSOA has launched a special unit for customer service, but this is centralised within the headquarters and there are no sub-units within the branches. The unit has the main task of supporting the customers and answering all their enquiries about the available services such as ATM, POS, and salaries settlements. It was pointed out, however, that SFEs within the Customer Service Unit were not given any training for their customer service orientation. Indeed, the Unit is officially headed by the IT Directorate.

For CSOB, there is no marketing department, customer service unit in the headquarters or in the branches, quality compliance and assurance directorate have been launched yet. However, some training courses have been conducted for employees related to customer service. The researcher accessed the attendance certificate for one of the interviewees.

It was a big recognised criticism at CSOB that the main concern for the bank management about VIP customers through contacting them regularly and updating their knowledge about the new products and services with ignoring to other bank's customers.

Conversely, the findings of CSOC have referred that the bank has many communications channels to communicate with its customers and get a smooth feedback. Communication channels are represented accordingly:

- Direct communication (open doors): face-to-face meetings with the TMs and MMs.
- E-communication: through bank's website where the customer can highlight his suggestion or complaint. Contact details for TMs and MMs are available on the bank website.
- Complaint boxes: allocated through all the branches where the customer completes a special form with his contact details.
- Customer Service Centre: calls to this centre are free of charge to handle any complaint or suggestion or to enquire about the services, or offers.

The bank has marketing directorate which has the responsibility to explore the extent of customer satisfaction about the service quality through their regular marketing research such as customer needs' survey, customer satisfaction survey (twice per year for all bank branches), and mystery shopper research (four times per year) which focus on the level of service quality in the bank.

Quality Compliance and Assurance directorate have the responsibility to collect all the customer complaints and a special committee then has the duty to discuss matters and take any suitable action.

Complaints are classified:

- Complaints related to integrity and credibility which require immediate action.
- Complaints related to the core service banking which require urgent action.
- Complaints related to the level of the offered service which can be delayed for the complaint committee.

CSOC has also training centre which has adopted many training courses relating to customer service. In addition, special customer service officers are allocated in bank's branches.

Table 5.9 summarizes the finding about this concept.

**Table5.9: Adding Value for Customers (CSOs-Three Managerial Levels)**

	<b>CSOA 40</b>	<b>CSOB 18</b>	<b>CSOC 28</b>
<b>How do you satisfy your customers' needs and expectations? And how do you know that?</b>	77.78% TMs, 85.71% MMs, and 87.5% SFEs confirm that no a clear and professional means to enquire about customer satisfaction  The main methods are oral complaints, or through the phone and complaint boxes in some cases.  No clear mechanism to deal with these complaints	77.78% TMs, 66.6% MMs, 83.3 % confirm that no a clear and professional means to enquire about customer satisfaction..  The main methods are oral complaints, and complaint boxes in some cases.  No clear mechanism to deal with these complaints.	100% of TMs, 100% of MMs, and 87.5% confirm that clear and professional means to enquire about customer satisfaction.  The main methods are direct complaints, e-complaint, complaint boxes, and regular marketing research (surveys). Clear mechanism to deal with these complaints.

### 5.4.3 Succeeding through People

#### 5.4.3.1 Training and Education

The TMs and MMs confirmed that the CSOA and CSOB did have training plans designed by the HR directorate according to the needs and suggestions of other directorates within the bank. The Planning and Statistics Directorate has some responsibility in the CSOA to hire commissioned external parties to provide the required trainers.

It was also confirmed by the TMs and MMs that the CSOA and CSOB had a sufficient training budget to meet all the bank's training needs. As indicated in question 9, the own stated organisations are obliged to allocate 3% of their budget for training purposes, which is a large amount for the bank to spend. However, the majority of interviewees confirmed that despite this budget, the money has never been allocated for training purposes, and some TMs indicated that training is considered as a cost rather than an investment in human capital.

In fact, the researcher accessed a copy of the training plan for the CSOA in 2010, showing many training courses for different directorates, but no mention appeared of any training course concerned with developing the perception of quality of developing staff interpersonal skills. Indeed, the researcher noticed the low numbers of employees nominated for these courses, the plan suggesting training about 300 employees during the year. According to one TM, 95% of the plan was fulfilled in 2010, but the plan (even at 100%) was still insufficient to meet the entire bank's needs.

*“We have a circular of the directorate of the government commission to train all the bank's employees at all managerial levels according to a training plan that covers all the banking aspects. Each employee has to attend two training courses annually at least, where each training course should be for five working days at least”. [CSOA TM3]*

The researcher accessed a copy of this circular as agreed and signed by the Directorate of Government Commission. The TM respondent added:

*“This circular needs huge financial resources, and I do not think all the SFEs need this training annually in as much as 50% of them occupy an administrative position” [CSOA TM3]*

The researcher accessed also the training plan for 2011 in the CSOB where the data collection had performed in January 2011. The training plan featured some general headlines covering the following aspects: sales, customer service, French and English languages, financial analysis, AML. However, the researcher could not access the suggested nominated employee's number.

The findings of the CSOC refer that the bank has a special training directorate which is headed by a HR directorate.

The training directorate has an adequate budget, and a comprehensive training plan meeting the training needs of the organisation. Training needs are highlighted by the separate bank directorates to be considered in their future training plan. Every directorate and employee at

SIIB participates in designing the training plan through filling a form (Training Needs' Assessment).

The training committee has the responsibility to discuss and refine the suggested training needs and formulate the training plan before sending this to the GM and the board of directors to approve and prepare the adequate financial plan. CSOC has also established a special training centre to provide all the required training courses such as Islamic banking, AML, basic banking science, banking service excellence, and customer service courses. In addition, the centre offers very specific courses for detecting forged currency and cheques.

Regarding the efficiency of the training courses, the majority of TMs (5 out of 7) and MMs (5 out of 7) at the CSOA indicated that this was good and that they brought many benefits for the employees. They also confirmed that the courses were various and practical rather than theoretical. In contrast, a few TMs (2 out of 9) and MMs (2 out of 7) were dissatisfied with the training at the CSOA, one TM mentioning that the courses were only partially effective, and another saying that they were acceptable according to the allocated budget (implying that the budget should have been bigger). Another TM criticised the coverage of the training programme, on the grounds that comprehensive training was not available for all banking aspects and activities, hence courses were restricted to new product information or new projects. Another criticism referred to the theoretical nature of some training courses as raised by one MM, who commented that they brought no real long-term benefit. Furthermore, the short duration of some courses was believed to prevent attendees from achieving their targets. Simultaneously, the number of employees nominated for training was considered insufficient, meaning that some employees did not receive any training by virtue of being SFEs. The MMs suggested sending special trainers to the branches to undertake training courses to reach a larger number of employees. Some TMs mentioned a basic problem related to training which is the lack of employee motivation for training since the fixed salaries and wages within the public sector kill the desire for training and development, providing no financial incentive for them to develop their skills and abilities.

The evaluation of training courses was undertaken through feedback from trainers and trainees at the end of each course, with the aim of making any necessary adjustments the next time around. In addition, the HR manager has the main responsibility with other TMs and branch managers to assess these courses.



When enquiring about the design of training courses, the researcher was told by some TMs that they indicated their training needs to the HR Directorate through outline programmes, whilst other TMs said that they waited for the HR Directorate to announce certain training opportunities and then nominated appropriate employees.

Some criticism was levied against the Banking Training Centre (BTC) which provided various training courses in 2008 and 2009, for not continuing its support for the REB in 2010. The courses offered at the BTC were provided by some Syrian private training companies, Union of Arab Banks, General Academy of Banking Science, and European Investment Bank.

Regarding CSOB, the training programme is divided to primary training (foundation training) at the mother company (Fransabank Lebanon) about the core service banking which lasted from six months up to one year. Then, some staff followed training courses after starting the job represented by development of some key skills related to sales, customer service, languages, and financial analysis. The interviewees among the three managerial level consider that the training followed is adequately efficient and enough in view of the current stage of the bank lifespan. However, it is insufficient for the future plans of bank expansion. The shortage of some specialised training courses, and the short period of some other courses are the main highlighted criticisms.

The researcher checked the attendance certificate of training courses for some SFEs in the CSOB which prove their attendance upon for courses in communication, customer service, and marketing skills.

For data triangulation purpose, the SFEs have been enquired about their training experience. The SFEs at the CSOA have mentioned adopting various training courses such as risk management, credit analysis, money laundering, letters of credit, operation treasury, bank marketing (SWIFT), CAMEL, foreign exchange, technical system courses (phoenix), and customer cards management, etc. However, all SFEs (even those in the Customer Service Department) confirmed that they did not receive any training related to quality issues (tools) or customer service skills. The researcher was able to recognise the lack of knowledge of some SFEs about customer service issues, since they considered these courses as unimportant, believing the required knowledge to be attained by practice rather than theoretical courses.

Regarding the efficiency of these courses, the majority of SFEs (15 out of 24) at CSOA declared that they were inefficient. Some felt the courses did not cover all the employees' needs since banking advances develop rapidly and there is always new knowledge to be learned, while others mentioned the limited numbers of employees who are nominated for these opportunities, commenting that these are usually restricted to heads of departments, and those with a lot of service. Moreover, some SFEs criticised the advanced level of some courses which did not take account of the employees' current understanding. For instance, some courses in risk management, foreign exchange and credit analysis assumed that trainees already had sound knowledge in this direction whereas the Risk and Foreign Exchange Directorates were only recently established and the staff had little experience. Further, some SFEs felt that certain theoretical courses did not allow them to link the knowledge up with their practical activities in the bank. And as another criticism, several SFEs disapproved of the short duration of the courses since they lasted for between two and five days only.

By contrast, the majority of TMs, MMs and SFEs at the CSOC approve the effectiveness of the training programme at their bank. The courses are sufficient in depth and scope for employee needs. They are comprehensive for the traditional and Islamic banking knowledge. Moreover, they are allocated fairly to cover all the bank branches and the three managerial levels.

The interviewees also appreciate the regular updating of the training programmes at SIIB where there is continuous evaluation for the level of the course, the level of trainee, and the course context by the trainers. There is a regular follow up by the bank's management to ensure that training objectives have been achieved via assessment of the employee performance by the trainee-training directorate and the branch manager. Additionally, the marketing research studies (Mystery Shopper and customer satisfaction) reflect the efficiency of the bank's training programme through comparing the employee's performance both before and after training.

#### **5.4.3.2 Empowerment and Involvement**

The majority of TMs and MMs at the three CSOs demonstrate a great belief in the necessity of using the principles of empowerment and delegation through their interaction with SFEs. As was mentioned that involving the employees in decision-making at CSOB can be performed gradually according to their employment phase. The training stage as an initial stage means the employee is prevented from participating in decision-making. Coaching (Observation) stage where the employee can participate partly in decision-making with strict

control to avoid the occurrence of errors. Delegation stage, full authority can be empowered for the employee at this stage to have the required decision without further approval

In general, the TM and MM interviewees approve empowering staff with authority and involving employees in decision-making according to their capabilities and skills.

The interviewees also appreciate the consultation in decision-making for two main reasons. First, involvement in decision-making is a real motivation for employees to implement decisions smoothly and efficiently where their participation can increase their loyalty and commitment to work, and absorb all the inadmissibility and feelings of rejection (positive effect on employees' psychology). Second, it is a real opportunity to benefit from their suggestions and opinions where SFEs have direct contact with customers and can recognise their needs and expectations and transmit these to the management.

Further some interviewees value the delegation of responsibility to employees to develop their skills, increase their confidence, and strengthen their spirit of responsibility where an interactive balanced relationship should be created between the management and employees.

Two key points have been clarified by the interviewees affecting this relationship.

First, the management's thinking mechanism where some managers are open-minded and like to delegate responsibility to their staff. Almost all the interviewees associate this mechanism of thinking with those managers who acquire their qualifications and experience abroad.

Second, employees' character as a critical factor affects their behaviour and their ability to shoulder responsibility. Two types of employees have been introduced by the interviewees. First, there are followers who need direct guidance. Managers deal with these staff as functionaries to implement their instructions. Second, there are other employees who have a tendency for leadership, and have a desire to make decisions.

Conversely a few TMs and MMs of CSOA rejected the notion of empowerment of employees on the grounds that financial dealing is a very serious responsibility, and therefore, as much control as possible should be kept over employees, for the organisation soundness. These interviewees considered that decision-making should be top-down, whilst suggestions from the bottom to the top.

Whilst the majority of TMs alleged to be empowering their employees, the researcher did observe in some interviews at CSOA, that employees do have to consult their managers on each issue before taking further action themselves. This is not an unfamiliar practice in state-owned organisations as they are all characterised by centralism and bureaucracy. By contrast, the researcher observes how the TMs and MMs at CSOC deal with their employees. They encourage them to participate in decision-making and to express their views freely and

confidently. There was an environment of mutual respect which dominates the relationship. It was noticeable that the TMs and MMs at CSOC are open minded and flexible which reflects their experience in management. In this context, the researcher asked whether empowerment might create confusion, to which one TM replied:

*“I do not recognise such confusion at all, as all the employees in my directorate are very committed and responsible in performing their work perfectly. For example, the employees at the foreign exchange directorate prefer to leave their job (1-2) hours after the official work time to make sure that all the transactions have been performed completely. In contrast, I do not have a problem if someone is a little late in the morning or if he leaves his desk earlier for an urgent reason without informing me. He can just inform his colleagues and leave his contact number”.* [CSOA TM3]

Another MM revealed that:

*“Making decisions after consultation is very necessary, taking a unilateral or insular decision is rejected outright. There are some granted powers for the head of department employees and other employees. We also have flexibility and simplicity in decision making”.* [CSOA MM5]

Many techniques have been highlighted by the TM and MM interviewees in CSOC to encourage their employees to express their views and highlight their suggestions such as face-to-face meetings, site visits, E-mails and training courses. Additionally, CSOC has formed a suggestion committee which has the duty to study all the suggested proposals of the employees on a monthly basis and evaluate the possibility of implementing these proposals. In the case of approval, the committee design the policies and procedures of implementation. Subsequently, a financial reward can be made to the employee who suggests the proposal. According to one respondent, such an incentive encourages the employees' participation in decision-making and breaking the psychological barrier between superior and subordinate within their workplace.

By enquiring the SFEs about their point of views, the majority of SFEs at the three CSOs emphasize their involvement in decision making. Decisions can be made collaboratively through consultation with their managers. Similarly; the interviewees confirm the relative offered authority which varies from full authority for some employees to very limited power in the case of others represented by managing some routine daily issues. The interviewees justify this variation by the type of decision reached, and the position occupied.

Regarding the empowerment, some SFEs in CSOA considered that they were fully empowered. They were using their initiatives in respect of their own responsibilities without seeking to managerial approval to grant loans or for customer service issues like waiving

renewal fees on cards for certain customers according to their financial situation, or delivering the customer card to someone else on behalf of the concerned customer. In contrast, a few confirmed that their authority was restricted to routine issues, and that they were unable to operate on their initiative without gaining further approval.

Concerning their suggestions, the majority of SFEs at three CSOs believed that their suggestions are considered related to their experience and degree of communication with customers. In some cases, suggestions are sent to the headquarters in CSOA for discussion, and where suggestions are rejected, the management usually clarifies the reasons why. Not surprisingly, few SFEs in CSOA did not believe that their suggestions were given due consideration, complaining that the management was not interested in discovering what their needs and ideas might be. They felt that the lack of managerial skill was the main reason why their opinions and suggestions were ignored, as noted by one SFE who stated:

*“Some managers are too unqualified to satisfy their employees. We can say that they are somewhat moody in that they encourage some issues and then apportion blame after some time”. [CSOA SFE18]*

#### **5.4.3.3 Communication**

The interviewees of three CSOs underline diverse communication channels. Daily and weekly regular meetings for SFEs with their MMs, monthly meetings for MMs with TMs and the GM, monthly meetings for TMs and the GM were one of the most highlighted means for communication. Meetings can underscore all the issues related to customer satisfaction, quality control, work procedures, and work organisation. All the daily problems can be highlighted via these meetings. Face-to-face meeting is an efficient tool to clarify all the new circulars which can be printed and discussed to avoid any miscommunication through other communication channels.

It was noticeable that SFEs were very pleased of using the “open doors policy” where they can transfer all their views and opinions smoothly and directly to their managers through informal, and irregular meetings. The researcher did observe the mutually supportive relationship between the staff and their managers. Many SFEs told the researcher that they never had to wait for formal meetings with their managers to air their thoughts, but could simply knock on their managers’ doors and discuss these things. Indeed, the majority of SFEs confirmed the possibility of discussing any work issues with their managers freely.

Furthermore, phone, fax, suggestion and development committee (CSOC), intranet and internet were the other mentioned means for communication at the three CSOs. The interviewees approve the effectiveness of the communication system at CSOC. The system ensures the exchange of information and decisions from the top of the managerial pyramid to the bottom and conversely. Swift decisions can be reached and implemented between the three managerial levels without hindrance. Likewise, the interviewees of CSOB appreciate the electronic communication as the official adopted method by their organisation. Each employee has access to intranet and internet. Each document has a back up copy. The suggestions can be approved electronically without hard copy. Saving time, money and, paper, and avoiding the bureaucratic structure in work organisation are the main mentioned gains. However a contradiction view has been raised between the interviewees of CSOA about using the electronic communication means (Internet). In fact, the internet connection was only available in the headquarters, but even so, not all the directorates used it. A few people in the IT Directorate and the Foreign Exchange Relation Directorate at the headquarters did appear to use email occasionally. One MM criticised the use of the internet, saying:

*“I am satisfied with all the communication means at our bank. I am not totally convinced about dealing with the Internet. I think it is not suitable to grant loans through emails. The traditional mail is fast enough to manage our correspondence”.* [CSOA MM4]

By contrast, a few TMs and SFEs were disappointed that their organisation had not adopted electronic communication, believing that much time and paper was wasted using traditional methods, and that there was the potential for loss of important hard copy documents.

Regarding communication training, some training courses were mounted for SFEs at CSOA to develop their intranet skills. However, no training has been mentioned for developing the communication skills for CSOB, and CSOC staff where the employees are highly qualified and they do not have problems in using any communication means.

#### **5.4.3.4 Rewards and Recognition**

The findings have confirmed that the three CSOs have a reward and recognition scheme. However it is differently managed in each organisation.

The different elements of these schemes are noted by the interviewees in all CSOs as:

- Bonus: annual financial reward is reserved as a percentage of the bank profits. It varies according to the employee’s position and performance in CSOB and CSOC.

Private banks usually allocate this reward according to performance, but in CSOA, this reward is distributed almost equally without reference to performance, as is usual in state-owned organisations. The literature reveals these situations to be common (e.g. Harte and Dale, 1995; Juran and Gryna, 1993).

- Low interest (Murabaha) loans for employees to buy houses in all CSOs.
- Salary advances without interest. ‘Good Advance’ in all CSOs.
- Health insurance covering the employee and his/her family in all CSOs.
- Heating, food, and transportation compensations in CSOB and CSOC.
- Exceptional rewards during religious events such as free dinner in Ramadan, half salary as a prize for Eid in CSOC.
- Special commercial offers from some companies and restaurants for bank employees (discounts on meals and car rental, interest-free instalments when buying clothes and jewellery by instalment without interest) in CSOC.
- Help towards payment of mobile telephone bills in CSOB.

Regarding the recognition, it was obvious that the three CSOs have missed a clear and comprehensive recognition system. Some following methods are mentioned:

- Letter of thanks from the GM for individuals giving superior performance in CSOB. This type of recognition is recognised in the literature by Van Dyke and Garlick (2008) who stress the need to praise people in different ways (verbally, written, formal or informal).
- Greeting from the GM to the employees in each branch during religious events (Eids, Christmas) through conference meetings in CSOB.
- Job promotion such that many employees become heads of department and branch managers in CSOB and CSOC.
- Selection of (Production Champions) using an Excellence Award programme. Each branch has to select the ‘*best employee*’ per month. At the end of the year, the bank’s best employee is selected in CSOC.

The majority of TM and MM interviewees in CSOA who agreed there was a system indicated that it was badly organised, provided no motivation for employees to improve their performance, and certainly did not satisfy them.

In 2010 a new incentive scheme was launched for all Syrian public banks that involved allocating 2.5% of the bank’s profit for employees, and the majority of interviewees confirmed that this incentive scheme was financially better than the previous one. However,

some criticisms were aired about the mechanism for distributing these monies among staff, since they are usually allocated on an annual basis to each branch and the branch managers distribute the bonus equally or on very similar rates among all the employees. Unfortunately, the shortfall in the amount of money prevents managers from linking the bonus to actual employee performance, and many TMs and MMs confirm that what is implemented related to the incentives at CSOA and other own stated organisations has been incorporated within the additional component of the salary. Briefly, allocating incentives equally means using them as a tool to improve the low salaries of employees rather than motivating them to work harder. One TM laughed when asked for his opinion about the reward and recognition system at CSOA, saying:

*“This issue is very difficult and complicated. We know that the reward and recognition system at our bank is frustrating and that our people are dissatisfied. However, as a state owned bank we do not have the authority to implement any amendment with the imposed regulations”.* [CSOA TM7]

The researcher also recognised a negative impression of the reward and recognition scheme by the SFEs at CSOA, since the majority believe it is unclear and unfair. Some interviewees declared that they did not know exactly how their performance was assessed by management, and others stressed that the rewards were inconsistent with the work load at the bank when compared with that at private banks. Additionally, there was unfairness in allocating the rewards between the headquarters’ employees and branch employees.

Many other negative points were mentioned by the SFEs, thus reflecting their dissatisfaction with the system, such as:

- No fair compensation for covering the extra work at the weekend (on Saturdays).
- No compensation for the uniform, transportation or food (lunch meal or breakfast meal) as in some other state-owned organisations.
- No honour or recognition after retirement.
- No direct and flexible communication between the employees in the branches and the top management in the headquarters which means not enough care about the employees’ demands and feelings.
- No compensation for moving employees from one branch to work in a basement for eight months.

By contrast, the reward systems were better managed in both of CSOB, and CSOC than CSOA. In CSOB, there was a clear and fair performance appraisal. Each employee has to assess his performance (self evaluation) by filling a (Performance Appraisal Review) form,



then he has to discuss his evaluation with his direct manager to review his performance (targets, expectations...). After a final approval, the manager has to raise the review to the headquarters where the Performance Appraisal Committee suggests the annual reward for each employee according to his performance, experience, and qualifications. The researcher recognises general satisfaction among the interviewees with respect to their salaries and rewards. The interviewees were really pleased to receive small financial rewards in the first financial year of the bank where the bank suffered financial losses in this particular year.

For CSOC, there are two main types of financial rewards represented by:

- Annual Bonus: as a percent age of bank's profit which varies from one employee to another according to the annual profit realised and the degree of the employee's participation in achieving this profit.
- Annual incentive: according to the employee's performance. If the employee has achieved his annual target, he can obtain this remuneration where no definite number is allocated. In the event of not achieving the target, the management takes into consideration the reasons for not increasing productivity such as (lack of training, unsuitable for the position held, other reasons...).

The majority of the interviewees at CSOC show dissatisfaction of the current reward and recognition system. They affirm that the system is unclear and unfair. It has not been linked directly to productivity. The system also ignores many objective principles for evaluation such as qualifications, experience and employment history.

A survey of the employees' satisfaction was distributed last year to explore their views about the rewards and recognition at SIIB. All the employees' perceptions regarding salaries, bonuses, incentives...etc were considered. A new scale for salary and a new scheme for rewards and recognition were both suggested. The new system depends on using the balance score cards as a mechanism for performance evaluation.

*“Our reward and recognition system at SIIB was unfair and not objective during the last two years. Currently, the bank has started using balanced score cards to evaluate the employees' performance. Evaluation will be performed on three different levels: corporate level, directorate level, and human resource level. The evaluation on the first and third level has been done” [CSOC TM5]*

Regarding exceptional rewards, the majority of interviewees at the three CSOs affirmed that these were rare and very occasional. Moreover, the amount of these rewards is very limited in CSOA since the Essential United Employees Law of 1985 restricts the exceptional reward amount to be no more than half the monthly salary, and the overall granted annual

exceptional rewards no more than two monthly salaries. Many participants felt that state-owned banks were treated unfairly when compared with private banks that did not have to follow this regulation. In fact, the researcher met some SFEs who had received exceptional rewards for some supreme effort, and they all confirmed that the amount received was small and limited.

#### **5.4.4 Managing by Process**

The CSOA interviewees stated that each Directorate was responsible for designing its own operations which are numerous in number (opening accounts, granting loans, depositing money, etc.). Naturally, each operation requires many processes, and for these there are general instructions which must be followed by all staff involved. The specific directorate suggests what the processes should take into consideration (general policy and regulations of the bank, e.g. the Loaning Directorate is responsible for designing all the processes and conditions related to granting different types of loans). By contrast, the findings of CSOB, and CSOC have revealed that each bank has a special directorate for managing the process. In CSOB, 'Organisation Department' is a special authority responsible for designing all the banking operations. The department can receive some support from the GM, branch network manager, branch managers, and the heads of department.

Actually, CSOB depends to a great extent on the considerable experience of Fransabank Lebanon in adopting and standardising its processes. However the main obstacle is represented by compiling the foreign standards of operations with the Syrian market standards regarding the Syrian Market novelty.

For CSOC, there is a special directorate which is called 'Central Operation directorate'.

Design of the operations depends on the service itself. Each directorate can design their operations individually or in coordination with the Central Operation directorate.

The Risk directorate and Auditing directorate have to review the suggested operations before they receive the approval of the GM, board of directors, and the Shariah Board of SIIB.

There are international and local standards for the banking operations which can be borrowed as ready templates such as standards adopted by the Central Bank of Syria. These are in addition to adopting some other international and local Islamic Shariah standards such as the Shariah Board of the Central Bank of Syria, and the Accounting and Auditing Legitimacy Board (Bahrain).

If the case is clear, it can be added to the bank's procedures; otherwise the case has to be sent for auditing by the Shariah Board of SIIB.

Some operations can be designed by a special committee at CSOC ‘Product Development Committee’ which is responsible for introducing new products and services for the bank. The committee will propose the inputs, operations, and outputs for every new product.

Regarding the control processes, the interviewees at the three CSOs claimed there was an effective general control system which varies from one organisation to another.

For CSOA, the control system is managed as follows:

- Direct control of the branch manager and his assistant.
- Supervisors at headquarters control the quality of the performance at the different departments in the branches.
- Regular daily reports by the branches to the headquarters about the number and size of operations undertaken.
- Electronic authentication via the IT system (Phoenix) to control all the operations performed and verify the number and size of each one.
- Internal Control Directorate which detects internal corruption through continuous monitoring and follow-up programmes.
- Commitment Directorate which was launched in 2010 according to the Central Bank of Syria regulations. There are specialist auditors for this directorate in the branches to observe the exchange monetary operations.
- Internal Audit Directorate which was launched in 2010 according to the Central Bank of Syria regulations.

These three directorates (Internal Control, Commitment, and Internal Audit) all have different terms of reference. However, the activities for which they are responsible have not yet been activated completely in the case of the Commitment, and Internal Audit Directorates.

The processes can be controlled at CSOB through the following channels:

- Direct control of the heads of departments
- Review by the GM and his assistant
- Branch network manager who is responsible for reviewing all the operations through the system for all the branches.
- Internal Auditor (regular visits ) for branches
- External Auditing Corporate.
- Central Bank of Syria Auditing.
- External Supporting team from Lebanon

- Risk department auditor

There is an active control system for the operations at CSOC represented by:

- Internal Audit directorate which reviews all the operations in the bank from A to Z to ensure the safety and accuracy of the operations.
- Shariah Board Auditing to ensure the safety of the operations in terms of Islamic legitimacy.
- Quality Compliance and Assurance directorate to ensure compliance with service quality standards (supervision rather than control).
- Risk directorate to ensure compliance with Basel standards (supervision rather than control).
- Financial Observer to ensure the safety of financial procedures.
- External Auditing Corporate.
- Central Bank of Syria Auditing.

The statistical methods are represented by regular reports which have the main purpose of controlling and auditing performance. However, the CSOC is planning to adopt a programme (Work Flow Programme). This will be used as a means to control the time required to perform each process besides a means to control performance.

SIIB has adopted many internal electronic systems to ensure efficient performance such as HR system, Auditing system, Fixed Assets System, Report System. SIIB has additionally introduced many external electronic services. It was a pioneer in introducing Call Centre, Application through Net. In addition, it has implemented other service such POS, ATM, and Internet banking.

Regarding the new technological developments, it is significant to mention that the CSOA was a pioneer in introducing a range of electronic services to the market, such as internet banking, POS, ATM, banking messages, international Credit Cards, paying bills, and salary resettlement. The interviewees believed that these developments provide a variety of reliable and fast services such as electronic connection systems between all the bank branches, a one window system, and new e-services that enable customers to access flexible service at any time and wherever they may be. It was evident that new technological developments facilitate new communication channels with customers, thereby improving their satisfaction, and attracting new categories (individual and corporate). In addition, they enhance the bank's liquidity, number of granted loans, profitability, market share, and the ability to compete efficiently in the market.

Additionally, the new technological developments unite the banking system's work where every branch can perform exactly the same banking operations. This in turn participates in transferring the society from one that is cash dependent to a non-cash society where the new developments encourage people to use the banking cards and cheques for their transactions.

Further the new developments facilitate an efficient, fast, and easy communication between branches. In addition, they grant security, speed, confidentiality, accuracy, efficiency and control for banking work. Saving expenses, time, and effort for customers is another benefit which was mentioned.

However some interviewees consider that the new technological developments did not achieve the required purpose regarding the new banking knowledge for customers and the lack of banking culture in the society which has been discussed previously.

#### **5.4.5 Building Partnerships**

The interviewees clarified that the concept of the partnership at bank differs from that in other organisations, since in the bank environment it can be broadened to include various types of partnership. Some interviewees mentioned the relationship with other international banks; the CSOA is having eight such correspondent banks worldwide, meaning that it maintains deposits with each of those eight banks. This enables the bank to offer customers that are multi-national companies, the ability to conduct business worldwide through both the bank and its correspondent banks.

Other participants refer to relationships with other companies such as Syritel, MTN, Aya, Tasdeed, and the Electricity Company for paying the bills. By entering such partnerships, the bank can provide e-service for its customers saving their time and effort and gaining additional fees from offering these services. Companies are assured that their bills will be paid safely and on time.

Resettlement of salaries is another arrangement which requires partnerships with over 100 public and private organisations that use the bank to pay their employees' salaries, thereby providing the CSOA with extra liquidity which is a good benefit.

Other different partnerships were mentioned by the interviewees such as the relationship with the European Investment Bank (EIB) which has a project to support small and medium enterprises (SMEs) in Syria. The CSOA has financed the second stage of the project through 80 million SP, and plays a bilateral role in the project. In its agency role, the CSOA organises the financial management of the project without gaining, in its mediatory role, it evaluates the

financial situation for the enterprise and determine the value of loans granted, to obtain an interest rate of 3% as the maximum benefit of this partnership.

Additionally, the CSOA has some relationships with Italian financial companies (Artigina Casa), the bank being the official agent assigned by the Syrian Economic Committee to support the textile sector in Syria via a project with SMEs. The terms of credit provided for Artigina Casa to support the Syrian textile companies are very easy as long as the main supply to the textile sector is of Italian origin (70%). In this case, the CSOA provides the textile companies with long term loans with high grace period, and with a maximum interest rate of 4%. This creates new customers from the textile sector for the bank.

The CSOA has also been selected by the State Planning Commission to play a part in one of the conventions for replacing the Syrian debt with some Italian financial projects (Debt for Equity Swap). This requires the establishment of a fund for which the CSOA will be the financial manager.

Additionally, the researcher has accessed details of a press conference attended by the bank's GM, concerning the bank's plans to enter a strategic partnership with a Turkish bank. Moreover, the researcher has also accessed Resolution No. 649 of 14.4.2010 by the Credit and Monetary Council approving the CSOA to establish a brokerage company with Qatar National Bank (Syrian-Qatari company) for financial investments and mediation, using 20% of its capital (270 million SP). The partnership includes providing consultancy, information analysis for the securities, practising mediation in securities for its own account and for the account of others, managing Initial Public Offerings (IPO) without underwriting, and investment management.

For partnerships with CSOB, it operates as a subsidiary of Fransabank Lebanon. It has a mutual convergence and cooperation with it as a mother company. Fransabank Lebanon is a strategic shareholder acquiring 48% of CSOB shareholders. There is also a group of correspondent banks internationally which have agreements with CSOB.

CSOB has a partnership with two financial companies (German investment and development Company (Deg), and Propaco (French company) with plans for financing some development projects in Syria to support the national Syrian economy as one of the major strategic objectives for CSOB.

Locally, CSOB has adopted a partnership in February 2011 with the General Authority for Operation and Development in Syria. The partnership includes allocation 250 million S.P.

for financing small and medium enterprises (SMEs) in Syria by CSOB .The GM has confirmed that the main purpose of this partnership is supporting SMEs in Syria to achieve the social and economic sustainable development part of the social responsibility for private banks.

Further, CSOB has an agreement with an insurance company (Orient). The bank can provide loans for customers to purchase houses, cars...etc, and the insurance company insures the products.

Furthermore, CSOB has cooperative partnerships with other banks in the Syrian market to spread the ATM network, and other electronic services.

Similarly for CSOB,CSOC is also a strategic partner for Qatar International Islamic Bank. Qatar International Islamic Bank has 30% shares of the capital which equals 3 million shares. Its nominal value is 1.5 billion SYP. Qatar International Islamic Bank has supported CSOC by setting a deliberated work plan, providing qualified staff with experience in the Islamic banking sector, and launching intensive training courses.

CSOC has a partnership with Islamic Brokerage Company which trades the shares of Islamic companies. The bank's customers can be guided to buy the shares of the brokerage company.

CSOC has a partnership (5%) with Islamic Syrian Insurance Company. CSOC lends money to the customers with condition to get the insurance (house, life, car...) of the Islamic Syrian Insurance Company. CSOC can ensure customers for the insurance company. However, in the case of customer failure to repay, the Islamic Syrian Insurance Company is committed to repay the loan for CSOC.

CSOC has financed many car agencies to import and sell cars for customers, who subsequently have to repay the car's cost to CSOC.

Similarly, CSOC with other private banks in the market has signed a partnership agreement to finance a grain project in 2010.

CSOC has further signed a partnership agreement with Path Solutions, the industry's leading provider of software solutions. Under the terms of the contract, Path Solutions will provide a number of key banking services, mainly Islamic Core banking, Islamic Treasury, Islamic Financing and Branch Automation applications. The key purpose of this partnership is providing skills and technical expertise in delivering ethically-aware banking solutions that will enable CSOC to secure a prominent position in the market.

One TM mentions the following:

*“Path Solutions’ understands our requirements and it is very committed to manage and deliver our projects on time. Hence, it is very helpful and supportive in achieving our objectives”.* [CSOC TM3]

For Path Solutions, the partnership with CSOC creates a very significant team. It is a second achievement for the company in Syria, It is real evidence that their footprint is expanding in the region.

Finally, CSOC have strong relationships with (162) local and international organisations as correspondent banks. The latter is in addition to agreement partnerships with many companies for salary resettlement.

#### **5.4.6 Achieving Balanced Results**

Achieving Balanced Results includes financial and non financial results (customer, people, and society results).The majority of the interviewees at the three CSOs confirmed that their banks was planning and achieving a balanced set of results that met the short and long term needs of its stakeholders.

Regarding customer satisfaction, the participants of CSOA indicated that the bank had achieved a very good result over the last five years through its introduction of several electronic banking services such as Internet Banking, ATMs, POS, Credit Cards (local and international), SMS Banking, salary resettlement, and the payment of bills. The bank’s statistics for 2011 indicated that 300 ATM had been opened, 400,000 banking salary cards were resettled for various public and private companies, and 50,000 banking salary cards were resettled for banking sector employees.

Horizontal expansion of the bank was another benefit achieved for customers since in 2011 the number of branches in cities like Hama, and Latakia increased, and new offices were opened in other cities like Baniyas, and Alarakah. And in its provision of a variety (about nine different types) of real estate loans with competitive prices, it is helping people to buy homes. In addition, the bank has adopted the one window system and the queue system to ensure fast and reliable service for customers.

Likewise, the interviewees of CSOB have claimed that good level of customer satisfaction has been achieved. As mentioned in section 5.4.2, there are no marketing research studies that have been conducted into exploring the customers’ views about the bank.

The expansion strategy for CSOB represents expanding to all the Syrian districts and the main cities in the country to ensure providing the whole range of universal bank services for all customer segments as soon as possible. FBS has started from an initial three branches in



2009 to a network of seven branches in 2011 covering five major Syrian districts, two of which are in Aleppo, and one in each of Homs, Tartus and Latakia, in addition to two branches in the capital, Damascus.

Concerning the banking services, since its launch CSOB has provided a full range of commercial banking services, including retail, corporate and trade finance. These include a large range of retail products, including personal and specialized loans, car and housing loans, along with corporate and SME financing, whether large syndicated loans, project financing or small start-ups financing besides trade finance and investment schemes. Leasing is among the main bank's target plans. Moreover, the Bank offers its agents credit card systems - issuing & acquiring – and will soon provide internet banking services.

According to the interviewees' views, CSOB have a good relationship with all customer segments. There is regular follow up of their dealings. In the event of the loss of any customer; there is a serious investigation into the reasons for leaving the bank.

VIP customers receive extra special dealing by CSOB. Special visits can be organized by a special committee. Particular presents can be distributed by the bank to these clients on special occasions.

CSOC non financial results reveal that an extensive range of Islamic banking services and products has been developed taking into consideration the financing needs of different segments of customers within the Syrian market. They include personal and corporate funding (current account, deposit and investment account), E-banking (SMS, phone bank, internet banking, and call centre), and other banking services (accepting cheque deposits, accepting incoming cash transfers, issuing instant cash transfers, warranties, buying and selling foreign currencies, using SWIFT system for issuing documentary credits and cash transfer, renting safe boxes, issuing banking cheques, and private banking services).

Moreover, CSOC has broadened its branch network to 25 distributed throughout 10 Syrian districts. CSOC has also expanded its ATM network to 37 in 2011. In addition, the bank has modernised their ATM provision to be more intelligent, so it can deal with customers with greater privacy. According to the GM, in a press conference as cited in the bank website: *“Launching more ATMs in Syria reflects the bank's strategy of expansion and enhances the communication with customers through meeting their needs and aspirations for distinguished banking services and innovation. This step copes with the future vision of the bank aimed to service customers at any time and place they need.”* (CSOC website, 2012).

Furthermore, CSOC has released many campaigns in the context of developing their available products and services and earning greater customer satisfaction such as (Live now and pay the next year), (Rent the appropriate house now then possess it in the future), (More deposits, more profit), and (Islamic Millionaire).

It is very significant to mention that the (Islamic Millionaire) campaign is the first saving programme in the Syrian banking market. It was conducted by SIIB in August 2011. It is a fair programme which allows the customer to save money at similar rates to their participation in profits of the investment saving accounts, and also grants them the chance to win a monthly prize, gold ounces valued at one million S.P per month.

In this context, the number of customers has been developed from 5000 in 2007 to 154000 customers in 2010. The number of accounts opened reached (152000) in 2010.

Regarding the customers' indicators, CSOC have many indicators to investigate concerning customer satisfaction such as the number of customers, the size of deposits, and the number of repeat financing processes, customer complaints, customer satisfaction surveys (twice per year for all bank branches and in some exhibitions), and mystery shopper research (four times per year), which explore employee performance and customer satisfaction simultaneously.

Regarding the 'people' results, the TMs and MMs of CSOA confirmed that they received many benefits such as the new financial incentive scheme; training courses, empowerment, and the majority also indicated their satisfaction with their jobs and the merits which they receive. However, the SFEs of CSOA reported different opinions as highlighted already in section 5.4.3.4. Irrespective of these differences of opinion, it was nonetheless agreed by all interviewees that the bank had no indicators to measure such satisfaction (e.g. employee satisfaction survey, turnover, absenteeism).

For CSOB, A general satisfaction has been highlighted by the interviewees among the three managerial levels. The expansion strategy for CSOB requires hiring new human resource capabilities. The number of employees has risen from 55 persons in 2009 to 150 in 2011. According to the bank's records, 90% of bank employees have bachelors and postgraduate degrees. According to the interviewees' views, FBS provides efficient training at the first stage, satisfactory salaries in comparison to other private banks in the market, adequate reward and recognition systems, fair performance evaluation procedures, a positive relationship with management, and an acceptable degree of empowerment.

Similarly for CSOA, COSB has not yet adopted any indicator to investigate employee satisfaction. However, it was evident that the staff turnover rate at FBS is zero, where no employee has left FBS during the last three years.

The people results in CSOC have disclosed that the number of employees has risen from 250 to more than 500 in 2010 related to the expansion in number of bank branches and activities. CSOC has a serious plan to develop its human resource capabilities. It has released a programme (Leaders Preparation) for developing human staff skills and preparing them to occupy any position in the bank's departments. In addition, SIIB has set the principles to determine and develop the managerial skills for each management position through a programme (Career Path).

As mentioned already, CSOC has launched a special training centre to provide all the required banking cadres, coping with the bank's strategy in developing its human resource capabilities, and covering the large shortfall of banking experience in the Syrian banking market.

Generally speaking, CSOC employees profess good levels of satisfaction relating to the effectiveness of training programme. They were also content in the matter being empowered with authority and the delegation of the responsibility. However, they were not fully satisfied in the matter of fairness of rewards and recognition at the bank.

In contrast to CSOA and CSOB, CSOC has many internal performance indicators such as turnover rate, and a balance score card indicator to measure its performance regarding this point. In addition, it has adopted much market research such as mystery shopper research, and employee satisfaction surveys to investigate their employees' satisfaction ratings.

In respect of the contribution to society, the bank was seen (from documents and press conference reports) by the researcher to play a vital part in the country's development process through funding economic and social projects such as hospitals, shopping centres, commercial and investment housing, and tourist enterprises in all the Syrian cities and rural areas. Additionally, the CSOA has contributed in financing some industrial cities, and some other agricultural projects like milk production and dairy products which have economic feasibility and added value for the country. In general, all the bank's initiatives have positively affected the rate of income growth and Gross Domestic Product (GDP) for the county, and provided a huge number of job opportunities.

Furthermore, the CSOA has provided some banking facilities for investment and tourism projects through prolonging the loan period to 15 years to give greater opportunities for the projects and relieve the payment burden for investors.

For CSOB, regarding the bank's novelty in the market, it did allocate a budget to support the society. It is very significant to remark that one of the primary objectives for FBS represents supporting Small and Medium Enterprises (SMEs) in society. As mentioned previously, FBS has allocated 250 million S.P in agreement with the General Authority for Operation and Development to support SMEs in Syria. FBS is also planning to support all the development projects in the country.

Concerning society results for CSOC, it is noted that CSOC is committed to provide banking services in accordance with the provisions of Islamic law, and to meet the requirements of Syrian economic development projects in financing and investments according to the provision of Islamic law. This is in addition to achieving sustainable growth and increased profitability and return on equity rates.

In this context, it is worth mentioning that CSOC has been awarded the Syrian Economic Reform Awards (BEST HOME FINANCE PROVIDER IN SYRIA) by (World Finance For 2010) magazine. The researcher has accessed a copy of this award.

It has also been awarded the annual prize of (BEST ISLAMIC BANK IN SYRIA FOR 2011) by (Islamic Finance News) magazine in Dubai.

In subject of financial results, it was confirmed by the interviewees of CSOA that the bank had achieved a sound financial performance during the previous five years. The Asset/Liability Management Committee (ALCO) has been launched to be responsible for the management of the bank's assets and liabilities which substantially increased with its expansion to become a universal bank.

However the financial results for CSOB reveal that the banks has losses in 2008, and in 2009 related to their foundation expenses and, too via, the attempt to create a market share after entering 21 other private banks for the Syrian market in the course of last five years.

According to the Syrian Commission for Financial Markets and Securities (SCFMS) annual report (2010), the financial results for CSOB were better than other private banks which commenced operations in the same financial year (2009) in the Syrian market regarding the

size of assets, deposits, credit portfolio, and even losses. In 2010, CSOB began achieving some financial profits. The size of deposits has risen significantly.

By contrast, CSOC has achieved supreme financial results since its launch in 2007. It has started achieving profit in the second financial year i.e. 2008. CSOC is considered the largest private bank among private sector banks in terms of the volume of full paid capital and the number of shareholders. Table 5.10 provides a summary of the financial indicators during the years 2008, 2009, and 2010 for three CSOs.

**Table 5.10: Some Financial Results for CSOs - 2008, 2009, and 2010(Syrian Pounds)**

	CSOA			CSOB			CSOC		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>Total Profit /Loss</b>	4,873,000	5,521,500	6,299,500	(116,026,451)	(169,702,954)	2,928,031	207,872,203	410,115,115	982,127,329
<b>Total Deposits</b>	130,782,000	165,988,000	195,020,000	383,691,858	1,170,307,410	9,431,636,875	31,000,000,000	585,000,000,000	71,000,000,000
<b>Total Credit</b>	109,921,000	136,280,000	161,868,000	-	2,358,128,720	8,738,607,121	12,202,855,752	16,861,236,283	32,176,850,787

The figures of CSOA demonstrate very good financial performance during the period, illustrating a noticeable increase in profit size by about 1 billion SYP, in the volume of deposits by more than 30 million, and in the credit volume by 25 million annually. Similarly, the financial results for CSOC reveal that the profit figure doubles annually. However, the size of deposits and credit has expanded more than twofold between 2008 and 2010. In contrast, the financial results for CSOB show that the bank starts achieving some profits in 2010 after two years of losses. However the size of deposits and credits have increased considerably during the studied years.

#### **5.4.7 Taking Responsibility for a Sustainable Future**

In fact, the Syrian Banking Sector (SBS) were controlled since 2003 by a set of updated and strict regulations by the Credit and Monetary Council and the Central Bank of Syria (CBS) to ensure the transparency, reliability and soundness of the sector.

All the operating banks in Syria were forced by the (Resolution No.390 for 2008) to launch the “Risk Directorate”, and by the (Resolution No.534 for 2009) to launch the “Commitment Directorate” as independent units reporting directly to the board of directors.

The Risk Directorate overtakes the commitment by the capital adequacy and liquidity resolutions of the Credit and Monetary Council such as (Resolution No. 253 for.2007, Resolution No. 395 for 2008, and Resolution No. 588 for 2009).

While the Commitment Directorate will be responsible for monitoring compliance with all the laws and regulations of Credit and Monetary Council, particularly laws and resolutions on combating money laundering, terrorist financing, and banking secrecy such as (Law No. (6) and law No. (10) of 2004).

The three CSOs had launched these directorates. Namely the Risk Directorate, Commitment Directorate, and in CSOA, the Risk department and Compliance and Anti Money Laundering (AML) department in CSOB, and Risk Directorate, Quality Assurance and Compliance Directorate , and Asset and Liability Committee (ALCO)in CSOC.

Anti- money laundering committee in CSOA is ruled by the anti- money laundering commission in the Central Bank of Syria (CBS) which has been established by Legislative Decree 33 for 2005 of criminalize all money laundering and terrorist financing in the country. The CSOA anti-money commission is an independent unit and has the responsibility to control the bank compliance and to report regularly and transparently to the CBS anti-money laundering committee.

The Risk Directorate shares responsibility with the Commercial Financing Directorate in CSOC for avoiding the risk of exaggerated money lending according to the finance size, guarantees provided, and the level of accepted liability.

However, the Asset and Liability Committee (ALCO) has the responsibility for avoiding the risk of exaggerated money lending for the whole bank through commitment to the minimum limit of liquidity and reserves.

CSOC has also launched a Legal Commitment Unit headed by the Compliance Directorate.

It has further adopted control software to ensure the safety of banking procedures. For example, a special programme (Safe Watch) to ensure that international money transactions are not included in the Black List (banned lists for money laundering or terrorism).

Regarding the safety of Islamic procedures, CSOC has launched the Sharia Control Directorate which is headed by the Sharia Supervisory Authority. The later is responsible for reviewing and approving all the bank dealings according to the principles of Islamic law. It is additionally responsible for preparing an annual report for the General Assembly of

shareholders demonstrating the degree of bank commitment and providing its advice and recommendations.

The interviewees appreciate the vital role for the recently established directorates in controlling the bank's practices where the current follow-up becomes precise and serious by these directorates.

The interviewees of CSOA confirm that their bank has strict provisions for borrowing money to avoid any kind of risk such as customer bankruptcy, or low priced property. In the case of loan failure, the amount of the loan can be attained easily. Some procedures were referred such as:

- In the case of opening an account, asking the customer to complete a form (Know your customer) to acquire all the essential information about their customers.
- In the case of depositing money, asking the customer to fill the form (From where did you get your money?)
- In the case of transferring money, asking the customer to sign an anti-money laundering declaration.
- Assigning auditors in the current account departments by the commitment directorate for follow-up.
- Preparing daily lists of suspicious transactions to be reported weekly to the commitment directorate.

CSOB has also an active Internal Auditing System with some other motioned practices to ensure the safety of the banking procedures such as efficient training for the Risk and Compliance departments employees, adopting sufficient software system, and getting detailed information about customers (know your customer).

In terms of transparency, the researcher has accessed the (Resolution No.489 for 2009) by the Credit and Monetary Council of the Central Bank of Syria website which approves a detailed guidance for the corporate governance to be adopted by all the operating banks in Syria. However, a critical review for the CSOA annual report shows how the bank's practices and knowledge still falls short of the corporate governance principles.

Similarly CSOB, corporate governance guidance has been prepared in 2009 according to the instructions of CBS, Syrian Commission for Financial Market and Securities (SCFMS), and the international standards and practices of corporate governance. However; by the close of third financial year for CSOB, there was a noticeable delay in developing the bank website, and an annual report to disclose transparently the financial results and all required

information about the bank. The financial results for CSOB were disclosed by the Syrian Commission for Financial Market and Securities (SCFMS) website.

Conversely, CSOC has prepared corporate governance guidance in 2008 where the Compliance Directorate is responsible for implementing the corporate governance procedures and preparing the required reports and raising them to the (Corporate Governance Committee, Risk Committee, Auditing Committee, and Rewards and Nomination Committee) to prepare the required recommendations and raise them with the board of directors. CSOC is committed, via its transparency and disclosure policy, to disclosing its annual reports, statements, periodic summaries, and corporate governance guidance on the bank website. The bank is committed to providing reliable, accurate, understandable and comparative information in these disclosures.

Regarding society support, the majority of the CSOA interviewees confirm the social responsibility for their bank by providing housing loans for different categories of customers in society with reasonable conditions and in different areas including rural ones. Such this financing participates in solving the housing crises in the country while other private banks usually do not care seriously about these issues. The researcher has accessed a press conference for the GM of CSOA who states that, despite the expansion of bank's lending for the investment and commercial projects, it still allocate 70% of its lending volume for low-income customers and for the artisan and vocational sector responding to government requirements by insuring houses at low interest rates and commensurate premiums for these sections of the society.

As part of its social responsibility, CSOA has supported the financing of construction and equipment supply of many educational and health organisations in the country such as schools, universities, and hospitals through providing credit facilities. CSOA is also basically responsible for financing the cooperative housing societies.

For CSOB, the mother company (Fransabank Lebanon FBL) has developed a broad strategy supporting their social responsibility of the society.

The leadership of Fransabank Lebanon and Fransabank Syria (CSOB) is aware about the significance of adopting corporate social responsibility values to achieve excellence for the organisation.

The chairman of CSOB (Adnan Kassar) has declared that:

*“Our Reputation is not just founded on operational excellence; it is also based on corporate citizenship” (Kassar, 2012)*



The CSOB leadership has a great belief that the dedication of corporate social responsibility ethics in the bank means achieving a sustainable development for the society and creating added value for shareholders, customers, employees and other stakeholders. Practically, they think that adopting the social responsibility principles means considering not only the economic, but also the social and environmental impacts for their decisions.

In this context, as mentioned previously, CSOB has the trend of financing Small and Medium Enterprises (SME) in Syria by signing an agreement with the General Authority for Operation and Development, and allocating 250 million S.P. for this purpose.

CSOB has created new job opportunities for the Syrian society through employing approximately 95% of its staff from the domestic workforce. In addition, it has added value to the human resources through training them.

CSOB has provided the (*Subordinated Loan*) by value 6 million S.P. and very low interest (0.25%) for 5 years. It is a policy of CSOB to compensate its shareholders for their financial losses for the first year.

CSOB sponsors some cultural events. For example, in 2011 it sponsored 7 Syrian performers in a cultural exchange to showcase their work at the prestigious Institut Du Monde Arabe (IMA) in Paris.

CSOB has provided donations for some charity organisations (such as a children's cancer organisation).

In terms of society support for CSOC, the bank is committed to providing the reliable Islamic banking services for different categories of customers, and financing all the economic sectors (industry, agriculture, trade, and services) in the society according to the provisions of Islamic law. CSOC is also dedicated to finance some national development projects such as universities, hospitals, and schools. It is pioneer in supporting charitable organisations through providing credit facilities which include (the size of funding, payment methods, and the price of Murabah). For example, CSOC has financed a charity organisation in Hamah to purchase medical equipments. Donations are another way of supporting the charity organisations such as (donations for Cancer Society).

In Ramadan, CSOC undertakes many charitable activities for the Syrian society such as (provision of free dinner (Iftar) for orphans, prizes ... etc)

*Good Loan* is another type of CSOC contribution to social responsibility where the bank can lend a value of (500,000) S.P without Murabah for the purposes of education and marriage.

CSOC has signed an agreement with the General Authority for Operation and Development in Syria for training the Authority's candidates in all banking aspects to contribute efficiently in meeting the growth and development requirements in the country.

By enquiring the SFEs, the majority of them confirm the social responsibility for their organisations through providing a satisfactory service at a reasonable cost and good quality to their customers who belong to different social categories. For instance, CSOB lends their customers personal loans (house, car, travel, furniture...etc) with competitive interest rates, flexible loan periods, quick responses, and competitive insurance premiums.

However, some SFEs of CSOA criticize the excessive cost for securing loans related to some official stamps and other commissions.

The researcher discusses this point with one of the TMs at CSOA as these extreme charges contradict the bank's social responsibility. The TM clarifies that the extra charge is related to unavoidable imposed stamps by the Finance Ministry.

Another SFE mentions reducing the interest on deposits from 8% to 4.5% which causes dissatisfaction among some customers.

#### **5.4.8 Nurturing Creativity & Innovation**

TMs and MMs at the three CSOs confirm their commitment to encourage innovation through different channels. The following practices were suggested as means to persuade employees to be more creative:

- An 'open door policy' providing easy access and a smooth relationship between the management and the employees, which motivates employees to express their thoughts and suggestions freely and inspires them to be more creative.
- An electronic suggestion box to which employees can easily email their views, opinions, suggestions and recommendations for the TMs and MMs.
- Rewards and recognition methods that grant employees financial and/or non-financial benefits such as job promotion and recognition certificates when their suggestions are accepted.
- Training programmes which significantly enrich employees' knowledge and increase their abilities to innovate.
- Involvement and empowerment as a mechanism for motivating employees to participate and develop new initiatives.
- Consideration of new and innovative ideas seriously by passing them to the Board of Directors and other authorities for discussion and approval.

- A suggestion committee responsible for studying employees' proposals and for making rewards (CSOC).
- A plan to establish a new unit to finance innovative and creative ideas (even those with high risk) in the bank (CSOA).
- Accessing other global banking experiences.

The interviewees confirm that innovation stimulation is available in CSOA; however it tends to be intangible rather than tangible. One of the TM comments on one event related to this point laughing:

*"I can remember that one of our creative employees who designed a special computing programme about sponsors' information received (S.P. 3000 ≈ £50) as a reward for his performance".*

He carries on:

*"I know it is very little, but it is according to the bank's capabilities"*  
[CSOA TM5]

SFEs of three CSOs appreciate the behaviour of their TMs and MMs which is represented by encouraging them to express their thoughts and opinions freely and independently. They are open minded as they deal positively with all the new ideas and suggestions of their staff.

Concerning service innovation, the majority of interviewees at the CSOA, and CSOC state that innovation and creativity is a clear policy at their bank. CSOA was pioneer in providing a range of electronic services in the market (ATM, POS, internet banking, SMS banking, bills payment...etc) .Additionally, they mention some other innovative services like Syria card loan, banking guarantees, accepting credit on income statement instead of salary statement, launching money counter devices for their customers in the bank's reception area, money transfer through SMS, loans for retired customers ...etc. Similarly SFEs of CSOC consider their bank is Smart Bank related to adopting many innovative services such as activating the electronic banking services (call centre, Internet banking, phone banking, and SMS banking), activating Reuters service by depending on ADSL technology (the first activated service in the Middle East), activating (Disaster Recovery & Business Continuity Plans) to protect the bank from any catastrophic event, such as the soft ware system, activating Back Up system for the banking information and database, using G3 technique to connect the branches, adopting self assessment risk system ,....etc.

By contrast, SFEs in CSOB did not believe that their bank is pioneer in adopting new innovative services for two reasons. First, it has not introduced any new service which is

original to SBS. Second, it has not yet launched all the entire range of electronic banking services.

### **5.5Chapter Summary**

This chapter has presented in details the qualitative primary data which have emerged for the three case study organisations CSOs, CSOA (Real Estate Bank REB),CSOB (Fransabank Syria FBS), and CSOC(Syria International Islamic Bank SIIB). The collected data has covered three managerial levels (Top Managers, Middle Managers, and Shop Floor Employees) in each case study. The views of the three managerial levels were compared and contrasted to increase the validity of the findings. Multiple resources of evidence including face-to-face interviews (as the main source), direct observations, documentary review, and archival records were used to triangulate the data. The following chapter will be a comprehensive discussion of the obtained findings through comparing the findings of the three CSOs and linking them to the literature in light of the research aim and objectives.

## **CHAPTER SIX**

### **DISCUSSION**

#### **6.0 Chapter Introduction**

This chapter presents a discussion of the empirical findings from the three CSOs in the light of the literature review presented in Chapter Two. The discussion and the analysis of the data are linked to the research aim and related objectives, and will produce answers to the research questions. The discussion follows a cross-case study approach so the similarities and contradictions can be highlighted in respect of each discussion point. This will provide the opportunity to identify the unique factors pertaining to each CSO (not reported in literature to date), and to support the existing literature.

#### **6.1 Service Quality Significance**

The significance of service quality was highlighted by the three managerial levels in the three CSOs, with many reasons being given. Six main motives (customer satisfaction, work efficiency, profit boosting, market share and continuity, competitive advantage, and trust building) were shared by the three CSOs, but some other reasons were given by interviewees in one or two of the CSOs such as attracting new customers, saving time, ensuring good reputation and image, reducing the risks through granting more accurate and safe procedures, safeguarding the rights of shareholders, depositors and customers, and undertaking the safety of banking in terms of legitimacy.

The reasons highlighted of: customer satisfaction, work efficiency, profit boosting, market share and continuity, competitive advantage, saving time; ensuring good reputation and image, and attracting new customers all feature in the existing literature (e.g. Oliver, 1980; Zeithaml *et al.*, 1990; Walker, 1990; Carson, 1990; Bolton and Drew, 1991; Lewis, 1991; Stahl and Bounds, 1991; Berry and Parasuraman, 1991; Fitzsimmons and Fitzsimmons, 1994; Goode and Moutinho, 1995; Zeithaml and Bitner, 1996; Reichheld, 1996; Heskett *et al.*,

1997; Newman, 2001; Caruana, 2002, Gounaris *et al.*, 2003, Bitner and Hubbert, 1994; Bolton and Drew, 1994; Rust *et al.*, 1995), and regarding the banking sector (Le Blanc and Nguyen, 1988; Avkiran, 1994; Blanchard and Galloway, 1994; Li *et al.*, 2001). However, the other four motives revealed in this study (trust building, risk minimising, legitimacy safety, and safeguarding stakeholders' rights) have not emerged in previous studies.

In this context, it is essential to mention that the significance of service quality is more recognised and understandable in CSOB and CSOC as private banks rather than in CSOA, the state-owned bank. Unfortunately, some SFEs in CSOA believe that service quality is more important in the private banks than in state-owned banks, considering that the state-owned banks are more socially responsible than private banks. In addition, it was significant that some interviewees in CSOA did not understand the meaning of service quality, although the concept was clarified by the researcher. Participants justify their lack of knowledge in this respect by the fact that their jobs are concerned with financial responsibility. But, in reality, working in any service organisation requires employees to recognise the need for service and to be knowledgeable in this regard. Not appreciating the meaning of the term service quality suggests the absence of a service culture and the need for a service quality orientation to be developed in the organisation through comprehensive training for all employees. In fact, Sureshchandar *et al.* (2001a, 2001b, 2002) included service culture in their holistic model of total service quality for banks. Additionally, the concept has been mentioned by many authors writing about manufacturing organisations (e.g. Wheelwright, 1981; Saraph *et al.*, 1989; Harber *et al.*, 1993; Flynn *et al.*, 1995) and service organisations (Schneider and Bowen, 1995; Parasuraman *et al.*, 1988; Zemke and Schaaf, 1990; Bitner *et al.*, 1990; Schneider *et al.*, 1994, 1996). And Black and Porter (1996) use the term corporate quality culture to mean the same thing.

It is also significant to mention that even if the state-owned banks are more socially responsible than the private banks, this does not mean that they are providing excellent quality service, and especially in the new competitive environment within the SBS, the state-owned enterprises must still strive to perfect their customer orientation. It was found that in CSOC, a special directorate - 'Quality Assurance and Compliance' - was established for managing quality, and that the SIIB has also a plan to adopt ISO 9001 and has taken serious steps in this direction. According to the Quality Director, obtaining the ISO certificate is a good way to standardise the performance of the bank's branches, and one step towards adopting the European Excellence Model. Clearly, the role of the quality department is vital to the success of any quality initiative in an organisation, as confirmed by many writers to

date (Saraph *et al.*, 1989; Motwani *et al.*, 1994; Quazi *et al.*, 1998; Almarri, 2005) who all stress that the department should be visible, autonomous and have direct access to top management. However, both CSOA and CSOB do not have such a department, and whilst in CSOB the bank's novelty can provide a justification for this, there is no excuse for CSOA which is an institution with a long history (about four decades).

## **6.2 Service Quality Appraisal**

As mentioned previously the main purpose of enquiring about this point was to investigate how the three managerial levels in the three CSOs evaluate their service quality and their performance and how far they are able to achieve excellence according to their views. By reviewing the respondents' ranking, it is clear that the majority of CSOA participants (about 60%) are convinced that the level of service quality in their organisations is very close to excellent through ranking the level at 4 and 5. In addition, the majority of the interviewees (about 70%) confirmed the typicality of their organisation. Comparing the findings of these two questions with the findings of other questions, it can easily be concluded that the evaluation by the participants is unrealistic. The bank has suffered many problems relating to leadership, planning, and human resource management, etc., which affect the level of service quality in the bank both directly and indirectly. There is a big gap between the actual and expected performance of the bank, which should be recognised and addressed by the top management.

Regarding the self-evaluation of CSOB, the majority of the participants (about 67%) rank their service quality between 4 and 5, and about 78% of them consider their organisation is typical. The appraisal also looks far from reasonable inasmuch as the main strength points are being a subsidiary of a respected parent company, and the limited number of bank branches (work flexibility), which tend to be one of the main weaknesses in providing sufficient service quality.

However, the self-appraisal of the CSOC tends to be more rational compared to the findings of other questions and the real situation for this bank in that about 64% of the respondents rank their service quality between 4 and 5, and about 71% of the respondents assess their organisation as being typical.

## **6.3 Factors Affecting the Excellence of Service Quality**

A long list of factors emerged as affecting the excellence of service quality, some of which were common among all three CSOs, and others being unique to one in particular. For

simplicity, the factors are classified as External and Internal, the latter being further subdivided into three main groups, related to the bank, human resources management, and service characteristics respectively. The external factors are considered as government regulations, competition, guardian authorities (intervention), religion and culture, banking culture, and customer relationship management.

The relationship between market competition and product quality was introduced by Sutton (1991) who provided a mechanism that considers the effect of endogenous product quality on the relationship between market concentration and market size. The main idea of Sutton's theory is that, as markets grow, it is not necessary to see a larger number of firms penetrating the market; however, a greater investment is expected in fixed costs by the current firms. Since offering a higher quality product does not affect the marginal cost of producing the good, firms can still grant their customers high quality products without a change in price. The high quality good will be preferred by the customers, and those firms that do not offer high quality products would be driven out of the market.

In the context of the banking sector, the findings of Rhoades (1996) and Amel (1997) confirmed that markets with fewer banks tend to have lower deposit rates and higher loan rates, and, consequently, less competitive conduct, which reflects negatively on customers. Further, Hannan and Prager (2004) proved that bank prices are higher (lower deposit rates) in larger markets. Furthermore, Hannan (2001, 2002) revealed that large banks charge higher fees than small banks.

The findings of Dick (2007) demonstrated that the quality in bank services is very significant, and, therefore, needs to be incorporated in the welfare of customers. However, the literature did not clarify clearly whether prices are higher due to higher fixed-cost quality, variable-cost quality characteristics, or other factors affecting larger markets and larger firms. (As mentioned by Sutton, it is not necessary that an increase in quality should follow an increase in prices where quality investments should be covered through sunk cost investments that do not affect price-cost margins). Hence, Dick (2007) concluded that once quality is introduced, there is no unambiguous implication for consumer welfare from the empirical correlation between prices and the number of banks in a market. Some consumers might be happier paying a higher price to a bank in exchange for higher quality service.

A further study was conducted by Ayuso and Martínez (2006) about the effect of changes in the quality of the financial services provided (in particular deposits) when assessing the way the competition is changing in the financial market with reference to the Spanish market. The results show that when the return on deposits is considered the only relevant variable for



competition, there is no significant change in the degree of competition in the bank deposit market. However when variables like the number of branches, the number of ATMs or the degree of bank capitalisation are explicitly incorporated, there is a significant increase in the price elasticity of the residual supply functions, which implies that competition actually increased in the period studied (1989 -2003).

In reference to the Syrian banking sector, market competition has increased due to the recently introduced regulations (Private Banking Act No. 28 of 2001 and the Islamic Banking Decree No. 35 of 2005), which opened up the Syrian market to foreign banks (eleven banks have entered the market over three years). Regarding this competitive environment, it was expected that a better level of service quality and customer welfare would be introduced by the outside banks without an increase in service prices; however, the current political troubles in Syria have distorted the proposed scene.

As was clarified by the empirical findings, that Syrian banking government regulations have an inconsistent effect on the service quality of the outstanding banks in the sector. While the new introduced Islamic banking legalisations are comprehensive, and sufficient through summarising the global Islamic banking experience. The dominant banking regulations have many gaps represent by lack of clarity and accuracy of some regulations, restricted procedures of the Central Bank of Syria (CBS) to adopt some services in some banks , the high imposed taxation rate by the finance ministry, and some other negative points related to some regulations deter bank's profitability in the own-stated banks. In fact, the above mentioned points about the Syrian government banking regulations affect negatively the level of service quality through retraining the operating banks to provide reliable and transparent service to their customers. A quick revision and updating is required for such regulations by the Syrian authorities to avoid the negative impact of these regulations on the operating banks in the market and in particular the own-stated banks which need to increase their competitive capabilities.

The Gurdian authorities intervention (the Central Bank of Syria, Ministry of Finance, and the Council of Monetary and Credit) is another negative mentioned factor affecting the level of service quality at the owned- state banks. Practically, the direct intervention for these authorities restricts the abilities of the bank's leaders to make fast and reliable decisions, introduce new products, adjust the available services according to customers' needs, or adopt any new quality initiatives in those banks.

Such intervention of those authorities is a kind of centralism, the common phenomena in the state owned organisations in developing countries. It was confirmed in the literature that

centralism restricts the delegation of functions and powers to the lower level, and hence prevents any attempt to pass the authority to a subordinate in an attempt to save time or perform the job efficiently (Mancini and Mancini, 2003; Harvey and Kamoche, 2004; Carr and Hancock, 2006). Therefore, the lack of granted authority to the top management in the state owned banks can impede any effort to improve the quality in those organisations.

Religion and culture the other unique factor for the CSOA which affecting service quality Islamic *Sharia* (Islamic Law) considers money to have no intrinsic value, and hence there should be no benefit to lending or receiving money (interest) as it is against the Muslim religion to make money from money. Wealth can only be generated through legitimate trade and investment in assets. The work of the traditional banks is clearly prohibited by this philosophy and many Muslim employees are unhappy with their jobs in CSOA because of this, confirming that they only remain in their current jobs because of the lack of alternative employment opportunities. In addition; the conservative approach for working in the traditional banks in the Muslim countries has negative impact on employees' motivation and productivity as was mentioned by some SFEs in CSOA that many criticism have been made about their jobs in traditional banks.

Actually, these two issues are very important considerations for the management of state owned banks, since religious and cultural perceptions are responsible for the lack of job commitment. The management should consider these issues through selection and assignment procedures where it is very significant to choose people who are convinced about their jobs in the traditional banks. Additionally, it is suggested that more people satisfaction surveys be conducted as they are helpful in recognising the degree of employees' satisfaction and the main reasons for their dissatisfaction.

As private banks, the lack of banking culture is another issue raised by the interviewees of the CSOB and CSOC. It can be defined by the "customers' lack of desire to deal with the operating banks". According to the participants' views, the Syrian customers can be classified into two main groups, those who like to save their money personally, and others who prefer to send their capital to foreign banks. The main reason for this phenomenon is the lack of customer trust in the mechanism and performance of banks in Syria. Although the Syrian banking market has been dominated by state owned banks for more than four decades, it can be seen that there is fear linked to the risk perception of losing those savings by dealing with those banks. Uncertainty avoidance is one of the cultural dimensions that has been classified by Hofstede (1991), which refers to "the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations" Hofstede (1991:113)

Additionally, the lack of customer trust can be linked directly to the lack of transparency in the Syrian banking system.

In addition, a lack of awareness and customer knowledge about the electronic banking services like Internet banking and phone banking, etc. was recognised by the participants, which affects their acceptance for using such services.

As noted from the literature, there are several factors predetermining the *consumers' attitude for the adoption of electronic and phone banking*. Howcroft *et al.* (2002) found that *customer age (demographic factor) is critical in using such services in that younger customers value using the electronic services more than older customers to save time and for convenience*. Another study by Karjaluoto *et al.* (2002) referred to the level of education for customers in the Finnish market *where highly educated, relatively young and wealthy customers with a good knowledge of computers can be considered typical users of electronic services, while empirical research by Daniel (1999) and Sathye (1999) concluded that rich customers are more competent in using online banking than poor customers*. In contrast, a study by Laforet and Li (2005) showed that Chinese online and phone banking were males, not necessarily young and highly educated. The study clarified that the perception of risk, computer and technological skills, Chinese traditional cash-carry banking culture, and lack of awareness about the benefits of using the electronic services are the main barriers for not adopting such service.

Further, the literature mentioned other factors relating to the customers' benefits of using banking service and/or the effect of product attributes on customer behaviour (Minhas and Jacobs, 1996; Lockett and Littler, 1997; Machauer and Morgner, 2001). Furthermore, customers' motives as a pre-determinant for the attitude and behaviour of customers towards different banking technologies have been studied by Barczak *et al.* (1997).

Regarding customer relationship management, the findings have confirmed that private banks, represented by the CSOB, and CSOC, are very keen to build a strong relationship with their customers, which reflects the degree of their awareness about the significance of this relationship, which is contradictory to the findings of CSOA in which the concept and the significance are still foggy.

As a concept, customer relationship management is very broad, including an internal 'customer focus', 'adding value for customer' or 'customer satisfaction' dimension, together with many other values regarding customer orientation that are covered later in this chapter (section 6.4.2).

Concerning the internal factors, which include three main groups – bank-related factors, HRM factors, and service factors. The first group includes the IT system, infrastructure, work pressure, routine and bureaucracy, marketing and market research, job description, control and accountancy, and sufficient top and middle management skills.

The findings of the three CSOs value the role of IT system in improving service quality and providing reliable and fast service. The need to adopt appropriate IT systems is widely mentioned in the literature, by many authors (see, for example Al-Hawari *et al.*, 2005; Fitzsimmons and Fitzsimmons, 1997) who believe that technology-based service options are essential for banks wishing to remain competitive. Qureshi *et al.* (2008) reveal that the main benefits of technological innovations are saving time, and improved service quality for bank customers. Similarly, Booz *et al.* (1997) consider IT developments have increased the communication and transactions between banks and customers. Gan *et al.* (2011) demonstrate that improving network quality has a positive effect on bank customers' service quality perceptions; and finally, Talib *et al.* (2012) believe that technology is one of the most critical factors in the successful management of total quality, and the achievement of superior service quality in the banking sector. They categorise *Automated/technology service quality* as one of other four dimensions that are directly responsible for effective TQM implementation in the banking sector.

The other factor mentioned by the three CSOs is the lack of infrastructure, especially the technical infrastructure in Syria, such as computers, ATMs, electrical circuits (digital) in rural areas to connect the ATM, and the limited number of branches. Such factors directly affect the degree of customer satisfaction about the services provided. Some previous studies have referred to similar factors, for instance, a study by Keaveny (1995) mentioned that inconvenience (location, wait for service, etc.) is one of the main reasons for switching service provider. Another study, by Johnston (1997:116), found that access (The physical approachability of the service location, including the ease of finding one's way around the service environment and clarity of route) is one of eighteen other critical determinants of service quality in retail banking. Similarly, convenience ("I like the fact that a large number of branches exist.") is one of the suggested customer perceptions for service quality, as noted by Schneider *et al.* (1980).

As mentioned earlier in the literature that one of the main problems of managing service quality is linked to the frequent change of customer expectations where what can be excellent service in definite time, it will be a good or acceptable service shortly. The Syrian government

and the management of the operating banks share mainly the responsibility in developing the banking infrastructure to ensure providing a reliable service in the market.

Other bank factors included work pressure, which negatively affects the sufficiency of the work handled, and, hence, the degree of satisfaction for employees and customers.

According to Koys and DeCotiis (1991), work pressure occurs when inadequate time is allocated for employees to perform their tasks according to the stated performance standards. DeFrank and Ivancevich (1998) consider workload pressure to be one of the most critical stress factors, and, in the context of Turkish banks, Kaya *et al.* (2010) demonstrated that workload pressure is strongly related to low job satisfaction. This phenomenon should be considered by the management of CSOA, and CSOC through removing the causes of work pressure to allocate more time to the employees to perform their jobs satisfactorily.

Routine and bureaucracy were other common factors highlighted by the participants of CSOA and CSOC. The concept of bureaucracy, as conceived by Weber, Merton, and Blau, and cited in Pundir (1998:164), is “an administrative system based on rational, legal, and impersonal rules. It has a hierarchy of statuses in which decision making rests with every status up to a limit (i.e. limited sphere of competence). The decisions and directions follow from top to bottom”.

A study by Schneider *et al.* (1980:257) distinguished between two orientations of service in banks represented by an enthusiastic versus bureaucratic orientation of service. The enthusiastic orientation refers to the philosophy of providing a flexible interpersonal open involvement with customers of the branch and the community in delivering the service. It depends mainly on keeping a sense of “family” among branch employees, involving the branch in community affairs and providing customer service in new and creative ways. In contrast, the bureaucratic orientation has been described in terms similar to those used by Bennis (1970) and Blau (1974): stress on rules, procedures, and system maintenance, which often divert energy away from providing services to clients in order to maintain the status quo. These items tapped into such issues as strictly following rules and procedures, doing one's job in a routine fashion, and only using established methods for solving customers' problems. In another study, by Pundir (1998), about the bureaucracy in banking, it was concluded that responsible administration can contribute to the success of the organisation through sufficient response to the customers' needs and cutting down on bureaucracy through meeting the customers, and clarifying the objectives and procedures of each scheme in the bank.

A further study by Smith (1989, 1990), as cited in Ennew *et al.* (1995), investigated the key elements relating to the indicated expectations and perceptions/satisfaction of the customer. The findings have shown that speed in decision making, transactions, and dealing with customers are among the most important elements of customer satisfaction. Practically the degree of speed in decision-making is linked directly to the bank structure (are they bureaucratic and are the policy makers remote from the local manager).

Marketing and marketing research, the other mentioned factor that has contradictory views between the CSOA and CSOC. Actually, banking marketing has a critical role in achieving customer satisfaction. External marketing refers to a set of adopted activities of the organisation targeting customer satisfaction. Simply, Tansuhaj *et al.* (1987) clarified that external marketing can be reflected by a comprehensive plan presenting the offered products by the organisation, the price level, promotion, communication and distribution strategies. Concerning service organisations, Tansuhaj *et al.* (1987) revealed that the successful implementation of the marketing plan essentially depends on employees activities who determine the level of quality and speed of service, communicate directly with customers, and negotiate the prices with them (e.g., service charges, interest on loans). Another previous study, by McCullough *et al.* (1986), examined certain characteristics of the marketing operations in banks, including locational convenience, range of services and innovativeness, hours, and prices, in which it was found that the most important "marketing" attributes were efficiency and courtesy.

A more recent study by Uppal (2010) found that Indian public banks lag behind the private and foreign banks in terms of deposits, advances and operating profit. The study attributes the reason to the lack of marketing strategies in the public banks. The study summarises the most significant challenges for banking marketing, which is represented by using the technology, sufficient training for staff, rural marketing (opening branches in rural areas), trust of customers, and customer awareness. Finally, the research suggests some strategies for the enhancement of bank marketing, such as emphasising deposits (the most profitable products), designing a saleable product scheme, effective branding, introducing products for women, creating customer awareness (efforts should be made to widen and deepen the process of information flow for the benefit and education of Indian customers about bank products), advertisements, selling products in rural areas, customer convenience, selling the products and services through websites and e-delivery channels.

In comparing with the literature, it is recommended for the management of CSOA and CSOB to consider the marketing approach through developing some convenient marketing strategies to increase their competitive position in the market.

Another thorny issue arising in CSOA and CSOB concerns the lack of job descriptions for personnel, since this generates a problem of uncertainty about who is responsible for what, and, consequently, the issue of accounting is very difficult and complicated.

The need for a job description has been mentioned by the respondents of CSOA and CSOB as a critical issue, which warrants consideration by the management of both CSOs. Practically, the absence of a clear and written job description creates many difficulties in the work environment, such as imprecision of responsibilities and overlap of tasks and delegated authority. Such issues are the main causes for employee conflict. A job description can provide precise guidance for the selection of individuals whose skills and abilities match the job, or who have the ability to develop their skills through sufficient training to meet the job requirements. Claessens *et al.* (2004) confirmed that the absence of a clear job description negatively affects the employees' performance. Similarly, Carr and Hancock (2006) demonstrated that the availability of a fair, transparent, and accurate system for job categorisation is a primary principle of human resource management through which a sufficient allocation for time and resources can be managed.

In fact, the root of the problem is longstanding in CSOA, since the majority of state owned organisations in developing countries are characterised by the absence of accurate and precise job descriptions. However, in CSOB, the main reason for this problem can be attributed to the fact that it has only been established recently (2009), and, as yet, no clear job description for each position or clear policies or procedures in the organisation are in place.

Additionally, the findings reveal the interchange in the responsibilities through the same person occupying two positions. Such a phenomenon negatively affects the service quality since it is hard for those managers to allocate sufficient time and effort for all their different responsibilities.

Control and accountancy is another point raised by the respondents of CSOA and CSOB.

As mentioned by the respondents, control is a very significant tool to perform the tasks satisfactorily and affects the level of service quality positively. As argued by Armstrong (2011), the main purpose of the control system is not to spot the employees errors, but to conduct organisational functions efficiently. Chao *et al.* (1994) confirmed that organisational success is directly linked to adopting appropriate control tools, and not only implementing competitive programmes and policies.

In the context of managing quality, in his 14 points, Deming stressed adopting process control through the use of statistical techniques rather than depending on mass inspection. (Deming, 1982a). Quality control is also mentioned as the second process of Juran's Trilogy, which includes evaluating actual quality performance, comparing actual performance to quality goals, and acting on the differences (Juran, 1989). Hence, the success of any quality initiative in CSOA and CSOB, essentially depends on adopting sufficient control tools, in particular, certain statistical techniques.

Sufficient managerial skills for top and middle management was one of the factors identified by the interviewees of CSOA and CSOB. The skills acquired by the top and middle management in both CSOs play a significant role in achieving good communication with internal and external customers. No doubt, having attractive personal managerial skills regarding how to deal with people and how to lead them is very effective in the success of the whole managerial process in the organisation.

Some unique factors emerged for each case study. Regarding CSOA, one such factor was seen in the preference of different categories of customer to bank with a state-owned enterprise rather than a private one because of the perception that such banks were more secure. Such a perception arises from the long history of market domination by the state-owned banks, and their good performance, as shown in the fact that no failure has ever been recorded in more than five decades.

For CSOB, one unique factor is represented by the smooth work flow according to the interviewees, a product of the small size of the bank and the consequent limited number of directorates and branches, which makes communication easy and effective between units.

Actually the smoothness of the work flow has very positive effect on the success of any quality initiative in the organisation where the obstacles can be deducted easily, remedied, and the causes eradicated.

For CSOC, however, four unique factors emerged in this case but not in the other two cases, these being a clear strategy for the bank, clear vision and mission, clear quality perspectives, and commitment to Islamic values. The combination of a clear strategy, clear vision and mission, and a commitment to quality is a strong indicator of the leadership awareness of these issues. In contrast, CSOA failed to consider such matters throughout its four decades of existence, and likewise, CSOB did not give them much attention. Regarding the quality perspectives, the concept and the dimensions of the quality term were explicable by all CSOC



interviewees, thus indicating that organisation does have a quality culture whereas CSOA and CSOB do not.

The last unique factor identified in CSOC – commitment to Islamic values – is seen as being linked to excellence in service quality, since the aim in Islamic banks is to meet the needs of customers who want their financial dealings to be harmonized with the Islamic *Sharia* principles.

The three previous factors: clear strategy for the bank, clear vision and mission, and clear quality perspectives, have been discussed in the literature by many authors who stress the need to identify a clear strategy for any quality initiative in an organisation and the need for integration between quality plans and strategic business plans, and for involving quality values in the organisation's vision and mission in a clear way (e.g. Almarri, 2005; Motwani *et al.*, 1994; Porter and Parker, 1993).

Concerning the human resource management factors, the three CSOs share many perceptions of such factors as training, qualifications, experience, recruitment, and employee satisfaction. Training as one of the main factors related to the concept (succeeding through people) will be discussed in details in section 6.4.3.1.

Regarding the lack of banking qualifications, it was recognised that Syrian banking sector does not have well qualified staff, but a difference is noticeable between the state-owned and private banks as a review of the qualifications of employees in CSOA reveals that the majority are limited to high school and commercial college certificates, whereas the majority of employees in CSOB and CSOC have postgraduate certificates. The lack of banking qualifications is a common phenomenon linked to some gaps in the educational system in Syria. However, it was recognised that since opening the Syrian market, the Syrian government showed great concern in developing the banking qualifications through launching some postgraduate courses in the Syrian universities. The findings of this research confirm the ensuring sufficient banking qualifications in very significant to the success of any quality initiative. The feelings expressed by the participants concur with the observation by Berger and Humphrey (1991) that the inefficiency of human resources in the banking sector is much more significant than problems relating to the scale and scope of activities.

Additionally, there was some concern about the lack of banking experience in the Syrian market, especially Islamic banking experience, which is still quite new and has had no time to develop.

Another aspect of HRM identified by the three CSOs as being problematic was recruitment. According to Huselid (1995), good recruitment and selection practices enable organisations to attract human resources in line with their aims and objectives. Likewise, Aycan (2001) believes that a good recruitment policy is essential in a dynamic market, such as in the service industry (and hence, banking) in order to react to market opportunities and threats appropriately. It is obvious that recruitment is a critical factor affecting service quality in Syrian banks, since recruitment in Syria is not based on professional criteria, but rather on favouritism and cronyism, known in Arabic as *Wasta*. Many authors in the literature have mentioned favouritism. For example, Lee (2008) defined favouritism as using the personal contacts or social circle or predominantly relatives to get preferred treatment, which can be in the form of recruitment, promotion, moving ahead in a queue or by-passing options.

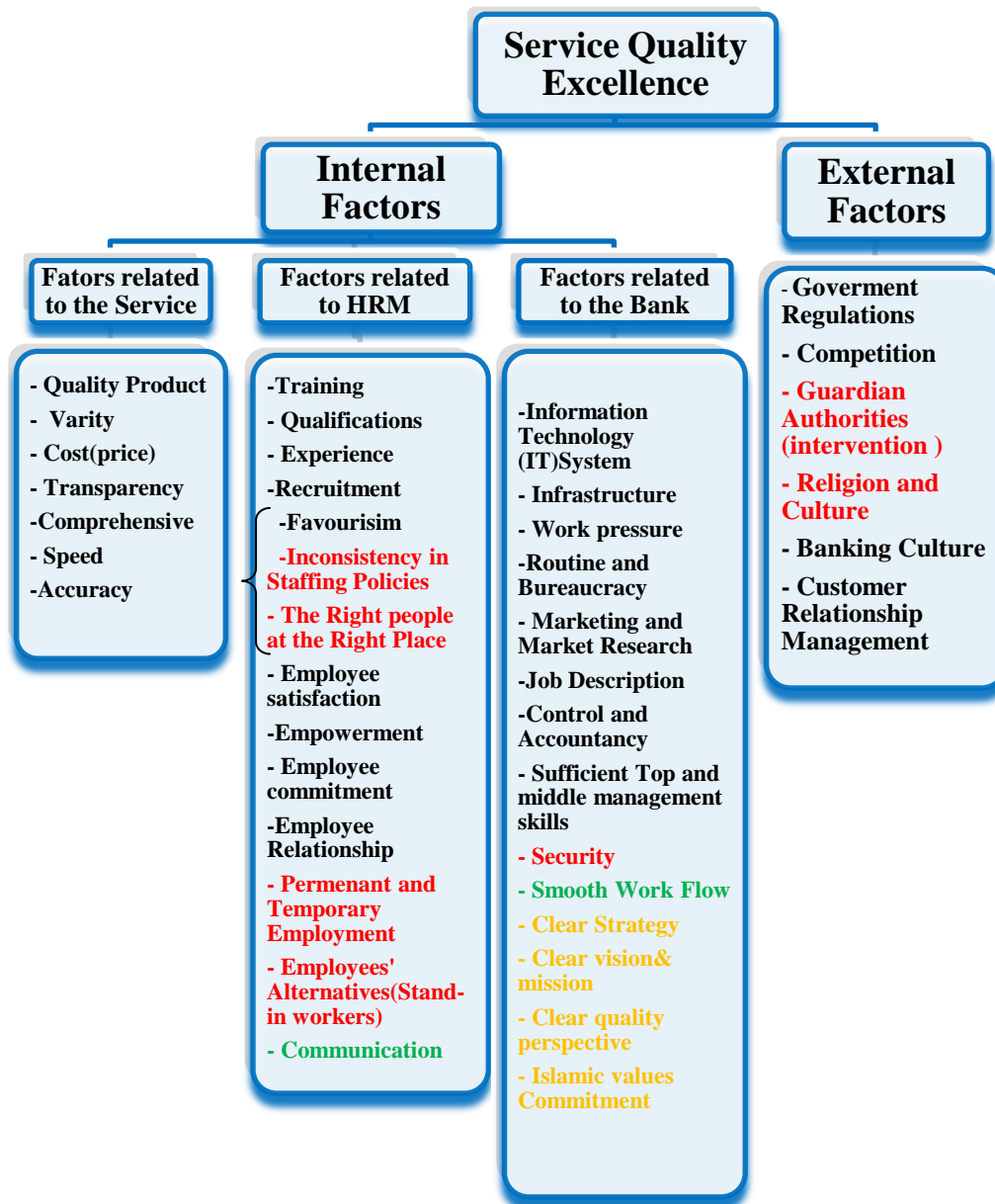
Similarly, Lewis and Sherman (2003) considered that using the family and personal contacts for influencing hiring decisions is the most prevalent type of favouritism. Favouritism has been classified as a crime or illegal practice by practical laws, and cannot be abolished, as clarified by Lee (2008).

In fact, the interference in staff appointments by individuals using personal relationships and/or political/economical influence to provide employment for relatives or friends operates to corrupt attempts to hire people for their qualifications and experience. Unfortunately, this type of corruption dominates Syrian society, in the same way that, as mentioned by Ben Jaber (2010), it pervades particularly Libyan, and indeed all Arab cultures as confirmed by Cunningham and Sarayrah, (1994). This phenomenon negatively affects quality management approaches and it should consider seriously by the three CSOs.

These issues relating to HRM appear in the literature as critical success factors in the adoption of QM systems. For example, many managerial practices and organisational behaviour issues such as management selection and recruitment, training and education, employee empowerment, reward and recognition, teamwork, etc. are cited in the context of manufacturing organisations (e.g. Weiss, 1984; Pfau, 1989; Everett and Sohal, 1991; Chevalier, 1991; Sewell and Wilkinson, 1992; Kanji and Asher, 1993, 1999; Flynn *et al.*, 1994); Ahire *et al.*, 1996a, b; Bowen *et al.*, 1999; Samson and Terziovski, 1999), service organisations (Sasser, 1976); Lovelock, 1981; Bowen, 1986; Bowen and Schneider, 1988; Zemke and Schaaf, 1989; Norman, 1991; Schneider and Bowen, 1992, 1993, 1995; Schneider *et al.*, 1994), and banking organisations (e.g. DeLara, 1994; Sureshchandar *et al.*, 2001a,b,2002; Almarri, 2005).

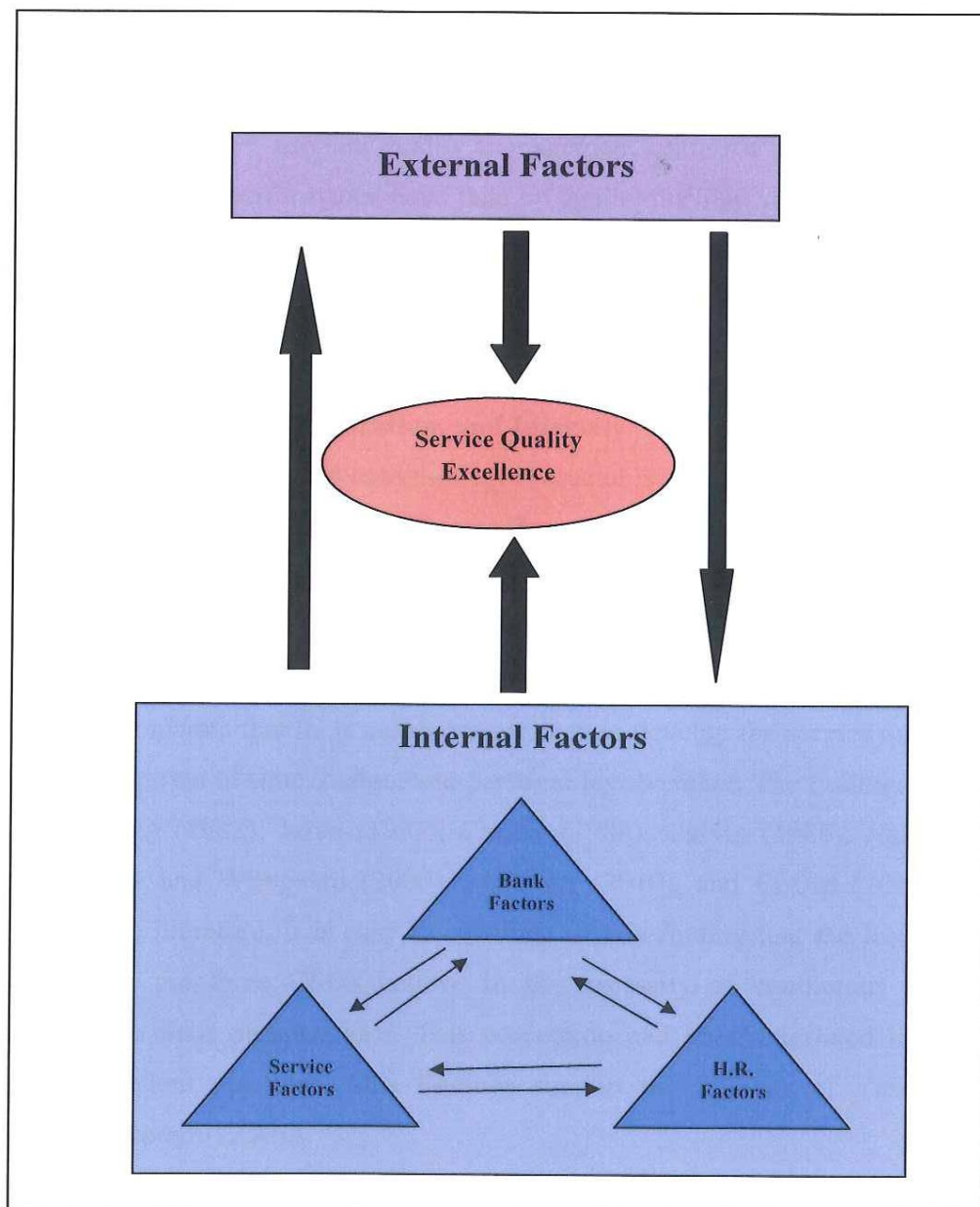
Regarding the factors linked to the service itself, many were mentioned by the interviewees of the three CSOs, the most significant being the quality of the product, variety, cost, transparency, accuracy, speed in delivering the service, and the comprehensiveness of service for all branches (some services in CSOA such as remittances, policies, letters of credit, and foreign exchange were restricted to certain branches). These and other factors are mentioned widely in the literature. For instance, (Parasuraman, 1985, 1986, 1988, 1991, 1993, and 1994) developed his famous model (SERVQUAL), with five main dimensions represented by tangibles, reliability, responsiveness, assurance, and empathy, to measure customers' perceptions of service quality. Zeithaml and Bitner (2000) also mention the significance of some factors such as price, and product quality that are important in achieving customer satisfaction in the service sector. And specifically in the context of commercial banking in Bangladesh, Rahaman *et al.* (2011) conclude that some dimensions of SERVQUAL items such as solving customer problems, on time service delivery, quick response to customer request, safe transactions, personal attention, and understanding the needs of the customer should be considered in future research. Bank product quality is critical in determining the customer's perceptions of the overall banking service quality (Strieter *et al.*, 1999), achieving competitive advantage in banks (Mols, 2000), and managing the overall service quality in banks (Talib *et al.*, 2012). Moreover, Strieter *et al.* (1999) consider bank product quality to be linked to product variety and diverse features.

Table 5.5, Figure 6.1, and Figure 6.2 present the factors affecting the excellence of service quality according to the findings of this question.



**Figure 6.1: Factors Affecting the Excellence of Service Quality** (Compiled by the Researcher)

The Figure presents factors affecting the excellence of service quality which emerge of the three CSOs at the three managerial levels. For simplicity reason the factors had been classified by the researcher to two groups. External Factors are related to the external environment of the bank, and internal factors are related to the internal environment of the bank. The internal factors had been classified to factors related to the bank, human resource management, and to the service itself. The red colour items refer to unique factors for the CSOA. The green colour items refer to unique factors for the CSOB, the orange colour items refer to unique factors for the CSOC.



**Figure 6.2: A Framework for the Factors Affecting the Excellence of Service Quality at SBS**  
(Compiled by the Researcher)

The figure presents the effect of the External and Internal factors on service quality as it presents the relationships between the External and Internal factors, and the Internal factors with each others as classified in three categories

As clarified in Figure 8.2, the findings of this research have identified some relationships between the internal and external factors affecting the service quality in SBS, as it was confirmed some relationships between the three categories of internal factors. The following examples can summary some relationships between the external and internal factors:

- Guardian Authorities intervention  $\implies$  Speed of the service
- Government Regulations  $\implies$  Speed, Cost(price), and Comperhensive of the service
- Competition  $\implies$  Variety of services
- Religion and Culture  $\implies$  Employee commitment
- Employees Satisfaction  $\implies$  Customer relationship management
- Work pressure  $\implies$  Customer relationship management
- Information TechnologySystem  $\implies$  Customer relationship management
- Infrastructure  $\implies$  Customer relationship management
- Work pressure  $\implies$  Customer relationship management
- Routine and Bureaucracy  $\implies$  Customer relationship management
- Marketing and Market Research  $\implies$  Customer relationship management
- Sufficient Managerial skills  $\implies$  Customer relationship Management
- Security  $\implies$  Customer Relationship Management
- Smooth Work Flow  $\implies$  Customer Relationship Management

The findings also conclude some relationships between the internal factors with each others as clarified below:

- Work pressure  $\implies$  Employee Satisfaction
- Sufficient Manageria Skills  $\implies$  Employee Satisfaction
- Smooth work Flow  $\implies$  Employee Satisfaction
- Training  $\implies$  Employee Satisfaction
- Recruitment  $\implies$  Employee Satisfaction
- Empowerment  $\implies$  Employee Satisfaction
- Communication  $\implies$  Employee Satisfaction
- Employee alternative  $\implies$  SSpeed of the service
- Information Technology(IT ) System  $\implies$  Qulaity,speed, and Acuuracy of the service

- Routine and Bureaucracy  $\implies$  Speed of the service
- Work pressure  $\implies$  Speed of the service
- Communication  $\implies$  Speed of the service.

#### **6.4 Factors Affecting the Readiness to Implement the EFQM Excellence Model**

The main premise of the following discussion is that organisations must seek to achieve the best service quality (excellence) possibly whether or not they adopt a recognised quality initiative (such as the excellence model EFQM, TQM, etc). It is demonstrated in the literature that many organisations have adopted QM initiatives and achieved particular quality awards but have slipped in their performance after a few years. Hence, the researcher argues that all organisations, but especially service organisations must achieve and sustain excellent service quality whether they have a recognised quality system or not.

##### **6.4.1 Leading with Vision, Inspiration, and Integrity**

Leadership and top management commitment is crucial to the success of any quality initiative, and the TMs and MMs in all three CSOs confirm their commitment to developing service quality in their organisations, providing many examples of such commitment (e.g. allocating more time, dedicating effort, and following some specialised supportive courses in developing service quality). This commitment was confirmed also by SFEs at the three CSOs who demonstrate that their managers are keen to develop the service quality, and offer commitment in terms of time, budget and personal involvement. These ideas are all promoted by researchers such as Deming (1982), Juran (1991), Crosby (1984), Garvin (1986), Nakamura (1992), Zhang *et al.*, (2000), MBNQA (2010), and the EFQM (2010). It is easy to conclude that the leadership and top management in all three CSOs believe in the necessity of continuous service quality developments in their organisations, and that this belief has been translated into many good QM practices. Indeed, the patterns observed in this study echo those found by Yusof (2000), and Mellahi and Eyuboglu (2001).

Associated with the notion of leadership commitment, is the ethical dimension of leadership behaviour which is also critical in influencing followers to adopt behaviours conducive to supporting quality initiatives. In this respect, Solomon (1992) and Gonzalez and Guillen (2002) suggest that companies planning to adopt quality programmes should address the ethical dimension. With regard to CSOA, it is recognised that employee satisfaction is directly linked with the ethical behaviour of managers, but no such relationship was detected in CSOB or CSOC. Practically, the discrimination among employees in the CSOA was one of

the mentioned examples by some SFEs on the unethical behaviour for their managers in the bank.

Two critical issues linked to the lack of top management commitment are represented by management mobility and education level, in which respect the majority of TMs in CSOA were seen to have been in their positions for over five years, hence demonstrating their commitment to their jobs and to the notion of enhancing service quality in the bank. Similarly, in CSOB and CSOC, the TM interviewees had also been in post since the banks were launched. Within the literature (Deming, 1986; Schwinn, 2002; Soltani, 2005; Soltani, *et al.*, 2005; Soltani *et al.*, 2008) it is confirmed that management mobility is the main reason for lack of commitment among top management to introduce quality initiatives since managers who are transient do not remain in their positions long enough to understand how to make a significant impact.

Regarding the level of education, it is clear that the TMs in all three CSOs are highly educated, some receiving their qualifications of foreign universities. Additionally, they have very rich experience in the banking sector, and have strong enthusiasm to develop service quality in their organisations, and to fulfill the associated requirements for success. The findings are consistent with those of Mellahi and Eyuboglu (2001) who suggest that high education levels for top and line management are essential for the successful adoption of TQM in Turkish banks.

Generally speaking, the commitment to develop service quality was evident by TMs in all three CSOs, but in CSOA and CSOB, problems exist in the lack of job clarification for TMs and MMs regarding their responsibilities for service quality improvement. The case is different in CSOC since the Manual of Procedures and Tasks details these as a main responsibility of top and middle management.

Nonetheless, the majority of TMs and MMs in CSOA and CSOB, indicated that they had limited authority in most matters, and that the approval of their GM and Board of Directors is required for any radical organisational change. Hence, they have to work in a reporting fashion to get some tasks completed and indeed some TMs and MMs declared themselves as nothing more than intermediaries between the Boards and the SFEs. Clearly, it has emerged that the organisational culture of both CSOA and CSOB does not encourage managers to take risks or to guide radical change, and this consequently affects their commitment to the development of service quality and the adoption of new quality initiatives. In complete contrast, however, the TMs and MMs in CSOC have full authority as well as the capabilities to take risks and introduce radical changes within their directorates. Indeed, each employee in



CSOC has a specific annual target to achieve and reaching that target does involve, in many cases, taking a risk or guiding substantial change. In this respect, the change mechanism is approved and valued according to the organisation's principles, which allow decisions to be taken individually or collectively through committees. Authority and power is granted to every CSOC employee from the top of the managerial pyramid to the bottom, thereby showing an absence of the centralism which is so prevalent in CSOA. These findings are consistent with the findings in section (6.3) where the centralism was one of the highlighted factors affecting the service quality in the CSOA while the decentralism was appreciated by the interviewees of CSOC. The findings are also support the findings of Soltani *et al* (2005). In terms of quality strategy, CSOA and CSOB do not have a clear strategy which encourages the development of service quality, a situation stressed by Kanji (2001) in his Business Excellence Model (KEBM) as being essential. However, in CSOC the responsibility for designing such a strategy is better articulated, and the availability of a Quality Directorate in that organisation facilitates this task since that Directorate is responsible for co-ordinating the effort between itself and the Board of Directors. Not surprisingly, it is noticeable that CSOC has a definite quality culture and quality values, these being indicated in the bank strategy for 2010. Additionally, each employee in the organisation has a clear understanding of the quality concept.

However in CSOA, there is no Quality Directorate, and it is clear that a quality culture has never existed from the bank's establishment in 1966, a circumstance that reflects the lack of quality culture generally throughout the public sector. In addition, the SFEs are not fully knowledgeable about service quality terminology, nor do they know where the responsibility lies for establishing the bank's quality strategy.

In CSOB, it is commonly agreed that the bank does not have any clear quality strategy, a fact attributed to the bank's relative infancy. This has resulted in vagueness surrounding quality perspectives and the type of values that underpin these.

Without doubt, it is vital for all organisations to set a clear vision, mission, and quality values, and that the main responsibility in this connection should lie with the board of directors and GM. In all three CSOs, the interviewees confirmed their beliefs in such a need., as indeed have other researchers such as Fortuna (1992), Kehoe (1996), Dean and Evans (1994), Huge and Vasily (1992), Ireland and Hitt (1992), Tummala and Tang (1996), Kanji (2001), and Sureshchandar *et al.* (2001).

Unfortunately, neither CSOA nor CSOB have a clear vision and mission, and quality values, and what exists is merely an oral understanding possessed by some (but not all) TMs in

CSOA. Indeed, the researcher was unable to find any written documentation articulating this understanding, again a symptom of the generally foggy vision and mission present in Syrian state-owned banks. It is true to say that state-owned banks in Syria have no serious focus on developing these concepts, there is no history of this during the last four decades, and that the lack of competition in the Syrian market is the reason. In this situation, such organisations have not considered the need for marketing. Additionally, the intervention of the guardian authorities in designing the policies of state-owned organisations has a negative impact on those organisations' abilities to develop their own visions and missions.

Similarly the vision, mission, and quality values were not clearly formulated on CSOB, there being no written documentation available for the researcher to consult, and the majority of participants confirming that these values are still being developed. The fact that the bank has a parent company (Fransabank Lebanon) is cited as a reason by some interviewees for the delay in elucidating these issues since CSOB relies on the Marketing Directorate in the parent company for such action. It was noticeable, however, that in the minds of the TMs and MMs there are values upheld by the organisation, these being characteristic of the private sector generally. But there is still a big question to be answered concerning why a private bank like the FBL which is one of the biggest banks in the Lebanese market has delayed the development of its vision and mission in a competitive market such the SBS for three years since the launch of CSOB.

CSOC, in contrast, demonstrates a clear quality culture. Its vision, mission, and quality values are published and underscored in the Annual Report, on the bank's website, and on bulletin boards. Practically, the vision, mission, policy, and the values of the organisation (as clarified in Chapter Seven) are dedicated to, and highlight the concept of quality, and good quality management practices, indicating it has developed the norms, values and beliefs needed for a successful journey to excellence, identified by Kanji (2001).

Concerning the availability of funds and resources for improving the service quality, the three CSOs clearly have sufficient funds, but these remain unallocated in the budget, and for effective training, IT systems, policy and procedures that underpin quality, these allocations have to be made.

In CSOA, the TMs and MMs are clear that they have neither the authority nor flexibility to distribute the resources, being hindered by the centralism already referred to, that characterises public organisations. That said, in banking, it is risky to over-delegate authority because its misuse can bring undesired consequences for the whole organisation. However, in CSOB and CSOC some partial empowerment is in evidence since TMs indicated they were

able to distribute their financial resources between different activities and departments in their directorates. Such empowerment was, nonetheless severely restricted to TMs, and MMs had no such authority. Delegation of authority in such financial matters seems to be much the same in both the private and the public-sector banks, but there is a difference represented by the speed of decision-making in the former banks, since changes can be approved rapidly by telephone or email and implemented, whereas in public sector banks, the bureaucracy prevents this. In fact, the lack of authority to allocate and distribute financial resource affects the excellence journey in organisations, since whilst top management can often be convinced to adopt some good quality practices, they are prevented by their inability to authorise the deployment of resources necessary, as noted by Kotter (2001) and Kanji (2001).

#### **6.4.2 Adding Value for Customer**

Adding value for customer is the main target of all good quality practices, a sentiment which was appreciated by interviewees from all three CSOs who were familiar with the term '*customer satisfaction*'. Undoubtedly, they possess a good awareness of the significance of customer satisfaction, and indeed some realise the need to aim for 'customer delight'. This is a phenomenon reported in the literature (Deming, 1986; Dean and Evans, 1994; Bergman and Klefsjo, 1994; Sureshchandar *et al.*, 2001; Kanji, 2001; Oakland, 2003). The interviewees believe that ensuring excellent service quality is the key to gaining customer satisfaction, and that such quality entails providing a service with a package of characteristics such as variety, reliability, speed, trust, cost, transparency, and courtesy.

Many other techniques are highlighted by the study participants, such as: meeting customer needs respectfully and, politely, and trying to explain and clarify all the required information and procedures, listening to customers' suggestions and making them aware that these are being properly considered, reinforcing customers' feelings that they are important to the organisation by remembering their names, sending them a blessing on their birthdays, or telephoning them and informing them about new services. Similar findings have been reported by several other researchers (Parasurman *et al.*, 1985; Stebbing, 1993; Oakland, 1989; Cullen and Hollingum, 1987).

However, despite this recognition by staff, neither CSOA nor CSOB has a practical plan to achieve customer satisfaction, and it is true that in CSOA, customers are being lost annually without the bank undertaking any action to determine why. Certainly, there are no clear and professional indicators to establish levels of customer satisfaction in either organisation, and the absence of a Marketing Directorate in each cases means there is a substantial gap between

the customer perception and the practical application. It is true that both CSOs have plans to conduct customer needs' surveys in the future and that some preliminary work has been conducted in this respect, but this has been restricted to exploring some general views published in magazines and newspapers about customer complaints in banks, and to asking staff to take cues from customers' oral and facial expressions.

Customer complaints are obviously the main indicator of the level of satisfaction, and these can be made through different channels, e.g. face-to-face, telephone, electronically, and complaints box. However, interviewees in both CSOs indicate that the face-to-face method of making a complaint seems to be the most preferred, since customers seem to be more satisfied in highlighting their concerns directly to the branch manager.

Unfortunately, no clear mechanisms exist to deal with complaints, regardless of how they are made. Neither CSO has set up a Complaints Committee, and neither one of them has its own dedicated Customer Service Department. In CSOA, that particular unit is situated in the headquarters, while in CSOB there is no such unit in any branch. In regard to training, some CSOB interviewees confirm having attended certain courses, but in CSOA, nothing of this kind has been offered to staff.

Conversely, CSOC has a strong customer-orientation, this being one of the main organisational values. Since its inception, the organisation has been building its customer-focus culture, the management paying great attention to meeting and exceeding customers' expectations. Hence, there are many customer service training courses that are offered on an annual basis, and the majority of bank employees at different managerial levels have been nominated to follow such training. Simultaneously, many communication channels aimed at securing customer feedback have been opened, such as:

- Direct communication (open door): face-to-face meetings with the TMs and MMs.
- E-communication: through the bank website where the customer can lodge a suggestion or complaint with any TM or MM as their contact details are available on the website.
- Customer Service Centre: calls are free to this centre which handles all types of compliant or suggestion, and enquiries about bank services.
- Customer service offices: located in each branch.

It is noticeable that the Marketing Directorate in CSOC makes a great effort to access customer feedback and measure satisfaction levels, believing it is necessary to approach the customer rather than waiting for him/her to come forward. Hence, several tactics have been

adopted for this purpose such as: customer needs survey, customer satisfaction survey (twice per year for all bank branches), and mystery shopper research (four times per year) which focuses on the level of service quality in the bank. In addition, customer complaints made directly, electronically, or through boxes are quickly dealt with.

The Quality Compliance and Assurance Directorate is responsible for collecting all customer complaints and referring these to a special committee obligated to discuss these and take appropriate action. Complaints are classified as:

- Complaints related to integrity and credibility which require immediate action.
- Complaints related to core service banking which require urgent action.
- Complaints related to the level of the offered service which can be sent to the Complaint Committee.

Clearly, the results from CSOC are in line with the vision of the Malcolm Baldrige Model (2010) and the EFQM Excellence Model (2010) and with the outcomes obtained from other studies (e.g. Crosby, 1984; Hand, 1992; Zairi, 2000; Zing *et al.*, 2000; Kanji, 2001; Brige and Latvia, 2006) regarding the establishment of a customer focus culture in the organisation.

An interesting point mentioned by the interviewees in CSOA and CSOC regarding this concept of Adding value for the customer, relates to the lack of customer trust in the new technological services such as ATM, Internet banking, telephone banking, and SMS banking. This is reflected in the huge number of customers in the SBS who refuse to use these services and persist in visiting the branches. It is the level of education of these customers and their associated lack of knowledge regarding advanced technology in banking that promotes these suspicions, which represent a genuine obstacle for Syrian banks in their efforts to add value for their customers.

### **6.4.3 Succeeding through People**

This concept includes four sub-concepts which are:

- Training and Education
- Empowerment and Involvement
- Communication
- Rewards and Recognition

#### **6.4.3.1 Training and Education**

In all three CSOs, the TMs and MMs believe that training and education are properly budgeted for, and that there are efficient training plans. In CSOA and CSOB the main responsibility for designing the training plan lies with the HR Directorate, but in CSOC there

is a special Training Directorate and Training Committee which are responsible for designing all the bank's training plans. Moreover, every employee in CSOC participates in the training programme by completing a Training Needs Assessment form, which is forwarded to the Training Committee that in turn discusses the training needs and formulates a plan accordingly.

In CSOA, the situation is different since state-owned organisations, at the direction of government, are obliged to allocate 3% of their annual budget for training purposes. The bank is instructed by the Directorate of Government Commission to train all its employees at the three managerial levels according to a plan that covers all the banking aspects, and to comply, each employee must attend at least two training courses annually, each course being for at least five working days. The findings demonstrate that in CSOA, the majority of TMs and MMs were satisfied with the training on offer, since there are various courses of a practical rather than a theoretical nature, but they do also confirm that the bank has never actually spent the 3% allocation required by government for training. Moreover, a few TMs and MMs, and the majority of SFEs expressed different views, complaining that the bank's training scheme fails to meet employees' and the bank's needs, especially in areas where there has been rapid and diverse development, where they argue there has been no attention paid to training. Hence, they consider training courses to be inadequate and limited in content to cover newly-introduced products. Certainly, there seemed to be a shortfall in training related to developing employees' perceptions of quality perceptions and the interpersonal skills for quality initiatives to be successful.

In addition, these participants complained about the theoretical and academic nature of training courses which they considered should be more practical. Furthermore, there were other concerns about the difference in the length of courses (some dealing with issues like risk management, foreign exchange, and credit analysis were quite long, whereas others were very short lasting between two and five days); and about the nominations for personnel to join such courses. It was a bone of contention that in many cases training is restricted for the headquarters' employees rather than branch employees and, for department heads rather than SFEs.

One critical point emerging from CSOA is the lack of employee motivation for training, which is reflected in other state-owned organisations as a result of the absence of sufficiently attractive financial incentives and the fixed salary scheme which operates in the public sector. Employees in this position see no reason to develop their skills and abilities since they perceive no benefit from the training. It is reported in the literature (Guest, 1997; Lee and

Miller, 1999) that employees who undergo training should be offered appropriate incentives to inspire them to reach the required levels of performance.

The findings of CSOB mirror those of CSOA, in as much as whilst there was general acceptance of the training provision as being satisfactory, there were nonetheless, criticisms about the shortage of certain courses, the short duration of others, and the lack of a comprehensive programme to cover the entire scope of banking work, especially given the future expansion plans of the bank. To date courses in communication, customer service, and marketing skills have been developed for employees, the researcher having accessed many certificates relating to individuals who had attended these courses.

In respect of CSOC, the bank is shown to have a comprehensive training plan meeting the needs of the organisation and its employees. Indeed, a special Training Centre has been established by the bank to provide various training opportunities in aspects of banking, and all interviewees at the three managerial levels agreed that these were efficient, and sufficient in their depth, scope, and their ability to update staff. A clear focus was identified on developing employees' technical skills (quality perception, and tools), and interpersonal skills (behavioural). Moreover, continuous evaluation of the level of course, the knowledge of the trainees, and the actual course content takes place to ensure that training is updated regularly. Simultaneously, management is responsible for following-up and reviewing the training scheme to ensure that the organisation's training objectives are being achieved.

Many studies have confirmed the great benefits of training and education for organisations in general (Foray and Lundvall, 1996; Strober, 1990; Bartel and Lichtenberg, 1987; Heyes and Stuart, 1996; Bartlett, 2001; Soltani and Liao, 2010), and for the service quality in particular (Berry and Parasuraman, 1992; Gorchels, 1995; Gronroos, 2000; Lewis and Entwistle, 1990; Rafiq and Ahmed, 2000; Mellahi and Eyuboglu, 2001; Mosadegh Rad, 2005; Ueno, 2008; Osman *et al.*, 2009). Hence, it is accepted in the literature that the success of any quality initiative is linked to the efficiency of training and quality training.

In this respect, it can be seen that the success of quality programmes is likely to vary in the three CSOs, since the findings disclose that the effectiveness (scope, depth, variety, currency) of the training scheme in CSOC is better than in the other two CSOs. CSOC involves all its employees in training and because each employee at whatever managerial level, has sufficient training, the quality initiative succeeds, and excellence of service quality is evident, as predicted in the literature (Juran, 1978; Crosby, 1979; Deming, 1986; Motwani and Rice,

1994; Schneider and Bowen, 1992; Spanbauer, 1995; Porter and Parker, 1993; Mellahi and Eyuboglu, 2001; Antony *et al.*, 2002; Mosadegh Rad, 2005; Demirbag *et al.*, 2006).

For CSOA, there are clear regulations regarding training for employees at the three managerial levels, since as a state-owned enterprise, it falls under the same regime as other public sector organisations, and the aim is to adopt efficient methods of employee training. Simultaneously, provision is also in place for sufficient funding, but the evidence demonstrates that the allocation that should be spent on training is not spent, and that management falls short in using the available resources to their full. That said, the lack of empowerment experienced by managers in this environment, and the continual intervention of the guardian authorities in the public sector does impact upon the whole process of formulating new procedures (training included). And it must also be remembered that employees in CSOA lack the motivation to attend training and develop their skills because there is no attractive incentive for them to do so. Undoubtedly, the management of CSOA must take more responsibility for introducing new encouragements (financial and non financial) to inspire employees to become more professional and skilled through training.

In respect of CSOB, the novelty of the bank is an acceptable excuse for an immature training operation, but when comparing this CSO with CSOC which is also relatively young, it is clear that CSOB needs to pay more attention to the allocation of funds for training purposes. Hence, both CSOA and CSOB should be more appreciative of the significance of training and education and their roles in achieving excellent service quality in their organisations.

It is obvious that the CSOB management has paid some attention to the development of their employees' communication, customer service, and marketing skills, whereas the CSOA management has totally ignored these issues. Conversely, CSOC management is more attentive to the need to develop technical job skills and cultural values regarding quality concepts and tools, as well as the interpersonal skills which are crucial for all workers in service organisations. This is in line with the arguments proposed by several researchers such as Bowen and Schneider (1988), Spanbauer (1995), and Abdullah *et al.* (2008).

Clearly, CSOA and CSOB pay less attention to employees' training needs than CSOC, where management involves every employee in the Training Needs Analysis. Such employee involvement prevents conflict of interest between the management and employees, and ensures that the nature and content of training programmes as well as the management approach to training strategies, are appropriate, as observed by several researchers, such as Rainbird (1995), (Holden, 2004) and, Soltani and Liao (2010).



Consequently, it is recommended that CSOA and CSOB formulate an integrated and strategic training vision meeting both the employee, and the organisational needs. Such a vision will link training with productivity, thereby achieving the best investment in human capital.

The findings reveal that CSOC's management allocated a large budget for training purposes which includes a dedicated Training Centre, in keeping with the view that education and training represent an investment in people rather than a cost. And such investment is required for the achievement of excellent service quality, as also found by Zhang *et al.* (2000) and Soltani and Liao (2010).

However, whilst the managements of CSOA and CSOB also believe that spending on training is a human capital rather than a human cost, however no practical steps have been taken to support these beliefs, regardless of the fact that sufficient training funding exists in both CSOs.

#### **6.4.3.2 Empowerment and Involvement**

The fieldwork revealed that in respect of empowerment and involvement, there is variation among the CSOs. Additionally, it can vary according to the person's capabilities and the kind of decision involved. It is seen that all three organisations' managements were reticent to delegate financial authority and power for several reasons, including the fear that administration would be diminished and the number of managers eventually reduced. This concern echoes the discussion of Gilmore and Carson (1995) to the effect that managers are afraid that by delegating they will lose their power to control. Another reason is the realisation that spreading the financial authority to front-line staff in banks is a risky undertaking, since an error can cause failure for the whole organisation.

Nonetheless, TMs and MMs in all three CSOs indicated their understanding that it was necessary to empower and involve employees in order for their quality initiatives to be successful, and to achieve the best service quality. This fundamental appreciation is well reported in the literature (e.g. Berry and Parasuraman, 1992; Ghobadian *et al.*, 1994; Zeithaml and Bitner, 1996; Lin and Darling, 1997; Hill and Wilkinson, 1995; Rafiq and Ahmed, 1998; Ueno, 2008, Humbrstad *et al.*, 2008; Greasley *et al.*, 2008).

Additionally, all three CSOs' managements appreciated the benefits of empowering employees and involving them in decision-making, considering the strategy as a genuine motivator for employees to implement the decisions concerned smoothly and efficiently, and as one that increases employees' loyalty and commitment to through their participation.

Hence, it can remove negative feelings, and increase work satisfaction. Such links are all demonstrated in the literature (e.g. Gufreda and Maynard, 1992; Katzell and Guzzo, 1983; Locke and Schweiger, 1979; Sashkin, 1982, 1984; Kanter, 1983; Greenberger and Strasser, 1991; Spreitzer, 1992; Whetten *et al.*, 1996; Dean and Evans, 1994; Zhang *et al.*, 2000; Greasley *et al.*, 2008). Moreover, such involvement provides a real opportunity for management to benefit from the suggestions and opinions offered by front-line staff who have direct contact with customers and can accordingly assess their needs and expectations, and increase their overall satisfaction by providing excellent service.

However, in CSOA, there was a clear contradiction between the management's statement and its behaviour, since whilst the majority of TMs and MMs claim to empower their staff, the researcher observed many instances of management interaction with SFEs which indicated this claim to be untrue. For instance, the majority of participants refused to be interviewed before gaining the permission of their line manager, despite the researcher having shown them the GM's letter of approval. And during some interviews with TMs and MMs the researcher witnessed many employees interrupting to seek approval from their managers about routine processes. Hence, in reality, empowerment is very limited and no proper delegated authority is in evidence. This is hardly surprising, however, in CSOA since the organisation is characteristic of other state-owned enterprises that operate under a heavy bureaucracy and excessive centralism. All work processes are dominated by this tradition within Syrian public management, a situation that is mirrored elsewhere in the Arab World (Ben Jaber, 2010, writing specifically about Libya).

In CSOB and CSOC, the managements stressed their involvement of each employee in each department according to his/her responsibility, in decision-making and developing service quality. This view of total involvement was suggested by Oakland (1989) who demonstrated the value of involving every individual in the organisation from top to bottom, from offices to technical service, and from headquarters to local sites. Empowering and involving the SFEs is done gradually in CSOB according to their employment phase. Training is the initial stage when employees do not participate in decision-making. This is followed by the coaching (observation) stage where employee can participate a little in decision-making, but do so only under supervision to avoid errors. The delegation stage comes next, when full authority can be given for employees to take decisions without approval.

It is noticeable that the degree of empowerment is superior in CSOC since decisions are often made collaboratively through consultation. In this CSO, an interactive and balanced relationship is in evidence between the management and the employees. Two main reasons

are offered by the participants for this situation; firstly, managers are open-minded and happy to delegate to their staff. This type of thinking is linked to managers who have gained their qualifications and experience abroad. And secondly, the individual characteristics of employees are critical since some are judged as having the ability to take responsibility whilst others are not. In this respect, the interviewees noted that there are those who need direct guidance, in which respect managers treat them as robots who merely implement their instructions, and there are those who show a tendency for leadership, and the desire to make decisions.

The findings from CSOB and CSOC demonstrate that they both have the requirements for achieving excellence in service quality, since an empowering and participative style of management is the main condition for the success of TQM, as the findings of Kumar and Sankaran (2007) have suggested.

Actually, the empowerment notion was welcomed by the SFEs in all three CSOs. From their viewpoint, empowerment can develop their skills, increase their confidence, and strengthen their spirit of responsibility. This finding contradicts with the view of Weiss (1997) who states that employees can be hesitant in accepting more responsibility and accountability which result from empowerment.

Regarding their suggestions, the SFEs at all three CSOs believe that their managers deal with these positively, and that their views and opinions are very much considered. In CSOC particularly, management has introduced many techniques to encourage employee involvement, such as meetings, site visits, e-mails, and training courses; and a special 'Suggestions Committee' is responsible for refining proposals from employees. When a suggestion is adopted, a financial reward is given to the employee concerned. It is obvious that this reward and other types of encouragement motivate employee participation in developing the service quality in their organisation since they believe that their initiatives are appreciated.

Clearly, the degree of empowerment differs from one CSO to another, but it is the case that all three CSOs try to create a balance between the delegation of authority and the retention of control, to ensure a middle road which does not have the disadvantages of either extreme. In fact, empowerment can be misunderstood by the subordinates lower down the hierarchy who mistakenly think that when the management has offered some power, there will follow a general relaxation of control and accountability which may cause chaos in the work environment. However, the managers of the three CSOs do not detect any such chaos or disorder at the work as a result of the misuse of newly-conferred authority. A comparable

view has been confirmed by Mellahi and Eyuboglu (2001), who mention that management has adopted the 'iron hand in a velvet glove' approach.

#### **6.4.3.3 Communication**

It was established in the literature that effective communication is essential for successful quality initiatives (Zeitz *et al.*, 1997), and hence for achieving quality (Deming, 1982). In this study it is shown that the management of all three CSOs encourages an atmosphere of trust and mutual respect in which all staff may communicate with management freely and flexibly. To achieve this, management has ensured that there are no barriers to effective communication, such as fear, arrogance, lack of trust, and shyness. Friendly and kind relationships exist among both managers and employees as confirmed by the interviewees, and observed by the researcher. An 'open door' policy is helpful in encouraging communication in all three CSOs since employees can simply approach managers without an appointment as and when an issue presents itself for discussion. The literature is clear (see Deming, 1982; Axline, 1991; Wells, 1997) that it is necessary to eradicate any obstacle that hampers organisational communication.

According to the findings, the three CSOs have sufficient communication systems that ensure the exchange of information and decisions frequently, regularly, effectively, and between all levels. Many communication channels are highlighted by the interviewees. Meetings, telephone, fax, and intranet are the commonly-used methods in all CSOs. Two types of meeting are used: formal meetings such as the daily and weekly regular meetings between the SFEs and their MMs, monthly meetings for the MMs with TMs and GM, and monthly meetings for the TMs with the GM; and informal daily meetings for the SFEs with their managers, reflecting the smooth and flexible way of communication - the 'open door' policy. Meetings can underscore all the issues related to customer satisfaction, quality control, work procedures, and work organisation. All the daily problems are highlighted via these meetings. Face-to-face meetings are efficient in clarifying all new information through discussion at which all involved are present, to avoid any misinterpretation through other communication means. These meetings are also helpful in encouraging employees to air their views, whether they be congratulatory or critical, thereby creating a 'blame free' environment, advocated by Augsdofer and Harding (1995).

The intranet is the second mentioned communication method adopted by the three CSOs. Not surprisingly, organisations like banks with a large number of branches depend essentially on this high-tech means of communication for exchanging information smoothly and rapidly.

Electronic communication (internet and e-mail) appears as a main method used in CSOB and CSOC, the interviewees in those organisations appreciating this as saving time and money. However, there is no electronic communication in CSOA as the internet connection is only available in the headquarters, and not all directorates use it. A few people in the IT Directorate and the Foreign Exchange Relation Directorate at the headquarters do use email occasionally, but the majority of interviewees were satisfied with the traditional methods of communication, remaining unconvinced of the need to use electronic means. According to their views, the traditional mail is more convenient and fast enough for their correspondence. On the other hand, a few interviewees believed this was a backward attitude and that email should be used for correspondence as it saves time and paper and avoids the possibility of losing important documents. To conclude, the availability and variety of communication channels as confirmed in the literature are very significant for the success of any quality initiative (see Ali and Shastri, 2010). In this context, it is recommended that a proper communication system that ensures the easy transfer of information vertically and horizontally be implemented. Practically, the communication systems in CSOB and CSOC are appropriate for the adoption of a quality system since people can communicate sufficiently and effectively. However, it is recommended that CSOA update its communication system by introducing the internet in all the bank branches, and by raising awareness among employees of the advantages to be gained by high-tech communications.

No training in communication means appears to be offered in either CSOB or CSOC, where employees are highly qualified and express no concerns about using the internet and intranet. However, it was confirmed that training for developing the communication skills with customers has been adopted in both case studies which reflect the management aware for satisfying their customers. In contrast, some training courses on intranet use are mounted for employees in CSOA. Undoubtedly, it is helpful to develop the communication skills and knowledge of all three managerial levels since good skills and understanding in this area is essential for the success of quality initiatives, as observed by Porter and Parker (1993), and Robitaille (2006).

#### **6.4.3.4 Reward and Recognition**

It is significant to mention that the quality literature contains a contradictory view about the effect of remuneration systems in supporting organisational quality initiatives, some authors insisting that financial incentives have a negative impact, and especially on TQM

implementation (Crosby, 1980; Deming, 1986; Drummond and Chell, 1992; Oakland, 1993), and others indicating positive relationships (Juran, 1989; Carter *et al.*, 2000; Martensen and Gronholdt, 2001; Wong and Sohal, 2002; Motwani and Kumar, 1997; Schuler and Harris, 1992; Shadur *et al.*, 1994; Redman and Mathews, 1995; Redman and Mathews, 1998; Zhang, 2000; Baidoun, 2003; Mosadegh Rad, 2005; Ueno, 2008).

In this study it is seen that all three CSOs have a reward and recognition scheme but large variations exist in the management of these schemes depending upon whether the organisations are in the private or public sector. The findings have revealed different types of tangible and intangible rewards such as: bonus, low interest loans, salary advances, health insurance, various compensations for food, transportation, and heating, letter of thanks, and job promotions. Some types of these rewards were referred in the literature. For instance, bonus were mentioned by Harte and Dale, 1995; Juran and Gryna, 1993 as main tool for rewarding the people. Letter of thanks as type of recognition was recognised in the literature by Van Dyke and Garlick (2008) who stress the need to praise people in different ways (verbally, written, formal or informal).

It is obvious that the three CSOs have not designed a clear recognition system. However, CSOC interviewees confirm that the scheme is under development in their organisation. In fact, the organisation uses the 'Excellence Award' programme to select *Production Champions*, each branch selecting the '*best employee of the month*', and then a selection being made annually for the best employee for the whole bank. Such initiatives for acknowledgment are classified as good attempts for CSOB and CSOC as newly-launched banks trying to develop their recognition systems. However, in CSOA this aspect is completely ignored and has never been addressed in four decades of operation. Sadly, CSOA interviewees confirmed that no recognition has ever been given for any employee achievement either during employment or in retirement.

The findings also indicate that the reward system in CSOA is badly organised does not meet employee expectations, and the design of the compensation system in general is poor, attracting many criticisms from interviewees, who complain about the unfairness and ambiguity of the system, inconsistency of reward to workload, and failure to consider performance. Furthermore, the system does not include many expected benefits such as payment for weekend work, heating, meals, transportation, uniform, and working in bad work environment (in a basement for eight months). Actually, a new incentive scheme has been introduced by the Syrian government for state-owned banks, which requires these banks to reserve and allocate 2.5% of their profits for employees, and many interviewees stress that

this change was welcome, being financially better than the previous one. However, the problem of distribution among employees still remains, as the allocation comes to branches as an annual block of money and the branch managers are responsible for spreading these incentives between branch employees equally or according to a very similar rate. So, employees with the same qualifications receive the same bonus, and essentially by using such a mechanism, the incentives simply become an additional component of the salary demonstrating that the incentive is no more than a tool to improve low salaries, rather to motivate and encourage employees to develop their skills. This is a common situation in the Syrian public sector. Moreover, exceptional financial rewards are very rare according to CSOA interviewees, and even where they are given, they are capped to one half of the monthly salary, and should not exceed two monthly salaries in any one year, according to the Essential United Employee Law for (1985). Clearly, the regulations governing state-owned banks need regular revision and updating to become more dynamic and consistent with the current Syrian market which is extremely competitive. The literature supports such an argument by (e.g. Mehra *et al*, 2001), and Badri and Andulla (2004) who mention the lack of explicit criteria in a reward scheme as a potentially serious problem. The public sector nature of CSOA is undoubtedly the root of the issue. Indeed, Dewhurst (1999) concludes that governmental organisations in some European countries have difficulties in the application of the reward system, as already seen, own stated organisations in Syria are generally in need of an appropriate reward and recognition system that takes account of skill, experience, qualifications and performance. Undoubtedly, it is the link to employee performance which motivates employees to work for incentives and to continually develop their skills, through which the organisations derives its quality and success. Hence, whilst the incentive system in Syrian state-owned banks has been relatively recently overhauled, there is still work to be done to ensure that the allocation of the incentives provided is fair according to employee effort and contribution.

The reward systems of CSOB and CSOC are better designed and more appropriately managed than in CSOA, since they stimulate individuals to achieve good performance. In CSOB, the researcher recognised much satisfaction among interviewees with the reward and recognition arrangements, which gave them small financial rewards in the first year of the bank's operation even when losses were made in that year. Moreover, a performance appraisal approach, which involves employees in the evaluation of their own performance, ensures the system is fair and transparent. In this respect, each employee completes his/her own Performance Appraisal Review form, and then discusses his/her previous and expected

performance with his/her direct manager. Thereafter, the manager submits the documentation to the headquarters where the Performance Appraisal Committee suggests the annual reward for each employee according to performance, experience, and qualification.

In CSOC, two types of financial reward are available. First, there is the annual bonus reserved as a percentage of bank profit and allocated for every employee according to his/her participation in gaining this profit; and secondly, there are annual incentives which are not necessarily given to each employee but which depend upon employees meeting targets set for them. This arrangement inspires employees to work efficiently to gain both types of financial reward, especially as there is no equal allocation as occurs in state-owned banks, meaning that exceptional performance can reap exceptional financial reward. It is obvious that the reward and recognition systems in CSOB and CSOC are critical in motivating individuals to perform well and improve the level of quality in their organisations, a situation which echoes views expressed in the literature (Juran, 1989; Carter *et al.*, 2000; Martensen and Gronholdt, 2001; Wong and Sohal, 2002; Schuler and Harris, 1992; Shadur *et al.*, 1994; Redman and Mathews, 1995; Redman and Mathews, 1998; Zhang *et al.*, 2000; Ueno, 2008; EFQM, 2010). However, in respect of employee satisfaction with the reward and recognition systems in operation at their banks, the majority of SFEs at all CSOs were totally dissatisfied, believing that certain criteria such as qualifications and experience are not accorded sufficient weight, and that the systems should be more transparent and reliable. In order to reduce such dissatisfaction the bank management of the CSOC distributed an employee survey in 2009 seeking opinion about salaries and rewards, and since then a new salary scale and scheme for reward and recognition has been introduced, using '*Balance Score Cards*' to evaluate employee performance. Such evaluation is conducted at three different levels: corporate level, directorate level, and human resource level. Such action is in line with the recommendations of Armstrong (1999) and Demirbag (2006), who stress that organisations should adopt reward and recognition systems that meet their employees' expectations and encourage them to be more involved and contribute more to their organisations.

Finally, the findings of the three CSOs support the view that financial incentives are the best ways of motivating the people. The majority of interviewees in all three CSOs expressed their preference to earn money rather than other types of recognition as reward for their effort, believing that such compensation is valuable in improving their low income, a view found also by Cherrington (1995).



#### 6.4.4 Managing by Process

The relationship between process management and the level of the quality in the organisation receives much attention in the literature (e.g. Garvin, 1983; Juran, 1978; Crosby, 1979; Deming, 1982; Monfon, 1982; Feigenbaum, 1991; Motwani, 1994; Berman and Klefsijo, 1994; Straker, 1995; Kanji, 2000), which demonstrates that comprehensive process design positively affects the level of quality in the organisation.

In the three CSOs, there is a difference between process regimes, depending upon ownership, the state-owned bank (CSOA) having no directorate responsible for designing operations. Instead, the responsibility is shared among all the bank's directorates, each one being liable for designing its own operations, which in turn consist of many processes. The operations and processes are usually designed in accordance with the local and international standards, and with the organisation's internal and external regulations. For example, the Loaning Directorate designs all the operations and related processes regarding the lending of different types of loan. In contrast, CSOB and CSOC do have special directorates for operations design, these being the Organisation Department in CSOB, and the Central Operation Directorate in CSOC. There are local and international standards for banking operations which can be borrowed as ready templates. In addition CSOC adopts some other international and local Islamic *Shariah* standards such as the *Shariah* Board of the Central Bank of Syria, and the Accounting and Auditing Legitimacy Board (Bahrain).

Additionally in CSOC, some operations can be designed by a special committee, the Product Development Committee, which is responsible for introducing new products and services. This committee proposes the inputs, operations, and outputs for every new product.

Consequent upon these various arrangements, the TMs and MMs of all three CSOs confirm that all their operations and processes are standardised and streamlined to deliver the best service for their customers smoothly and efficiently, and to attain their organisations' quality objectives. The literature (Sureshchandar *et al.*, 2001; Milakovich, 1995) stresses the need to develop effective process management in service organisations to ensure sufficient, safe, and rapid service delivery.

Additionally, the three CSOs' managements demonstrate the presence of control systems that are sufficient to assess the quality of those processes and ensure they deliver reliable and honest service for customers. Indeed, many control processes are described by the interviewees in all CSOs, including the fact that many internal and external authorities are involved in these. For instance, CSOA depends on branch managers, independent financial supervisors and the Internal Control Directorate to accomplish its control objectives. In

addition, the bank established two new directorates in 2010, the Commitment Directorate, and the Internal Audit Directorate to ensure compliance with local and international regulations, and the security of the performed operations.

Similarly, CSOB reports many channels for controlling its operations represented by the heads of department, branch network manager, GM's direct review, internal auditors, risk management auditor, private external auditors, Fransabank Lebanon's auditing team, and the Central Bank of Syria auditing team. However, the control mechanism in CSOC is more complicated since additional compliance with Islamic *Shariah* principles is required. In this case, the control process is affected by the Internal Audit Directorate, Quality Compliance and Assurance Directorate, Risk Directorate, independent financial observer, *Shariah* Board Auditing, external auditing corporate, and the Central Bank of Syria auditing team. The significance of measuring and evaluating the processes against the planned and expected results is well expressed in the literature (e.g. Melan, 1992; Tsim *et al.*, 2002; Kanji, 2001).

All CSOs produce daily and weekly reports which are sent to the headquarters, and the IT systems in operation are able to verify the number and size of the operations undertaken. CSOC is planning to adopt a new programme (Work Flow Programme) to assess the quality of its processes through controlling the time required to perform each operation in much the same way that Deming (1982) and other quality gurus have suggested.

Regarding the new technological developments, the three CSOs offer quite similar e-services, and it is worthy of note that CSOA was the pioneer among state-owned banks of a range of e-services such as internet banking, POS, ATM, banking messages, international Credit Cards, paying bills, and salary resettlement. However, the findings reveal that CSOC is more advanced in its IT systems than either CSOA or CSOB, having introduced many electronic sub-systems that support the operating efficiency of many directorates, such as the HR system, Auditing system, Fixed Assets system, and Reporting system. Participants from all three CSOs believe that the new technological developments have added many internal and external benefits for their organisations and maximised stakeholder value. This view is supported by the EFQM Excellence model (2010) and the Baldrige Model (2009-2010), both of which acknowledge process management as one element in the optimisation of stakeholder values. Benefits of technological development can be seen in the facilitation of communication between branches, standardisation of the banking work so all branches can provide the same 'one window system' service, and improvements to operating efficiency through increased confidentiality, accuracy, speed and control of the services offered. Further, the new developments can increase the satisfaction of current customers by

providing reliable and dynamic services and saving their time, money and effort; and simultaneously attract new customers, thereby increasing the bank's market share. In respect of a societal contribution, these technological developments have helped to change the developing countries from cash societies, to non-cash societies by motivating people to use banking cards and cheques. These advantages and others are well highlighted in the literature (e.g. Zemke and Schaaf, 1990; Joseph and Stone, 2003; Byers and Lederer, 2001; Howcraft and Beckett, 1996; Kelley, 1989; Pyun *et al.*, 2002; Quinn, 1996; and Kopp, 2010).

However, it was apparent that some interviewees are not convinced of the benefit of advanced technology in the banking world, as many customers refuse to use internet banking and some other new electronic services for various reasons.

#### **6.4.5 Building Partnerships**

The concept of bank partnerships is relatively different from that seen in other organisations where the concept can be broadened to include various types of relationships. In the banking sector, partnerships can be established with individual customers or organisations (banks/corporates). The relationship with individual customers has been clarified in section 6.4.2 (Adding value for customer), which notes how the three CSOs have demonstrated their effective and trusty relationship with their customers. Regarding partnerships with other organisations, the findings have disclosed that all CSOs have relationships with local and international corporates.

Correspondent banking all over the world is one type of relationship seen in all three CSOs. For example, CSOC has 162 such relationships with local and international banks. This type of relationship implies that two banks maintain deposits with each other, thereby facilitating the delivery of banking services for a bank's clients that need to access services through local banks or correspondent banks worldwide in order to conduct business, as for example with MNCs.

A significant partnership exists in respect of CSOB with Fransabank Lebanon, the parent company with a strategic ownership of 48% FBS shareholders. Similarly, CSOC has a strategic partnership with Qatar International Islamic Bank which owns about 30% of the SIIB shares. It was confirmed that the two strategic partners for both these CSOs have provided much support for the banks, especially in the foundation stage through providing intensive training courses, strategic work plans, and expert leadership. Concerning the partnerships with other local organisations in the Syrian market, the three CSOs have established various relationships with other companies such as insurance companies, car

agencies, brokerage companies, and other public organisations like the General Authority for Operation and Development. These are in addition to many relationships with mobile companies, electricity, water companies, and a huge number of organisations in respect of salary resettlement.

Internationally, the three CSOs have also built relationships with many organisations and banks like the European Investment Bank (EIB), some international financial companies, and in CSOA only, debt for equity swap relationships with some Italian financial projects.

It is noticeable that the managements of the three CSOs are aware of the significance of building and maintaining various types of effective partnerships with private and public organisations locally and internationally to achieve strategic, tactical and operational objectives. The relationships between banks and corporate clients have been demonstrated in many prior studies in the literature (e.g. Donnelly *et al.*, 1985; Moriarty *et al.*, 1983; Thunman, 1991; Zineldin, 1993, 1995, 1996; Edris and Almahmeed, 1997).

Moreover, the findings confirm that the relationships have been established because of many factors, such as collaboration, honesty, commitment, shared interests and objectives, and reliability between the two parties, all features that have been mentioned in the literature (e.g. Zineldin, 1996; Nyaga and Whipple, 2011).

Many mutual benefits are seen to emerge from these partnerships, represented mainly by cost savings, risk reduction, and profitability augmentation for both sides. As banking organisations, the CSOs' main task is to provide low cost finance for partners together with some other auxiliary services. The banks in return, can access information and develop knowledge about the client partner (individual/corporate), which can subsequently be used to increase the banks' capabilities to strengthen the relationships with the current partners and attract new partners in the future. Hence, such partnerships are mutually fruitful, as is indicated in the literature (e.g. Haubrich, 1989; Paré, 1990; Zineldin, 1996).

It is also found that the three CSOs' managements are aware of the importance of relationship quality, being enthusiastic to sustain healthy relationships with their partners through observing and assessing quality levels of the service(s) provided. For example, CSOA was selected by the European Investment Bank (EIB) to manage the second stage of a project to support SMEs in Syria after terminating the relationship with the Commercial Bank of Syria that had financed the first stage of the project. Clearly, relationship quality is important in sustaining partnership arrangements as shown in the literature (Crosby *et al.*, 1990; Bejou *et al.*, 1996; Wray *et al.*, 1994, Henning-Thurau, 2000; Hennig-Thurau and Klee, 1997; Gwinner *et al.*, 1998; Hennig-Thurau *et al.*, 2002; Reynolds and Beatty, 1999; DeWulf *et al.*,

2001; Lang and Colgate, 2003; Roberts *et al.* 2003; Lin and Ding, 2005; Zineldin, 2006; Macintosh, 2007; Moliner *et al.*, 2007, Dagger and O'Brien, 2010; Nyaga and Whipple, 2011).

#### **6.4.6 Achieving Balanced Results**

The investigation about this feature involves considering the financial and non-financial results obtained by the organisation. Organisations look forward to achieving their excellence plan with a balanced set of results that meet stakeholders' expectations, and exceed them in many cases.

Non-financial results can be classified as customer results, people results, and society results. Regarding customers' results, the three CSOs are seen to have achieved both vertical and horizontal expansion. CSOA, among the other state-owned banks, pioneered the introduction of a range of electronic banking services and some other new lending plans (e.g. nine different housing loans) at competitive prices. Additionally, the bank's statistics for 2011 reveal that 300 ATM were opened, 400,000 banking salary cards were resettled for various public and private companies, and 50,000 banking salary cards were resettled for banking sector employees. However, many negative aspects exist in relation to CSOA, since the amount of horizontal expansion is not sufficient in the new competitive environment in the Syrian banking market. Whilst the CSOA has expanded from 15 branches in 2003 to 26 branches in 2010, this represents an average of two branches per year whereas the private banks were spreading quickly in the market during this period, for example, CSOC expanded its network to 25 branches covering 10 districts, in five years, expanding at the rate of five branches annually. Furthermore the vertical expansion remains inadequate since many services are still not available in the CSOA despite the bank having become a universal bank in 2008. Indeed, some services are only available in the Damascus branches.

Moreover, the considerable increase of customers at CSOA is an efficient indicator of good bank performance, since such custom is basically related to the fact that many state-owned organisations must pay salaries to their employees through the CSOA as a state-owned bank. It is also noteworthy that over the last four decades since its establishment, CSOA has had no mechanism for establishing customer satisfaction, and despite the recent launch of the Marketing Department in 2010 and the resultant plans to conduct a survey of customer expectations, this has not yet been done. It is also significant to note that many criticisms have been made by customers concerning the additional charges imposed for new services (e.g. official stamps for lending certain loans), and the reduction in the interest on deposits

from 8% to 4.5%. Finally, it is obvious that CSOA has not developed a clear strategy to achieve customer satisfaction since no plans to retain existing customers and/or attract new ones exist, despite the newly-competitive market. Indeed, many interviewees claimed that the bank had lost some customers and that some current customers were expressing their dissatisfaction. Unfortunately, there is no comprehensive initiative for securing customer satisfaction. A few new branches and the opening of some ATMs represents the sum total of such efforts, and in general, the CSOA management has to be aware of the need to create a customer service culture by considering the creation of a customer service department in each branch, and providing training on service quality issues and customer service orientation.

Without doubt, there are good reasons why customers would switch from CSOA to other banks within the SBS that can provide more competitive and better service. Colgate and Hedge (2001) consider this possibility, classifying the reasons for switching banks in Australia and New Zealand into three major groups, namely, service failure, pricing, and denied service. And in the context of the US, Chakravarty *et al.* (2004) find that the financial/economic aspects of the various dimensions of the service quality relationship are the main determinants of customers' tendency to switch US banks.

CSOB appears to be no better than CSOA, despite the bank's strategy to expand to all Syrian districts, and the fact that in two years the branch network has grown to seven, and that the bank has launched a full range of commercial banking services, including retail, corporate and trade finance. The problem seems to lie in the bank's failure to plan an integrated strategy to achieve customer satisfaction, and to provide indicators or undertake market research to explore the degree of customer satisfaction despite the bank's parent company (Fransabank Lebanon) having a very long history and great experience in the banking service and customer service orientation. It is also noticeable that the bank's management is concerned to attract and retain the VIP customers, and has appointed a special committee to monitor the relationship with these customers. This strategy then raises a number of questions, such as: what about other customers in other segments? Why does the management choose to ignore them? Are they (i.e. normal customers) not important for the bank? Can the bank continue to be profitable simply by developing its relationship with VIP customers?

In CSOC, the situation is different since the bank has a comprehensive plan to achieve customer satisfaction and strives to create a customer service orientation within the organisation. For instance, customer satisfaction is one of the main organisational values,

resulting in the bank's vision aiming to serve customers any time and in any place they need it. Customer service departments are available in all branches, and many training courses for customer service have been adopted by the bank for SFEs. Furthermore, the bank has achieved dramatic vertical and horizontal expansion, to include the provision of a huge range of Islamic banking services and products, 25 branches distributed throughout ten districts), 37 ATMs which ensure rapid and secure communication with customers, many saving and investment campaigns such as 'Live now and pay the next year', 'Rent or buy the appropriate house now then possess it in the future', 'More deposits, more profit', and 'Islamic Millionaire', which aim to provide the best competitive service for bank customers.

It was mentioned previously that CSOC has many indicators to evaluate customer satisfaction, such as the number of customers, size of deposits, the number repeating the financing process, customer complaints, customer satisfaction survey (twice per year for all bank branches and in some exhibitions), and mystery shopper research (four times per year) which explores employee performance and customer satisfaction simultaneously.

One of the positive indicators in this context is the number of bank customers, which has increased considerably from 5,000 in 2007 to 154,000 in 2010, simply reflecting the sound performance of the bank over the last five years. These findings echo those in the literature (Anderson and Sullivan, 1993; Yavas *et al.*, 1997; Jamal and Nasser, 2002; and Gan *et al.*, 2011) which demonstrate that customer satisfaction is linked positively to service quality in the organisation, and those of other researchers (Chakrabarty, 2006; Manrai and Manrai, 2007) who link customer satisfaction with bank service to many dimensions such as in-branch satisfaction or personnel-related consideration (speed of service, staff helpfulness, privacy, opening hours); economic satisfaction (level of bank fees, overdraft interest rates); remote satisfaction (responsiveness and efficiency in dealing with remote enquiries); and ATM satisfaction (ATM availability, ATM reliability). It is obvious that the management of CSOC works hard to meet customer expectations regarding these dimensions of customer satisfaction.

Regarding the people results, the findings vary between the three CSOs. CSOA provided mixed views, since the TMs and MMs confirm their satisfaction with the bank's achievements represented by the new financial incentive scheme, training courses, good empowerment and excellent communication between the three managerial levels, whereas the SFEs were not totally convinced. They criticised the lack of financial incentives and their incompatibility with the workload of a financial organisation like a bank, the shortage of

training programmes in general and quality training in particular (many negative points have been clarified previously in section 8.4.3.1 regarding the scope, depth, and currency of training courses), limited empowerment, unfair reward system, rare exceptional rewards, and the absence of a recognition scheme.

These disparate perspectives between CSOA's management and employees point to a large conflict which should be considered by adopting sufficient HR practices to decrease the extent of employee dissatisfaction. The responsibility of HR units to create positive perceptions within all employees about their jobs and the organisation in general is confirmed by McMurray *et al.* (2004). Actually, achieving employee satisfaction is critical in the achievement of excellence across the whole organisation, and considering employee perceptions is a main criterion in the EFQM Excellence Model (2010). In addition, it would seem appropriate for CSOA management to adopt some performance indicators regarding people satisfaction, since no such indicators or research (employee satisfaction survey, the turnover rate, the number of resignations, absenteeism, etc.) exist within the organisation.

In CSOB, the level of employee satisfaction is higher than in CSOA, it being confirmed by interviewees at all three managerial levels that the bank provides sufficient training programmes, adequate reward and recognition, fair evaluation of performance, an acceptable degree of empowerment, and a good communication system. However, there are still no performance indicators relating to employee satisfaction.

Similarly, in CSOC, the results indicate good performance in terms of employee satisfaction, since the management considers developing the 'human' part is one of the main priorities of the organisation. The organisational strategy contains many plans to develop the human resource capabilities. For instance, the bank has established a Training Centre to provide sufficient training for the three managerial levels, and mounted a Leadership Preparation programme to develop individuals so that they can occupy any position in any of the bank's departments, and a Career Path programme to develop managerial skills.

The effectiveness of the training scheme, and the level of empowerment granted in CSOC both contribute towards employee satisfaction, but the majority of interviewees were not fully satisfied about the fairness of the rewards and recognition system. As mentioned previously, the management survey in 2009 canvassed employees' views on this issue and as a result, a new salary scale was introduced together with a new reward and recognition scheme. Hence, the use of '*Balance Score Cards*' to evaluate employee performance fairly. In addition, many



other performance indicators have been adopted like the turnover rate. The marketing management in the bank works hard to explore the degree of employee satisfaction through many annual market research activities, such as the employee satisfaction survey, and mystery shopper.

Actually the findings about CSOB and CSOC mirror those reported in the literature (e.g. Sureshchandar *et al.*, 2001; Lau and Idris, 2001; Johnson, 1997; Arasli, 2002; McAdam and Henderson, 2004; and Ben Jaber, 2010) on the link between employee satisfaction and QM initiatives. Additionally, it is noticeable that the management of both CSOB and CSOC try to achieve employee satisfaction through many practices, such as the rewards and recognition system, training, involvement and empowerment, and fair performance evaluation, all of which are indicated as important in the literature (e.g. Ishikawa, 1985; Weeks *et al.*, 1995; Xiao, 1996; Sureshchandar *et al.*, 2001; Ooi *et al.*, 2007; Kaya *et al.*, 2010).

Regarding the society result, the three CSOs have many initiatives in this respect, represented by financial support for social and economic development projects in Syria.

In CSOA, the main priority as a state-owned bank is to finance national economic and social developments, and this is seen via funding for infrastructure and other investment projects like hospitals, shopping centres, commercial and investment housing, and tourist projects. Additionally the bank makes a substantial contribution by financing many projects which have economic feasibility and bring added value for the country. It was indeed demonstrated that the bank's initiatives have positively influenced the rate of income growth and Gross Domestic Product (GDP) for the county, and provided a huge number of job opportunities.

In CSOB, the initiatives are largely concerned with SMEs, since the bank has an agreement with the General Authority for Operation and Development to support SMEs in Syria through allocating a fund totalling 250 million SP for this purpose.

In CSOC, there has been considerable achievement in terms of societal contribution despite the bank's relative novelty in the Syrian market. This achievement stems from the bank's commitment to provide personnel and corporate banking services in accordance with the provisions of Islamic law, which is attractive to Syrian society, and hence, the bank looks forward to achieving sustainable growth with high profitability and return on equity rates. As evidence of the good performance achieved, the bank has been awarded two prizes: the first is the Syrian Economic Reform Award (Best Home Finance Provider in Syria) by World Finance for 2010 magazine; and the second is the annual prize for being the Best Islamic Bank in Syria for 2011, awarded by Islamic Finance News magazine in Dubai.

In terms of the financial results, the comparison between the three CSOs is restricted to some financial figures and for three financial years (2008-2009-2010) since CSOB was only established in 2008. A consideration of the three financial figures (total profit, total deposits, and total credit) for the three CSOs through the three mentioned financial years concludes that CSOA has achieved the best financial performance, followed by CSOC, and then CSOB. The financial figures for CSOA indicate a noticeable increase in profit size by about 1 billion Syrian Pound, the deposits volume by more than 30 million S.P., and the credit volume by 25 million S.P. annually.

In respect of CSOC, the financial results indicate that excellent performance has been achieved given its relatively new appearance in the Syrian market, since the bank began to realise profits in only its second financial year (2008). The results indicate that the profit figure has doubled annually, and that the size of deposits and credits has also more than doubled between 2008 and 2010. According to SBS statistics, CSOC is the largest private bank among other private banks in the sector in terms of fully paid capital and the number of shareholders.

The financial performance for CSOB was satisfactory, the annual report (2010) of the Syrian Commission for Financial Markets and Securities (SCFMS) confirming that this was better than other private banks that were established in the same financial year (2009) in the Syrian market, taking the size of assets, deposits, credit portfolio, and even the losses as indicators. However, there were losses in the first and second financial years resulting from foundation expenses, and the difficult situation the bank faced in achieving a share in a market which has been penetrated by 21 new private banks during the last five years.

To conclude, the financial performance for CSOC can be classed as the best overall, taking into account the size of the bank and its novelty in the market. These excellent results reflect the quality practices adopted within the organisation, a finding which corresponds with that of many other studies reported in the literature that demonstrate the positive link between the adoption of QM systems and improved financial and overall organisational performance (Garvin, 1991; Hendricks and Singhal, 1997; Easton and Jarrell, 1998; Rapert and Wren, 1998).

However, it is noteworthy to mention the need to study the feasibility of introducing any QM system in the three CSOs since the literature does refer to some failures resulting from excessive expenditure on quality initiatives. In other words, spending on quality does not always yield the required consequences in the long term (Moballegghi, 2011).

#### **6.4.7 Taking Responsibility for a Sustainable Future**

The literature has confirmed a strong parallel between QM and social responsibility, noting that QM principles can facilitate the development of an organisation's sense of social responsibility (e.g. Waddock and Bodwell, 2004; Ghobadian *et al.*, 2007; José, 2011).

In respect of social responsibility, the SBS has been governed since 2003 by a set of strict regulations imposed by the Credit and Monetary Council, and the Central Bank of Syria (CBS) to ensure the transparency, reliability and robustness of the sector. All the operating banks in Syria were forced by Resolution No.390 (2008) to establish a Risk Directorate, and by Resolution No.534 (2009) to establish a Commitment Directorate as independent units reporting directly to their Boards of Directors. The Risk Directorate is responsible for the commitment by the capital adequacy and liquidity resolutions of the Credit and Monetary Council such as Resolution No. 253 (2007), Resolution No.395 (2008), and Resolution No. 588 (2009). The Commitment Directorate is responsible for monitoring the compliance with all the laws and regulations of the Credit and Monetary Council, particularly laws and resolutions on combating money laundering, terrorist financing, and banking secrecy, such as Law No. 6 and Law No. 10 (2004).

The study confirms that both these directorates were established in all three CSOs, having been created in 2009 in CSOA, and at the time of the founding of both CSOB and CSOC. The directorates are headed by similar committees to supervise them and report to the Credit and Monetary Council, and the Central Bank of Syria (CBS). Participants from all three CSOs appreciate the significant role played by such units in ensuring bank compliance with the governing regulations and in guaranteeing the robustness of banks.

It is important to highlight the long delay in launching these vital Directorates in CSOA, and many questions can indeed be posed regarding this, such as how a bank like the CSOA could operate for more than four decades without clear responsible risk and commitment management? And did the bank activate these two units in 2009 in response to the newly-introduced regulations in the SBS or had the bank management become aware of the need to establish such units in order to enhance bank reliability and social responsibility?

In respect of CSOC, the commitment procedures are more complicated since the bank must also comply with Islamic *Sharia* principles, in which respect the bank has established a *Sharia* Control Directorate headed by the *Sharia* Supervisory Authority, which in turn is responsible for reviewing and approving all bank dealings according to the principles of Islamic law. It is also responsible for preparing an annual report for the General Assembly of

shareholders demonstrating the degree of bank commitment and providing its suggestions and recommendations.

Regarding Anti-Money Laundering (AML) practices, the findings have shown that the three CSOs have Anti-Money Laundering (AML) committees as independent units which are responsible for ensuring bank compliance, and for reporting regularly and transparently to the Anti-Money Laundering Committee at the Central Bank of Syria (CBS), which was established by the Legislative Decree 33 (2005) to criminalise all Money Laundering practices and terrorist financing in the country. Further, the CSOs mentioned adopting many precise procedures combating Money Laundering such as form filling (know your customer, from where does this money come, and Anti-Money Laundering declaration), and preparing daily lists of any suspicious transactions. Furthermore, CSOC has adopted an advanced technological system to ensure the safety of banking procedures. For example, it has a special programme (Safe Watch) to guarantee that international money transactions are not included in the Black List (banned lists for money laundering or terrorism).

In terms of corporate governance, the SBS is regulated by Resolution No.489 (2009) which urges banks to disclose detailed guidance for corporate governance. The investigation of CSOA shows that the concept of corporate governance remains foggy in state-owned banks, since the term was unfamiliar to interviewees, and the bank had not prepared any guidance clarifying its practices in this context. Consequently, the researcher could not access any internal or external documentation concerning these issues. The annual report and the bank website provide nothing more than some financial results and some general information about bank services. Hence, it is obvious that CSOA as a state-owned enterprise is still far away from adopting sound corporate governance practices, and complying with disclosure recommendations.

CSOB did, however, prepare corporate governance guidance in 2009 according to the recommendations of the Central Bank of Syria (CBS), the Syrian Commission for Financial Market and Securities (SCFMS), and the international standards and practices of corporate governance. Nonetheless, the bank has not yet disclosed this guidance for public. In addition, by the end of the banks third financial year, there is a noticeable delay in developing the bank website, and the annual report in which to disclose transparently, the financial results and other corporate governance practices, even though the bank's financial results were published on the Syrian Commission for Financial Market and Securities (SCFMS) website. The absence of published non-financial information in respect of CSOA and CSOB echoes the comments of Douglas (2004) who confirms that legislative requirements and shareholders'

concerns are the most pressing issues affecting voluntary disclosure practices. In addition, this finding supports Douglas' (2004) observation that reporting in the developing countries is less than in the developed countries.

CSOC provides a different picture, however, since it is clear that the bank has a proper awareness of corporate governance practices, having prepared its corporate governance in 2008. The Compliance Directorate was responsible for this, and the guidance is supervised by four committees (Corporate Governance Committee, Risk Committee, Auditing Committee, and Rewards and Nomination Committee) which share the responsibility for checking, recommending, and raising issues for the Board of Directors. CSOC is committed to the transparency and disclosure terms as seen by its disclosure in annual reports, statements, periodic summaries, and corporate governance guidance on the bank website. It is committed to providing reliable, accurate, understandable and comparative information in these disclosures.

Regarding their support for society, the three CSOs seem to have launched many initiatives, and certainly in terms of financing, all three provide low interest loans. In respect of CSOA, as a state-owned bank it has the social responsibility to participate actively in solving the country's housing crisis by providing housing loans under reasonable conditions for different categories of buyer, and in different regions, including the rural areas. In addition, the REB basically funds the co-operative housing societies. Practically, CSOA allocates about 70% of its lending budget for financing low income customers, in response to government requirements. Moreover, it plays a critical role in financing the construction of much infrastructure (schools, universities, and hospitals) via its provision of credit.

Similarly, CSOB has launched the '*Subordinated Loan*' with a value of 6 million SP, and very low interest (0.25%) for five years. Further, the bank has signed an agreement with the General Authority for Operation and Developments for Financing Small and Medium Enterprises (SMEs) in Syria.

Likewise, CSOC offers the '*Good Loan*' with a value of 500,000 SP, without *Murabah* (interest) for education and marriage purposes. In addition, the social responsibility shown by CSOC as an Islamic bank, is represented by its assurance of reliable banking services according to the principles of Islamic *Sharia*.

Comparing other activities in the wider society, it is easy to conclude that CSOB and CSOC are more proactive than CSOA, since there is more funding of charity and cultural events, financing charity organisations, providing donations for charity organisations (Cancer Research, etc) in evidence in the former organisations. The adoption of such voluntary and

ethical practices reflects the mature social responsibility culture in CSOB and CSOC. Indeed, it is noticeable that the managements of CSOB and CSOC are aware of the significant role played by their attitude towards corporate social responsibility in achieving excellence and improving the bank image. Essentially, the leadership of both these CSOs believes that a commitment to CSR values means achieving sustainable development for society and creating added value for shareholders, customers, employees and other stakeholders. And the findings relating to these two CSOs suggest that their social responsibility dimensions tend to be economic, legal, ethical and philanthropic (as mentioned by Carroll, 1991), or referred to as economic responsibility, ethical responsibility, and community commitments (as expressed by Beauchamp and O'Connor, 2012). In CSOA, the absence of a philanthropic dimension is noticeable since the organisation's social responsibility is restricted to its legal responsibility primarily, and then to its economic responsibility. No environmental responsibility is accepted by any of three CSOs, a finding which differs from some other studies (Carroll and Shabana, 2010; Dahlsrud, 2008; and Lockett *et al.*, 2006), which consider the environmental dimension as a main aspect of CSR. That said, the lack of environmental practices in the three CSOs can be justified by the fact that in developing countries generally, the focus is on economic and societal development rather than on environmental issues.

In the practices intended to combat money laundering, strengthen corporate governance, and finance low interest loans, all three CSOs demonstrate similar behaviour to that found in other studies (e.g. Gray *et al.*, 1995; Auger *et al.*, 2006; Bhattacharya and Sen, 2004; McDonald and Rundle-Thiele, 2008), hence complying with the socially-expected strategies of banks. Moreover, they mirror the behaviour observed by Sureshchandar *et al.* (2001) who found many social responsibilities being performed by banks, such as providing loans for economically and socially downtrodden people, entrepreneurs, etc, and providing good service at a reasonable price

In a comparison of the three CSOs, it is apparent that CSOC has the best social performance, then CSOB, and then CSOA. This conclusion partly agrees with the findings of Valiente *et al.* (2012) that company size is crucial to corporate social performance, since the larger the firm, the greater the stakeholder pressure for a formal CSR strategy. Certainly, CSOB is smaller than CSOC, and shows a lesser CSR performance. However, there is no such agreement in respect of CSOA since this is the biggest of the three CSOs but fares the worst on many social responsibility practices. Clearly, as a state-owned bank it may be said to have a ready agenda to pursue, and with an absence of stakeholders exerting pressure, the situation might be expected. However, the management of CSOA should be aware of the need to

introduce additional social responsibility practices given the newly-competitive environment of the Syrian banking market.

#### **6.4.8 Nurturing Creativity & Innovation**

In all three CSOs, TMs and MMs expressed the belief that they encourage and support innovation and creativity in their organisations by different tangible and intangible practices. The SFEs also in all three CSOs confirmed that their TMs and MMs are positive in supporting innovation, adding that they appreciated the management manner in encouraging staff to freely express their opinions. This management behaviour is described in the literature as a necessity to achieve excellence, that relationship being confirmed by Feigenbaum (1991) in his ten benchmarks of total quality “Quality and innovation are mutually dependent”. Likewise, the fundamental concepts of the EFQM Excellence Model stress the need to adopt continual and systematic innovation by encouraging the creativity of their stakeholders (customers, employees, suppliers and society).

It was demonstrated by all three CSOs that HRM strategies such as the use of rewards and recognition, involvement and empowerment, sufficient communication between the management and employees, and training and development programmes, are the best tools to support innovation. Drew (1995) also sees a strong link between HR practices such as adequate reward policies, good hiring practices, and the avoidance of excessive turnover, and successful innovation in the financial services. However, this result contradicts with the Page’s (1993) finding which did not confirm the impact of compensation and promotion programmes on the success of new product developments. In this context, it is recommended that CSOA reviews the reward policy to strengthen its support for innovation initiatives in the organisation, since many criticisms are reported about this policy.

Regarding banking innovation, CSOA and CSOC have adopted many services, but the same development is not reported in CSOB. CSOA was a pioneer among the state-owned banks in introducing many new electronic services (e.g. ATM, POS, online banking, SMS banking, electronic bills paying), and other services such as the Syria card loan, banking guarantees, credit on income statement instead of salary statement, money counter devices for customers in the receptions, money transfer through SMS, and loans for retired customers. Similarly, CSOC offers smart banking with many innovative services such as electronic banking (call centre, Internet banking, phone banking, and SMS banking), activating Reuters service by depending on ADSL technology (the first activated service in the Middle East), activating (Disaster Recovery & Business Continuity Plans) to protect the bank from any catastrophe

affecting the software system, activating the Back-Up system for all banking information and database, using G3 technique to connect the branches, and adopting a self-assessment risk system. Clearly, there has been much progress in these two CSOs. However, in CSOB, service innovation lags behind, and there is still delay in introducing electronic services. The known role of service innovation in improving the productivity and customer service as discussed by Parasuraman (2010), and in achieving competitive advantage as identified by Lyons *et al.*, (2007) is confirmed by the findings for CSOA and CSOC.

Additionally, these findings demonstrate the serious attempts on behalf of the managements of CSOA and CSOC to develop in parallel, the soft aspects of innovation (represented by leadership, people and partnership), and the hard or logical aspects of innovation (represented by processes, policy and strategy). CSOB seems to have followed the advice of Dahlgaard-Park and Dahlgaard (1999, 2001, 2005, 2006, 2008, 2010) in their '4P' model for building organisation excellence that suggests companies must first improve the 'soft aspects of innovation' before they attempt to improve the 'hard or logical aspects'.

## **6.5 Chapter Summary**

This chapter has provided an in-depth discussion concerning the research findings presented in chapter five in an effort to present comprehensible answers for the research questions. By reviewing the research questions – “*what are the factors affecting the readiness to implement the EFQM excellence model? How do these factors affect the readiness? And why are these factors presented in the SBS?*” – it can be concluded that the factors affecting the readiness to implement the EFQM excellence model represented by adopting the fundamental concepts of excellence in each CSO can be satisfactorily addressed through avoiding the presented gaps regarding each concept and sub concept of the model. In addition, the designed theoretical framework can provide general guidance to accommodate the factors affecting service quality excellence in the three CSOs, bearing in mind the Syrian cultural context.

The fundamental concepts of excellence are presented below with a brief debate about how these factors affect the readiness and why they are presented in SBS:

### **1. Leading with Vision, Inspiration, and Integrity**

As clarified previously, there is a strict commitment among the management of the three CSOs to develop the service quality and adopt quality initiatives in their organisations. It was also proven that the lack of management mobility and the high education level for the top management in the three CSOs are the main reasons for this commitment. However, some negative points have been identified in the culture of CSOA and CSOB that negate this



commitment, as represented by the lack of clear job descriptions for the top and middle management regarding their responsibilities for service quality improvement, lack of authority and power to take a risk or adopt any radical change in their organisations, unavailability of clear quality strategy, lack of clear vision, mission and quality values, and lack of authority and flexibility to distribute the financial resources between different activities and departments to improve the service quality. The main reasons for these gaps in CSOA can be attributed to the culture of state owned organisations in Syria in which there is widespread dominance of the phenomenon of centralism and lack of delegation of authority, the extreme intervention of the guardian authorities, complete rejection for change mechanism or taking risk (we just accept what we know), and the absence of a marketing approach regarding the lack of competition in the Syrian market in previous decades where no quality culture, vision or mission were developed over five decades of the bank history. However, the main justification for the CSOB is the novelty of the bank in the Syrian market and not having sufficient time to consider these issues in the organisation culture, and the critical situation of banking work, which raises many fears of spreading the financial authority.

## **2. Adding Value for Customer**

Good awareness of the significance of customer satisfaction has been confirmed in the three CSOs with a deep belief that ensuring the excellence of service quality is the key to achieving this satisfaction. Although many suggested primary techniques have been suggested by CSOA, and CSOB to achieve customer satisfaction, both CSOs neglected developing a comprehensive strategy for this purpose. Additionally, there is no marketing research investigating the levels of customer satisfaction in either organisation. The lack of marketing approach and customer service orientation are the main reasons for both banks lagging behind in this concept. CSOA, as a state owned bank, has missed this ideology regarding the lack of competition in the Syrian market, and the originality of CSOB in the Syrian market did not allow for sufficient time to develop customer service values. In complete contrast, a very strong customer service orientation has been recognised in CSOC with the very effective role of the Marketing Directorate, and the Quality Compliance and Assurance Directorate, which adopt various advanced techniques to assess the level of customer satisfaction.

## **3. Succeeding through People**

This concept includes four sub-concepts:

### **3.1 Training and Education**

In the three CSOs, it was confirmed that training and education are properly funded.

Although the government regulations have urged the state owned organisations to allocate 3% of their budgets for training purposes, there was no evidence that CSOA has allocated such a fund. In addition, many criticisms have been raised in CSOA and CSOB about the comprehensive training scheme (depth, scope, and length of the courses), incapability to meet the requirements of the bank and the employees in many cases, and the nomination mechanism for such training. Undoubtedly, these negative points can be attributed to the lack of management awareness in CSOA and CSOB about the significance of training for the success of any quality initiative in the organisation.

In contradiction, the findings of CSOC have proven the effectiveness (scope, depth, variety, currency) of the training scheme in this bank.

### **3.2 Empowerment and Involvement**

The findings have proven that the degree of empowerment varies between the three CSOs. Clearly, the management of the three CSOs are very reserved about spreading the financial authority, with serious efforts to balance between the delegation of authority and the retention of control. For CSOA, a clear contradiction has been recognised between the management's declarations and practices, which simply proves the point that 'there is no actual empowering in the state owned organisations'. The heavy bureaucracy and excessive centralism are the main reasons for the concept being so foggy in these organisations.

For CSOB, the case is relatively better. A gradual involvement and empowerment are established according to the employee's position and their employment status. However, the case was superior in CSOC. Decisions are almost designed collaboratively through consultation relating to the open minded mechanism of management thinking in this bank and the employees' characters.

### **3.3 Communication**

The three CSOs have sufficient communication systems that ensure the exchange of information and decisions frequently, regularly, effectively, and between all levels. Some concerns have been raised about the unavailability of electronic communication in CSOA where the traditional communication means are the main common methods in state owned organisations.

### **3.4 Rewards and Recognition**

Although the reward system has been established in the three CSOs, it is managed differently.

Many gaps are present in the reward scheme for CSOA represented by unfairness and ambiguity of the system, inconsistency of reward to workload, and failure to consider performance. Such issues are normal consequences for the bad management of the reward and evaluation systems in state owned organisations that completely ignore linking the compensation to performance. Remuneration should be used as a tool for personal motivation not as a kind of social fairness practice in the organisation.

The reward system is somewhat better in CSOB, however it is sufficiently organised in CSOC. It is obvious that the three CSOs have not designed a clear recognition system.

#### **4. Managing by Process**

There is a difference in the mechanism of managing the process regimes between CSOs, depending upon ownership. The state owned bank (CSOA) has no directorate responsible for designing operations with a participative role for each directorate. In contrast, CSOB, and CSOC have activated special directorates for operations design. It was also confirmed that the three CSOs have effective control systems. However, CSOC is more advanced in its IT system than either CSOA or CSOB.

Developing an effective process management and control system in service organisations is significant for the success of any quality initiative.

#### **5. Building Partnerships**

The findings have revealed that all CSOs have relationships with local and international corporations. Similarly, the concept of relationship quality has been demonstrated by the three CSOs.

#### **6. Achieving Balanced Results**

Non-financial results are not satisfactory in CSOA and CSOB; however, the indicators of CSOC are excellent. The horizontal and vertical expansion should be considered for achieving customer satisfaction. Many HR policies should be remedied to achieve people satisfaction.

The financial results indicate that CSOA has achieved the best financial performance, followed by CSOC, and then CSOB. However, the financial performance for CSOC can be classed as the best overall, taking into account the size of the bank and its novelty in the market.

## **7. Taking Responsibility for a Sustainable Future**

The three CSOs have launched the Risk and Commitment Directorates to ensure the bank's compliance with local and international standards. However, a major criticism concerns the delay in establishing these directorates in CSOA until 2009.

Regarding Anti-Money Laundering (AML), the findings have shown that the three CSOs have consistent methods for fighting such practices.

Regarding corporate governance, CSOA, as a state owned organisation, is extremely far of the concept as perception and implication. For CSOB, the concept is understandable in the organisational culture but no practical action has been adopted. However, a clear understanding and application can be recognised in CSOC.

## **8. Nurturing Creativity and Innovation**

Innovation and creativity are encouraged in the three CSOs through different practices. Intangible practices are more dominant in CSOA and CSOB than tangible practices.

The soft (leadership, people and partnership) and hard aspects (processes, policy and strategy) of innovation are developed in parallel in CSOA and CSOC. However, there is more focus on the soft issues in CSOB.

By comparing the findings of the three CSOs, it can be concluded that CSOC is more likely to achieve excellence than the other two banks, since CSOC has demonstrated consistent progress towards that aim. In respect of CSOA and CSOB, it is clear that certain negative managerial practices need to be remedied before the EFQM Excellence Model can be seriously pursued.

This conclusion is reached after discussing the research findings presented in Chapter Five in the light of the literature review presented in Chapters Two, and using a comparative approach to highlight similarities and differences among the CSOs.

The following chapter presents the overall conclusion to the thesis, focusing on how the study has met its aims and objectives, the main contribution to knowledge it makes, the research limitations, and some recommendations for future research

## CHAPTER SEVEN

### CONCLUSION and RECOMMENDATIONS

#### 7.0 Chapter Introduction

This chapter brings the thesis to a close and provides recommendations. It indicates how the study's aim and objectives have been met, and considers the originality of the research and the contributions to knowledge which the outcomes make. In addition, the chapter discusses the implications of the research, and offers operational recommendations, as well as highlight the research limitations, and presenting some recommendations for further research

#### 7.1 Achieving the Aim and Objectives of the Research

As indicated in Chapter One, the aim of the study was to investigate the factors affecting the readiness to implement the EFQM excellence model within the Syrian Banking Sector. This aim has been met through using an interpretive case study as the main strategy to elucidate the perceptions of the three managerial levels at three different case study organisations (state-owned, private, and private Islamic banks) in the Syrian Banking sector about the factors affecting the readiness to achieve the excellence. The objectives designed to accomplish this aim are now discussed.

The first objective of this study was *“to critically review the literature and identify the factors affecting the implementation of EFQM excellence model in the banking sector”*. This objective has been achieved by developing a sound understanding of the concept of quality in general, quality in service sector, and quality in banks. A thorough literature review has been presented in Chapter Two about quality concepts, gurus, evolution and models and, the concept of quality in the service sector in general, and in banks in particular. The literature has focused mainly on identifying those factors known to influence excellence according to the fundamental concepts of the EFQM Excellence Model. These fundamental concepts have then used as the basis of a theoretical framework for this study. In surveying the literature which has covered the views of the quality gurus, quality award models (such as EFQM, MBNQA), and related empirical studies, it was observed that the majority of such studies have been conducted in the Western countries, and that relatively few have been undertaken in the developing economies, with even less having been reported within the Arab World of which Syria is a part.

The second objective was *“To gain in depth understanding of the factors affecting the readiness to implement the EFQM excellence as being addressed in the SBS.”*, and in order to satisfy this objective, three case studies represented by one state-owned bank, a private bank, and an Islamic private bank, were chosen from the SBS. Many methods of data collection were used to increase the information validity, these being: semi-structured interviews with three managerial levels (TMs, MMs, and SFEs), direct observation, documentations, and archival records. The interview questions were sourced essentially from the literature, and Chapter Five presents the findings of the empirical study in detail. The interviewees views have been clarified and discussed in depth about the factors affecting the readiness to implement the EFQM model at both concept , and sub-concept levels of the model.

The third objective was *“To compare the readiness for implementing the EFQM excellence model among the three chosen case studies”*, and to meet this objective, the findings of the three CSOs have been analysed and linked to the literature in Chapter Six. First, the discussion has compared and contrasted the findings of the three CSOs, then it has undertaken a similar comparison with the literature, and a reliable conclusion has been drawn about the readiness to achieve excellence in each case study, in light of the collected data and the contributions in the literature.

The fourth objective was *“to develop an appropriate framework of the factors affecting the excellence of the SBS”*. In this respect, the findings of the three CSOs regarding the factors affecting excellence in each case study have been compared and contrasted, and the data subsequently refined and organised in tables to be more understandable. The factors have been further classified by the researcher and categorised for simplicity, resulting in a theoretical framework which is unique for this study.

## 7.2 Research Originality and Contributions to Knowledge

This study has made noteworthy contributions to the body of knowledge on the EFQM Excellence Model when considered in the context of the SBS. It has done this by investigating the factors affecting service quality at three different banks and by using the fundamental concepts of the EFQM Excellence Model as a theoretical framework. The main contributions of this research can be seen as follows:

- The research has designed a framework for the factors affecting the excellence of service quality at the three CSOs in SBS (as clarified in sections 5.3 and 6.3). The framework is unique for this study. The factors have been classified to ‘*External Factors*’, and ‘*Internal Factors*’ regarding the bank environment. The internal factors have been classified as ‘*Factors related to the Bank*’, ‘*Factors related to Human Resources Management*’, and ‘*Factors related to Service Characteristics*’. A few factors not previously mentioned in the literature have emerged from this study, and these are addressed later in this section. The empirical investigation has highlighted the relationships between the internal and external factors, and the relationship between the internal factors with each other (Figure 8.2); however, more empirical investigation can be done by future research to examine the detailed relationships between those factors.
- By using the fundamental concepts of EFQM excellence model as a theoretical framework for this study with the three CSOs, the research compares the possibility of achieving excellence within those organisations through the EFQM Excellence Model. Readiness to achieve the excellence is one of the main objectives that has been determined in this study. Readiness studies are rare in the context of adopting QMSs in general and EFQM implementation in particular. Only a few TQM studies have focused on this issue (Weeks *et al.*, 1995; Aksu, 2003; Bayazit and Karpak, 2007; Ben Jaber, 2010), and the majority of EFQM Excellence Model studies have concentrated on evaluating the model implementation (e.g. Hides *et al.*, 2004; Nabitz *et al.*, 2006; Moeller, 2001; Gómez *et al.*, 2011) or assessing the model’s internal relationships (Dijkstra, 1997; Eskildsen, 1998; Eskildsen and Dahlgaard, 2000; Prabhu *et al.*, 2000; Eskildsen *et al.*, 2000; Reiner, 2002; Bou-Liusar *et al.*, 2005; Calvo-Mora *et al.*, 2005, Bou-Liusar *et al.*, 2009). Hence, this study is the first to address the factors affecting the excellence of service quality, and the readiness to achieve such excellence in the Syrian Banking Sector. Additionally, it is valuable to

mention that the majority of readiness studies direct their attention to the manufacturing sector, with only a few considering the issue in the service sector, even fewer focusing on Banking, and none whatsoever on the Syrian Banking Sector.

- The research contributes to the literature regarding the implementation of the EFQM Excellence Model in banks. Service quality literature relating to banks is extremely rich with studies covering many service quality models such as the GAP Model, Grönroos' Perceived Kano Model, the RATER Model, the Mäkelin and Vepsäläinen Model, and the Gale Model, but studies regarding service QM are very limited in the service quality literature generally (Huq, 2005), and in banks especially (Talib *et al.*, 2012).
- The research contributes to the enrichment of the limited literature of developing country studies regarding the adoption of QMSs in banks. The shortage of such studies is confirmed by many authors in the literature (see section 1.2.3). Hence, the study will bring benefit in those areas.
- The research also contributes to the existing understanding of failure in respect of the implementation of the EFQM Excellence Model. Many QM practices have been reported as failing by researchers such as Atkinson (1993), Beer (2003), Dale (2003), Oakland and Tanner (2007), Tata and Prasad (1998), Van der Wiele (1998), and Soltani *et al.* (2004) among others. Asif *et al.* (2009) in their paper *Why Quality Management Programmes Fail* suggest four main criteria represented by resources, leadership, strategic fit, and supporting culture for the effective institutionalisation of QM practices. This study participates in this debate by providing a clear and sufficient framework for the successful implementation of the EFQM Excellence Model in the context of Syrian banking, through its appreciation of many critical issues arising from the Syrian (and Arab) culture, and providing rich information supporting the success of EFQM implementation.
- The research contributes to the limited amount of service QM studies in banks that have been conducted using the interpretive paradigm. This methodological choice supports the subjective view of the researcher about the nature of reality (Saunders *et al.*, 2012), and has helped the researcher to investigate deeply and secure a rich understanding of the factors affecting the excellence of service quality in the SBS.



Indeed, this type of study enables the researcher to detect unexpected aspects of the subjective reality clarified by the perceptions of people. The researcher was involved and part of what she observed. Consequently, her interpretation of what she saw, heard and understood cannot be separated from her own background, history, context and prior understandings (see Section 6.1). This research is different from existing studies in the area which adopt the positivist approach.

- This research contributes to the literature by providing a unique perspective for the EFQM excellence model usage as a self-assessment tool in the field of quality management. As mentioned previously, the self-assessment programme provides a “*cyclical, comprehensive, systematic and regular review of the organisations activities and results against the European Quality Award model, culminating in planned improvement actions*” EFQM (1993:3). In this context, this study can be classified as self-assessment research for the possibility of introducing the EFQM excellence model in each CSO. Self-assessment studies are very helpful in evaluating the actual situation for the organisation in its journey for excellence. It is an easy and low-cost way to recognise the gaps regarding the quality management practices in the organisation and comparing the disadvantages (high cost, time consuming) of implementation of the EFQM model. Further, self-assessment studies can be used to efficiently design sufficient strategies to enhance quality management practices in the organisation. Accordingly, it can create a culture of continuous improvement (EFQM, 1999 a, Zink and Schmidt, 1998, Gadd, 1995).

Self-assessment studies is also a real advantage for the EFQM against other quality management models like ISO, as mentioned by Nabitze *et al.* (2000).

- Another methodological contribution to this research can be seen through the use of the case study strategy. Case study is linked to theory building rather than theory testing (Eisenhardt, 1989), and hence, not only produces new theoretical standpoints, but also enriches any theory that already exists since it deepens the appreciation of phenomena, events, people, and organisations (Berg, 2009), reflecting the sense-making of people. Indeed, it supports the explanatory and exploratory nature of this study (Saunders, 2009).

The study has highlighted some unique aspects that affect the achievement of service quality excellence within the CSOs, these being:

- In terms of the motivation to improve service quality in the three CSOs, four main issues were mentioned by the interviewees that do not appear in the literature, these being: trust building, risk minimising, legitimacy safety, and safeguarding stakeholders' rights.
- The new Syrian competitive banking environment has emerged as a principal and critical factor influencing the achievement of service quality excellence in both the state-owned and private banks. The opening of the Syrian market for foreign banks through the introduction of the Private Banking Act No.28 (2001), and Islamic Banking Decree No. 35 (2005), poses new competitive pressure for all banks operating in the Syrian market.
- Syrian Government regulations have both positive and negative effects on the performance of banks operating in the Syrian market. The Islamic Syrian banking regulations are sufficient and comprehensive for other Islamic banking experiences over the world. However, the traditional banking regulations lack both clarity and appropriateness. Hence, they require updating and should be standardised to be in line with regulations in other developing countries.
- The lack of infrastructure, mainly technical infrastructure, in Syria, such as computers, ATMs, electrical circuits (digital) in rural areas to connect the ATMs, and the limited number of branches, represent a substantial obstacle to the delivery of excellent service quality.
- Bureaucratic routine and delay is characteristic of the Syrian context, complicating decision-making and unnecessarily consuming much employee and customer time, corresponding having a negative influence upon the level of customer satisfaction.
- The absence of clear job descriptions for each position in the organisation creates a complex problem regarding overlap of tasks and responsibilities between employees, and making the issue of accounting very difficult and complicated.
- The sufficiency of skills among top and middle managers was a point raised by interviewees who considered their managements' ability to communicate with staff

and to create a friendly relationship with employees and customers, to be of great value.

- The lack of banking qualifications in the Syrian market is a critical factor, since the majority of the qualifications in the state-owned bank are limited to high school and commercial college certificates, whereas the private banks attract highly qualified personnel.
- The lack of banking experience and especially Islamic banking experience is an issue within the Syrian market.
- The warm and friendly relationship among employees and between employees and their managers are very helpful in creating a productive work environment. The affection, respect and support dominate the relationships even beyond the scope of work. This generates a comfortable work atmosphere and increases employee productivity and satisfaction by reducing work conflict. Additionally, in the public sector, it compensates somewhat for limited financial incentives and low salaries.
- In relation to the concept of adding value for the customer, the lack of trust in new technological services (e.g. ATM, Internet banking, phone banking, and SMS banking) presents a dilemma since a large segment of the customer base within the SBS are averse to using these services because of their lack of knowledge and education and the fact that the experience is new within the Syrian market.

The study has underlined some unique aspects affecting the achievement of excellence at the state-owned bank only, these being:

- Lack of awareness of the significance of service quality, caused by the culture of public organisations in Syria, which has arisen in an environment where there has been no competition for the last four decades (in banking).
- Lack of awareness of the concept of 'service culture' or 'service quality orientation' because of the failure of the training regime to include this. Such failure results from the fact that the state-owned banks neglect the factors required for organisational development such as the generation of a vision, and mission, and without these there is no avenue for quality values to emerge.

- The intervention of the Guardian Authorities, namely the Central Bank of Syria, Ministry of Finance, and the Council of Monetary and Credit, whose excessive involvement in the decision-making process affects work flexibility and consequently, the level of service quality and customer satisfaction.
- The impact of religion which causes much dissatisfaction for employees as Islamic principles are not followed in state-owned banks and this causes personal conflict. According to the Islamic *Sharia* (Islamic Law), money itself has no intrinsic value, and hence, lending money for interest is forbidden, wealth only being legitimately generated through trade and investment in assets. Because of religious conflict, the majority of employees in the public sector are dissatisfied with their position and are looking for alternative employment; with the result that commitment to their current employer is low, thus affecting service quality.
- Syrian society generally frowns upon those who work in traditional banks because society reflects the conservative nature of the Muslim faith. This implies criticism for employees in the state-owned banks which impacts upon individuals' self-image, and accordingly their work productivity and motivation.
- The absence of a marketing approach is critical and despite the establishment of a Marketing Directorate in 2008 in the state-owned bank investigated; this is a dependent unit of the IT Directorate and has not yet produced any marketing plan in 2010 at the of conducting the empirical research of this study.
- Security is a factor that urges people to deal with state-owned banks in Syria because they see the long history of domination of these banks and appreciate that government banks have not failed in more than five decades, whereas the experience of private banks in the Syrian market is very short-lived in comparison.
- The phenomenon of employing people on permanent and temporary employment contracts has a negative effect on the level of service quality in the organisation because government regulations differentiate between the levels of annual reward and incentives that can be paid. Temporary employees are not eligible to receive any financial incentives, bonus, health insurance or vacations, thereby depressing the motivation to deliver good service, and even permanent employees' entitlements in this respect are capped to no more than the equivalent of two months' salary per year.

- A system of ‘alternative employees’ operates in some departments to ensure that in staff absence, operations continue to run smoothly. In the Current Account Department at Bab Jnene Branch in Aleppo for instance, this strategy works well, but it needs to be extended to other branches.
- Certain recruitment practices work to the detriment of the bank. Firstly, there is an imbalance of staff within the different branches, some having more than necessary, others not having enough, and others having more of a specialism they do not require and insufficient staff with qualifications in the right area. Secondly, the operation of favouritism (*Wasta*) as feature of Syrian and indeed all Arab cultures, corrupts the recruitment and promotion process since without transparency in staff appointment, no QM approach can be successful.

Some other unique aspects affecting the achievement of excellence have been identified in respect of the private banks only, these being:

- The lack of banking culture among people in Syria affects their performance and the monetary and economic cycle in society. Syrian customers can be grouped in two main categories, those who prefer to save their money at home, and those who prefer to remove their capital from the SBS to another country. Both kinds of customer need to be educated about the mechanism of banking work in Syria to increase their trust in the SBS. Additionally, Islamic banks are viewed with scepticism as many do not believe they have the ability to provide banking services compatible with *Sharia* law. These doubts are related to the novelty of Islamic banks in Syria, and the lack of knowledge about Islamic banking values.
- Customer relationship management is considered very important in the private banks and strong efforts are made to sustain good relations in this respect.
- Commitment to Islamic values is a unique factor for the Islamic bank, where the extent to which it achieves service quality is linked to its degree of compliance with Islamic values since the bank’s target is to meet the needs of customers who want their financial dealings to be harmonised with Islamic *Sharia* principles.

### 7.3 Research Implications and Operational Recommendations

Many practical implications and operational recommendations can be derived from the research findings. Essentially, these can benefit the management of the three CSOs in particular, and other bank managers and policy-makers in general.

- The research provides a clear framework of factors affecting service quality excellence which can stand as guidance concerning the strengths and weaknesses of the organisation in question.
- The research, in establishing the readiness to achieve service excellence, helps the CSOs to design a strategic plan to implement the EFQM Excellence Model.
- Top management commitment is confirmed as an essential require for the success of any QM initiative, in which respect, several recommendations are proposed:
  - Management stability, the findings of this study and others (Deming, 1986; Schwinn, 2002; Soltani, 2005; Soltani *et al.*, 2005; Soltani *et al.*, 2008) demonstrate that high management mobility impedes the commitment to introduce new quality initiatives since senior managers with authority in this respect do not remain in their positions long enough to introduce and implement significant change.
  - The level of education possessed by top management is critical since the more knowledgeable and qualified managers are, the more enthusiastic they are to develop service quality in their organisations and satisfy the pre-requisites for implementing whatever quality initiative they select.
  - The provision of clear job descriptions for all top and middle management position is essential to avoid job overlap, to allocate responsibility for tasks, and so that all within the organisation know where authority lies, especially for particular aspects of service quality.
  - Granting the top management full authority to take risks and guide radical change in the organisation is essential to secure commitment to the development of service quality, and the adoption of any new quality initiative. It is clear that CSOA and CSOB operate in organisational cultures that are characteristic of Syrian society and which grant management very limited authority, thereby restricting managers' ability to introduce change. In contrast the culture in CSOC appreciates the need for delegating authority.

- The ethical dimension of leadership behaviour should be considered before adopting any QM system in the organisation, since the ethical stance adopted is critical in influencing the behaviour of followers, in motivating them, encouraging them to commit to quality initiatives, and accordingly in satisfying them.
- The need to establish a Quality Directorate in each organisation and especially in the state-owned bank is clear since this directorate should share responsibility with the top management for defining a clear quality strategy, developing quality values, and instilling a quality culture within the organisation.
- The leadership of the Syrian state-owned banks must seriously consider the development of a clear vision and mission given the newly-competitive environment for all banks in Syria.
- The continual intervention of the Guardian authorities in state-owned banks presents a significant managerial obstacle to the smooth operation of those banks, impeding the journey to excellence. Greater relaxation is required in this regard, more financial authority should be provided to top management to allocate and distribute resources, and managers should have complete power to make decisions that are routine and trivial.
- Adding value for customers must become a main priority for the management of CSOA (stated owned-bank) since the environment is now much more competitive and the bank needs to develop a customer service orientation, effect its horizontal expansion, design a clear integrated strategy to achieve customer satisfaction, and introduce various and comprehensive services for all branches responding to the new mechanisms available and to CSOA's transformation to become a universal bank. In respect of CSOB, it is recommended that the bank develops a strong relationship with different categories of customer, and not simply VIPs as was mentioned. CSOC provides the best example for managing the customer relationship and meeting customers' expectations.
- The success of any quality initiative is linked to the quality of training provided to underpin it. In this context, it is recommended to the managements of the CSOA and CSOB that they allocate sufficient funds for training purposes, and develop an integrated and strategic training vision that meets the training needs of both employees and the bank. Training needs assessments should be conducted as seen in CSOC. Additionally, in their development of the training scheme, both managements

of CSOA and CSOB should be more effective and sufficient in terms of the scope, depth, variety, and currency of training provided.

- The management of CSOA (state-owned organisation) must link its training scheme with appropriate incentives (financial and non-financial) to encourage employees to become more professional and skilful.
- The degree of empowerment varies from being highly authoritative in the state-owned bank to being relaxed in the private banks, and it is seen that the excessive centralism and bureaucracy that dominate the work processes in CSOA, and that are characteristic of the public sector generally, are detrimental to the bank's operations. Hence, it is recommended that in CSOA, the management grants more power (and hence, self-esteem) to employees in a bid to decentralise the operations and achieve more employee involvement. The experience of CSOB and CSOC shown that this can work because of the good relationship that exists among employees and between employees and management. Decisions can be made collaboratively through consultation, but other techniques are also suggested to encourage full employee participation (meetings, site visits, electronic communication, training courses, suggestion schemes, etc).
- It is recommended to use a proper communication system ensures transferring the information easily and, smoothly vertically and, horizontally in the organisation. Effective communication channels are very supportive to the success of any quality initiative. In this context, CSOA should introduce electronic communication between all its branches to ensure appropriate and timely information.
- There is a need to update the reward and recognition system in all three CSOs to ensure that the incentives to motivate people and enhance their performance are on offer. Transparency of such a system is imperative. Especially in CSOA, which suffers from the public sector tradition of reward on bases other than merit, reward and recognition should be linked to performance, skill, experience and qualifications. It is recognised that efforts in this matter have improved since 2010 through the requirement to allocate a percentage of the bank's profits for employees, but the allocation mechanism should take into account the factors raised and equal bonuses should not be given to all people unless they perform to the same extent.
- It is recommended that the CSOs, and banks generally in the SBS, develop their control systems so that the quality of all their processes is regularly monitored, and a reliable service for customers is ensured.



- It is recommended that CSOA and CSOB adopt the most advanced technological developments to optimise stakeholder value, ensuring simultaneously, that they provide adequate education to their customers so they can benefit from such developments.
- It is recommended that the three CSOs build and maintain various types of effective partnerships with private and public organisations locally and internationally to achieve strategic, tactical and operational objectives
- It is observed that in CSOC, a considerable level of people satisfaction has been achieved through the adoption of many sound managerial practices regarding training, empowerment, reward and recognition, and introducing performance indicators to evaluate this satisfaction. This approach is lacking in CSOA and CSOB and it is recommended that the managements of these two organisations follow the lead of CSOC in order to maximise the degree of satisfaction experienced by their employees.
- The social responsibility dimensions tend to be economic, legal, ethical and philanthropic in both CSOB and CSOC, whereas in CSOA, these are limited to the realms of legal and economic responsibility. It is recommended that the state-owned bank should give the same attention to philanthropic practices especially in the current fiercely-competitive banking environment in Syria. Such practices can add great value to the corporate image. Additionally, in terms of corporate governance, CSOA and CSOB should be more committed to the disclosure and transparency principles and provide more reliable information for their stakeholders. Both these organisations should be more concerned about publishing non-financial practices despite the fact that Syrian regulations (like other developing countries as mentioned by Douglas, 2004) do not oblige their organisations to disclose such practices. Additionally, the management of CSOA has a serious responsibility to introduce corporate governance as a concept and practice, it being found that the majority of interviewees from that organisation being unfamiliar with the notion of corporate governance. It is, nonetheless, accepted that as a public sector organisation taking its lead from government, this may not be a straightforward task.
- It is recommended that all three CSOs consider their environmental responsibility, which in developing countries is not generally an agenda item.

- It is recommended that *Wasta* as a dominant feature in recruitment and selection in all three CSOs be forbidden since the granting of benefits on the grounds of personal relationships has a negative impact on the attitudes of people and consequently on their performance. Quality initiatives cannot succeed in an environment that is not fair and transparent.

### **7.3 Research Limitations**

It is accepted that every research study has some limitations which can impede the researcher's ability to effectively achieve the research objectives. In this study, the researcher made every effort to overcome such limitations, but those remaining are indicated as being:

- In CSOB, management did not agree to the interviews being tape-recorded, a reflection of cultural constraints, and in this situation the researcher tried to write notes as much as possible during and immediately after each interview. However, compared with CSOA and CSOC, the data collected was less, and the researcher's concentration was impaired during the interviews.
- A large amount of data was generated by the interviews. This was expected but nonetheless represented a challenge which the researcher attempted to overcome by presenting the data in tables to ensure that important notions were preserved.
- In many instances, the researcher could not access certain documents within the organisations or gain copies of others because of security and confidentiality issues. And in other cases, the researcher was allowed sight only of documentation that was help in the interviewees' offices and not allowed to make copies, hence being required to make notes.
- Whist the researcher was able to make direct observations of practices in the CSOs, participant observation would have allowed for a more in-depth understanding, but time and accessibility constraints precluded this.
- Using the qualitative approach within a case study strategy is known to restrict generalisation of the findings, but it is believed that the nature of the case study organisations will allow some generalisation to the Syrian market, and to countries sharing similar cultural attitudes and history.
- There may have been some interviewer bias caused by the researcher's non-verbal behaviour (facial expressions). However, the researcher found no evidence of this and tried to use all her interviewing skills to good (and objective) effect.

- In CSOB and CSOC, there were limited numbers of SFEs and the researcher experienced great difficulty in arranging interviews with them because of their limited free time.
- In the social sciences, it is not easy to contrast participants' views and draw a final and reliable conclusion. These views are presented in detail in Chapter Seven, in a manner that shows a 'for' and 'against' position in respect of each notion. Additionally, the data has been triangulated from different sources such as documents, archives, and minor observation to increase the validity.
- Some limitations on the data collection exist because of time, cost and effort. The research data were collected from three different cities (Damascus, Aleppo, and Idleb) and this caused some inconvenience because it was necessary for the researcher to travel on a daily basis between her home city and the other three cities.
- Publications about the Syrian banking sector are rare; hence, the researcher struggled to access academic papers connected with the study aim and objectives.

#### **7.4 Recommendations for Further Research**

This research suggests many directions for further research, which are indicated as follows.

- The suggested framework of factors affecting service quality excellence in the three CSOs (Figure 8.1) can be taken as the basis for a quantitative study using a questionnaire survey investigating the same factors but with a much larger population in the SBS. Indeed, with some minor change, this framework could be used for the same type of investigation in other developing countries with a common culture to that of Syria.
- The relationships identified in this study between the internal and external factors, and among the internal factors themselves (bank, human resource, service) (Figure 8.2), could stand further investigation and a study exploring these in much more detail and how they affect each other is recommended.
- Three different banks within the SBS (state-owned, private, and private Islamic) have been used as case studies, and have shown variations in their approach to QM. It is, therefore, recommended that the same study (quantitative and qualitative) be extended to more banks in the sector to generalise the findings even more.

- It is recommend a study of Islamic banks in other countries that like Syria have a mixture of banks (i.e. Turkey, Jordan). The study can explore how employees in state-owned banks (traditional) reconcile their feelings (if they have them) of banking in a manner that goes against their religious teachings, and hence affects their commitment to quality.
- It is recommend a study of Islamic banks in countries with a much stronger Islamic influence (Saudi Arabia, Iran, and Pakistan) to see what Islamic banks do to assure the general public that they are complying with Sharia, and hence giving quality service.

### **7.5 A Final Comment**

Having completed this study, it is appropriate to mention that Syria is currently in the difficult situation of severe political unrest and that when some resolution is found; the country will need a robust and reliable banking sector to assist in the reconstruction of much of the country's infrastructure and to instil confidence within the Syrian population. It is hoped, therefore, that this study will go some way towards helping the nation in that respect.

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## APPENDICES

### Appendix (1): Deming's 14 points for managing the Quality

Deming's 14 points for managing the Quality

1. Innovate and allocate resources to fulfill the long-term needs of the company and customer rather than short-term profitability.
2. Discard the old philosophy of accepting nonconforming products and services.
3. Eliminate dependence on mass inspection for quality control; instead, depend on process control, through statistical techniques.
4. Reduce the number of multiple source suppliers. Price has no meaning without an integral consideration for quality. Encourage suppliers to use statistical process control.
5. Use statistical techniques to identify the two sources of waste -- system (85%) and local faults (15%); strive to constantly reduce this waste.
6. Institute more thorough, better job related training.
7. Provide supervision with knowledge of statistical methods; encourage use of these methods to identify which nonconformities should be investigated for solution.
8. Reduce fear throughout the organisation by encouraging open, two-way, non-punitive communication. The economic loss resulting from fear to ask questions or reporting trouble is appalling.
9. Help reduce waste by encouraging design, research, and sales people to learn more about the problems of production.
10. Eliminate the use of goals and slogans to encourage productivity, unless training and management support is also provided.
11. Closely examine the impact of work standards. Do they consider quality or help anyone do a better job? They often act as an impediment to productivity improvement.
12. Institute rudimentary statistical training on a broad scale.
13. Institute a vigorous program for retraining people in new skills, to keep up with changes in materials, methods, product designs and machinery.
14. Create a structure in top management that will push every day for continuous quality improvement.

Core

(Source: Deming, 1982a)



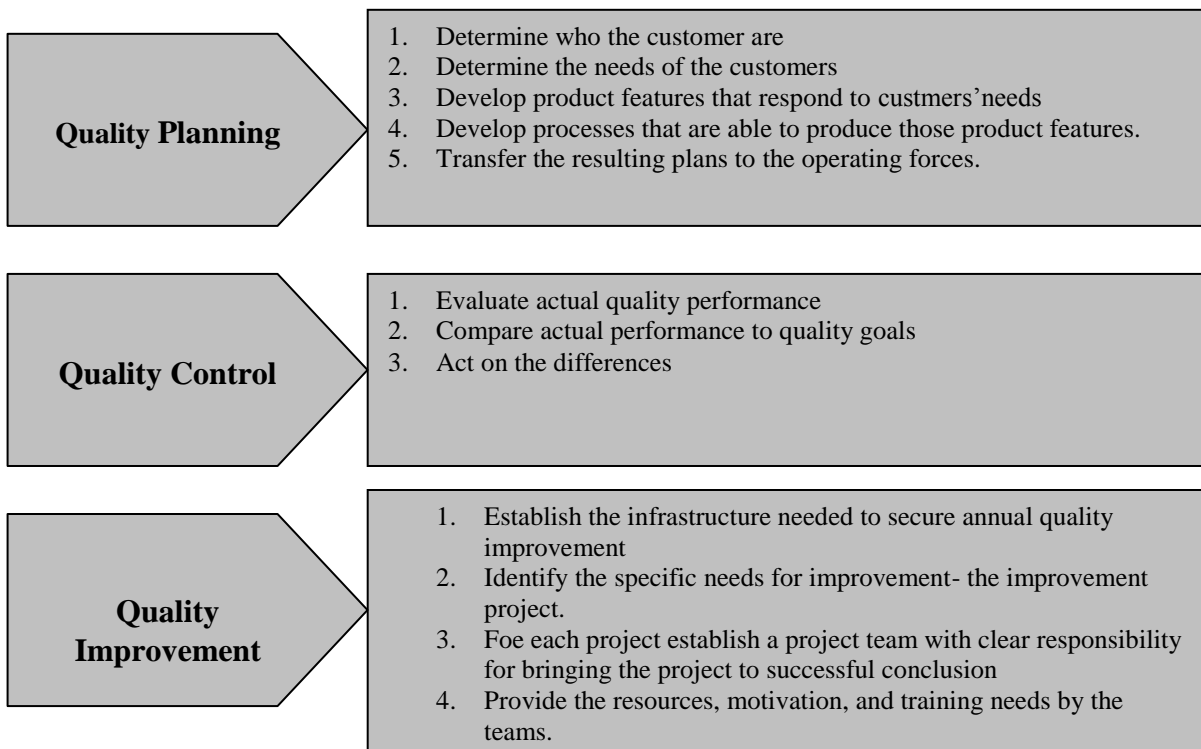
## Appendix (2): Juran's Ten Steps

Juran's Ten Steps (source: adopted from Lam *et al*, 1991, p 28)

1. Build awareness of the need and opportunity for important
2. Set goals for important
3. Organize to reach goals(establish quality council, identify problems, select projects, appoint teams, designate facilitators)
4. Provide training
5. Carry out projects to solve problems
6. Report progress
7. Give recognition
8. Communicate results
9. Keep score
10. Maintain momentum by making annual improvement part of regular systems and processes.

Three processes of Juran Trilogy and its associated steps

Source: As adopted from Juran (1989)



### **Appendix (3): Crosby's fourteen points**

Crosby's fourteen points (source: adopted from Crosby, 1979, pp 132-139)

1. Management commitment
2. Quality measurement
3. Cost of quality evaluation
4. Quality awareness
5. Corrective action
7. Establish and ad hoc committee for zero defects programmes
8. Supervisor training
9. Zero defect day
10. Goal setting
11. Error cause removal
12. Recognition
13. Quality councils
14. Do it over again

### **Appendix (4): Feigenbaum's Ten Benchmarks of total Quality**

Feigenbaum's Ten Benchmarks of total Quality (source: adopted from Feigenbaum, 1991, pp 828-

1. Quality is a company –wide process
2. Quality is what the customer says it is
3. Quality and cost are the same , not a different
4. Quality requires both individual and team zealot
5. Quality is a way of managing
6. Quality and innovation are mutually dependent
7. Quality is an ethic
8. Quality requires continuous improvement
9. Quality is the most cost – effective , least capital- intensive rout to productivity
10. Quality is implemented with a total system connected with customers and suppliers

## Appendix (5): Criteria of Deming Prize

<p><b>(1) Policy and Objectives</b></p> <ul style="list-style-type: none"> <li>• Policy, with regard to management, quality and quality control</li> <li>• Methods in determining policy and objectives</li> <li>• Appropriateness and consistency of content of objectives</li> <li>• Utilisation of statistical methods</li> <li>• Deployment, dissemination and permeation of objectives</li> <li>• Checking objectives and their implementation</li> <li>• Relationships with long-range and short-range plans</li> </ul> <p><b>(2) Organisation and its operation</b></p> <ul style="list-style-type: none"> <li>• A clear-cut line of responsibilities</li> <li>• Appropriateness of delegation of power</li> <li>• Cooperation between divisions</li> <li>• Activities of committees</li> <li>• Utilisation of staff</li> <li>• Utilisation of quality circle activities</li> <li>• Quality control audits</li> </ul> <p><b>(3) Education and its extension</b></p> <ul style="list-style-type: none"> <li>• Education plan and actual accomplishment</li> <li>• Consciousness about quality and control, understanding of quality control</li> <li>• Education concerning statistical concepts and methods, and degree of permeation</li> <li>• Ability to understand the effects</li> <li>• Education for- subcontractors" and outside organisation</li> <li>• Quality circle activities</li> <li>• Suggestion system and implementation</li> </ul> <p><b>(4) Assembling and disseminating information, and its utilisation</b></p> <ul style="list-style-type: none"> <li>• Assembling outside information</li> <li>• Disseminating information between divisions</li> <li>• Speed in disseminating information (use of computers)</li> <li>• (Statistical) analysis of information and its utilisation</li> </ul> <p><b>(5) Analysis</b></p> <ul style="list-style-type: none"> <li>• Selection of important problems and themes</li> <li>• Appropriateness of the analytical method</li> <li>• Utilisation of statistical methods</li> <li>• Tying in with own engineering technology</li> <li>• Quality analysis, process analysis</li> <li>• Utilisation of results of analysis</li> <li>• Positiveness of suggestions for improvement</li> </ul>	<p><b>(6) Standardisation</b></p> <ul style="list-style-type: none"> <li>• System of standardisation</li> <li>• Methods of establishing, revising and withdrawing standards</li> <li>• Actual records in establishing, revising and withdrawing standards</li> <li>• Contents of standards</li> <li>• Utilisation of statistical methods</li> <li>• Accumulation of technology</li> <li>• Utilisation of standards</li> </ul> <p><b>(7) Control ( kanri )</b></p> <ul style="list-style-type: none"> <li>• Control systems for quality and in related areas such as cost, delivery and quality</li> <li>• Control points and control items</li> <li>• Utilisation of statistical methods such as control' chart and general acceptance of statistical way of thinking</li> <li>• Contributions of quality circle activities</li> <li>• Actual conditions of control state</li> </ul> <p><b>(8) Quality assurance (QA)</b></p> <ul style="list-style-type: none"> <li>• Procedures for new product development quality deployment (breakdown of quality function) and its analysis, reliability and design review, etc.</li> <li>• Safety and product liability and prevention</li> <li>• Process design, control and improvement (Kaizen)</li> </ul> <ul style="list-style-type: none"> <li>• Process capabilities</li> <li>• Measurement and inspection</li> <li>• Control of facilities/equipment, subcontracting, purchasing and services, etc</li> </ul> <ul style="list-style-type: none"> <li>• Quality assurance system and its audit</li> <li>• Evaluation and audit of quality</li> </ul> <p>Practical condition of quality assurance</p> <p><b>(9) Effects</b></p> <ul style="list-style-type: none"> <li>• Measuring effects</li> <li>• Visible effects, such as quality, serviceability, date of delivery, cost, profit, safety and environment, etc.</li> <li>• Invisible effects</li> <li>• Compatibility between prediction of effects and actual records</li> </ul> <p><b>(10) Future plans</b></p> <ul style="list-style-type: none"> <li>• Understanding of status quo, and concreteness</li> <li>• Policies adopted to solve shortcomings</li> <li>• Plans of promotion of TQC for the future</li> <li>• Relations with company's long-range plan</li> </ul>
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Source: Shimuzi (1994), Zairi (1994), Zairi and Youssef (1995), Porter and Tanner (1996) as adopted from Al \_marri (2005)

## **Appendix (6): Baldrige Model Award Criteria**

### **Baldrige Model Award Criteria**

Baldrige Award has seven integrated categories. The seven categories are divided into several examination items. The examination items are further subdivided into several areas, each assigned with certain points with an overall total of 1,000 points. The following section explains briefly the main categories according to Baldrige National Quality programme (Criteria for performance excellence pdf, 2009-2010):

#### **Category 1: Leadership (120 points)**

This category examines how senior leaders guide and sustain the organization. Also examines the governance system of the organisation. In other words, how the organisation performs its legal, ethical, and societal responsibilities and supports its key communities.

The essential components of this category are:

1. Senior Leadership, and
2. Governance and Societal Responsibilities:

#### **Category 2: Strategic Planning (85 points)**

This category focuses on how the organisation develops strategic objectives and action plans. Besides, it checks how these strategic objectives, and plan actions are deployed and changed if circumstances require, and how the progress is measured.

This category consists of:

1. Strategy Development, and
2. Strategy Deployment

#### **Category 3: Customer Focus (85 points)**

This category examines how organization engages its customers for long-term marketplace success. This engagement strategy includes how the organization builds a customer -focused culture. Also examined is how the organization listens to the voice of its customers and uses this information to improve and identify opportunities for innovation.

The items that make up this category are:

1. Customer engagement and,
2. Voice of the customer

#### **Category 4: Measurement, Analysis, and Knowledge Management (90 points)**

This category investigates how the organization selects, gathers, analyzes, manages, and improves its data, information, and knowledge assets and how it manages its information technology. The Category also examines how the organization reviews and uses reviews to improve its performance.

The key items of this category are:

1. Measurement, Analysis, and Improvement of Organizational Performance
2. Management of Information, Knowledge, and Information Technology

### **Category 5: Workforce Focus (85 points)**

This Category addresses how the organization engages, manages, and develops its workforce to utilize its full potential in alignment with the organization's overall mission, strategy, and action plans. The Category examines the ability to assess workforce capability and capacity needs and to build a workforce environment conducive to high performance.

This category includes:

1. Workforce Engagement and,
2. Workforce Environment

### **Category 6: Process Management (85 points)**

This category examines how the organization designs its work systems and how it designs, manages, and improves its key processes for implementing those work systems to deliver customer value and achieve organizational success and suitability. Also examined is the readiness for emergencies.

The category combines two elements:

1. Work Systems and,
2. Work Processes

### **Category 7: Results (450 points)**

The Results category examines the organization's performance and improvement in all KEY areas— product outcomes, customer-focused outcomes, financial and market outcomes, workforce-focused outcomes, process effectiveness outcomes, and leadership outcomes. Performance levels are examined relative to those of competitors and other organizations with similar product offerings.

This category includes

1. Product Outcomes,
2. Customer-Focused Outcomes,
3. Financial and Market Outcomes,
4. Workforce-Focused Outcomes,
5. Process Effectiveness Outcomes, and
6. Leadership Outcomes,

## **Appendix (7): EFQM Excellence Model Criteria**

The concepts of these criteria as adopted from (www. EFQM .org, 2010):

### **Enablers criteria**

#### **1. Leadership (100 points)**

Excellent organisations have leaders who shape the future and make it happen, acting as role models for its values and ethics and inspiring trust at all times. They are flexible, enabling the organisation to anticipate and react in a timely manner to ensure the ongoing success of the organisation.

- 1a. Leaders develop the mission, vision, values and ethics and act as role models
- 1b. Leaders define, monitor, review and drive the improvement of the organisation's management system and performance.
- 1c. Leaders engage with external stakeholders
- 1d. Leaders reinforce a culture of excellence with the organisation's people
- 1e. Leaders ensure that the organisation is flexible and manages change effectively

#### **2. Strategy(100 points)**

Excellent organisations implement their mission and vision by developing a stakeholder focused strategy. Policies, plans, objectives and processes are developed and deployed to deliver the strategy.

- 2a. Strategy is based on understanding the needs and expectations of both stakeholders and the external environment
- 2b. Strategy is based on understanding internal performance and capabilities
- 2c. Strategy and supporting policies are developed, reviewed and updated to ensure economic, societal and ecological sustainability
- 2d. Strategy and supporting policies are communicated and deployed through plans, processes and objectives

#### **3. People(100 points)**

Excellent organisations value their people and create a culture that allows the mutually beneficial achievement of organisational and personal goals. They develop the capabilities of their people and promote fairness and equality. They care for, communicate, reward and recognise, in a way that motivates people, builds commitment and enables them to use their skills and knowledge for the benefit of the organisation.

- 3a. People plans support the organisation's strategy
- 3b. People's knowledge and capabilities are developed
- 3c. People are aligned, involved and empowered
- 3d. People communicate effectively throughout the organisation
- 3e. People are rewarded, recognised and cared for

#### **4. Partnerships & Resources (100 points)**

Excellent organisations plan and manage external partnerships, suppliers and internal resources in order to support strategy and policies and the effective operation of processes.

- 4a. Partners and suppliers are managed for sustainable benefit
- 4b. Finances are managed to secure sustained success
- 4c. Buildings, equipment, materials and natural resources are managed in a sustainable way
- 4d. Technology is managed to support the delivery of strategy
- 4e. Information and knowledge are managed to support effective decision making and to build the organisational capability

#### **4. Processes, Products & Services(100) point**

Excellent organisations design, manage and improve processes to generate increasing value for customers and other stakeholders.

5a. Processes are designed and managed to optimise stakeholder value

5b. Products and Services are developed to create optimum value for customers

5c. Products and Services are effectively promoted and marketed

5d. Products and Services are produced, delivered and managed

5e. Customer relationships are managed and enhanced

#### **Results Criteria**

#### **6. Customer Result (150 points)**

The new change at this criterion at 2010 version emphasises the impact the organisation has on perceptions rather than just ‘measuring’ them.

#### **6a perception**

These are the customers’ perceptions of the organisation. They may be obtained from a number of sources, including customer surveys, focus groups, vendor ratings, compliments and complaints.

These perceptions should give a clear understanding of the effectiveness, from the customer’s perspective, of the employment and execution of the organisation’s customer strategy and supporting policies and processes.

Depending on the purpose of the organisation, measures may focus on:

- Reputation and image
- Product and service value
- Product and service delivery
- Customer service, relationship and support
- Customer loyalty and engagement

#### **6b Performance indicators**

These are the internal measures used by the organisation in order to monitor, understand, predict and improve the performance of the organisation and to predict their impact on the perceptions of its external customers.

- These indicators should give a clear understanding of the efficiency and effectiveness of the deployment and execution of the organisation’s customer strategy and supporting policies and processes.
- Depending on the purpose of the organisation, measures may focus on:
- Products and services delivery
- Customer service, relationships and support
- Complaints and compliments
- External recognition

#### **7. People Results(100 points)**

This criterion defines what the organisation is achieving in relation to its people. The new version of the model (2010) focuses on integrating people results with how people perceive the effectiveness of the strategy, especially the ‘human’ part.

This criterion is made up of the following parts

7a Perceptions

7b Performance Indicators

#### **8. Society Results(100 points)**

This category refers to what the organisation is achieving in satisfying the needs and expectations of the local, national and international society, as appropriate. The new version of

the model (2010) also focuses on alignment the societal and environmental aspects of the strategy. This criterion is made up of the following parts

8a Perceptions

8b Performance Indicators

**9. Key Results (150 points)**

This criterion defines what the organisation is achieving in relation to its planned performance and satisfying the needs and expectations of everyone with a financial or other stake in the organisation. This criterion is made up of the following parts

9.a Key Strategic Outcomes

9.b Key Performance Indicators





## **Appendix (9): Companies Chosen for Case Studies**

### **1. Real Estate Bank (REB):**

The Real Estate Bank of Syria (REB) is a state-owned bank founded in 1966. The registered, fully paid capital is SP (1,500) million. The bank has 26 branches in Syria, five in Damascus, and the others in the remaining Syrian governorates.

The REB provides all banking operations, services, and facilities. It supports construction and economic activities nationwide by financing the construction of properties (housing, tourist, industrial, commercial, vocational, and educational, environment, and health enterprises). It meets short, medium and long-term credit needs. It mobilises resources and savings and utilises them for the fulfilment of the bank's objectives.

In addition, it provides technical, legal, and finance consulting to its clients, particularly in connection with real estate issues. The Bank also grants loans to individuals, particularly those with a low to middle income, for the construction of homes, commercial, scientific and professional offices.

The bank offers its clients advanced banking services which rely on up-to-date electronic telecommunication systems, including issuance of local credit cards, honouring all kinds of world acknowledged credit and debit cards, and the use of the international (phoenix) banking system, ATMs and POS machines (REB Annual Report, 2010).

### **2. Fransabank Syria (FBS)**

Fransabank Syria (FBS) was established in Damascus in 2009 as a subsidiary of Fransabank Lebanon, a leading Lebanese Bank launched in 1921 in Beirut. It is ranked No. 1 on the list of banks operating in Lebanon, indicating that it is the oldest bank in the country.

Fransabank Syria had a capital of SP (1,750,000) million in 2011. Fransabank Syria operates through a network of seven branches covering five major districts. Through this network, Fransabank Syria offers the full array of commercial banking services, including retail, corporate and trade finance. These include a large of retail products, including personal and specialised loans, car and housing loans, along with corporate and SME financing, whether large syndicated loans, project financing or small start-ups financing as well as trade finance and investment schemes. Moreover, the bank offers its agents a credit card system and other electronic banking services (FBS Annual Report, 2010).

### **3. Syria International Islamic Bank (SIIB)**

Syria International Islamic bank (SIIB) was established in Syria in 2006 as a Syrian private autonomous joint stock company with a capital of 5 billion Syrian pounds under a developed

Islamic financial vision of a strategic partnership between the private sectors in the Syrian Arab Republic and the State of Qatar. According to the Syrian Commission for Financial Markets and Securities Report (2010), the SIIB is the best bank in the Syrian market in terms of profit growth. It has a network of 26 branches, 12 located in Damascus the rest covering all the Syrian governorates.

Qatar International Islamic Bank is the main strategic founder with 30% shares of the capital, and another Quatari investor has a share of 19% of the capital.

Syria International Islamic Bank is considered the largest private bank among private sector banks in terms of the volume of full paid capital and the number shareholders. It provides a variety of banking services including personal finance (Financing the purchase of real estate, cars, furniture, home and office supplies, electrical and electronic appliances), E-banking services, Corporate Banking such as corporate finance, and deposit accounts, credit cards, and other banking services (SIIB Annual Report, 2010).

#### **Appendix (10): Interview Questions for Top Managers (TMs) and Middle Managers (MMs)**

1. *Generally speaking, to what extent you consider the service quality is important in your organisation? And why?*
2. *If you were to rate your organisation service quality, what would be your organisation's position, in a rating scale one to five? and why?*
3. *Related to the service quality do you think the performance of your bank is typical comparing with the performance of Syrian Banking Sector?*
4. *In your point of view, what are the most important factors affecting the service quality in your bank? And why?*
5. *As a leader in your organisation to what extent are you committed for developing the quality and how?*
6. *Do you have the authority and the ability to take risks and guide radical changes in your organisation? Can you provide an example?*
7. *Do you have a clear strategy for developing the service quality in your organisation? If "No" why? And who is responsible for defining these strategies at your organisation?*
8. *Who is responsible for setting the mission, vision, and quality values of your organisation? How do you communicate to all people?*
9. *Do you have enough funds and resources in your organisation to improve the service quality?*
10. *Do you have authority and flexibility to distribute these resources between different departments and activities*
11. *"How do you satisfy your customers' needs and expectations? And how do you know that? "*
12. *Do you have any training plans and budget to support the training purposes?*
13. *Do you think that the training courses are sufficient enough (scope, depth, up to date) to meet the employees and the organisation's needs? And how do you evaluate training programmes?*
14. *How do you design and monitor your training needs?*
15. *Do you usually involve your employees at different levels in the decision making, continuous improvement, and service quality development? If yes how? If No why?*
16. *How do you communicate the key decisions with other managerial levels?*
17. *Do you consider the present system of communication appropriate for your organisation as a bank? Why? why not?*
18. *Do you have reward and recognition scheme in your organisation? Please clarify.*
19. *How do you design the operation processes in your organisation? Whose responsibility is to manage?*
20. *How do you control these processes? Do you have any statistical methods?*
21. *What are the new technological developments in your view adding to your bank?*
22. *Do you have any partnerships with other clients or organisations? If No why?*
23. *What are the mutual benefits of such these partnerships?*

24. *What had your organisation achieved to satisfy their customers, people and society? Do you have internal performance indicators for each criterion?*
25. *Do you think that your organisation has achieved good financial performance during the last five years? How do you assess this performance?*
26. *How do you fight financial crime such as (Money laundering, high risk lending) or any other illegal financial practices (penetrating the financial privacy, encouraging tax evasion)?*
27. *How does your organisation support the society? Do you have some investments or programmes to promote human welfare and good will? (E.g. investments in education or health sector etc).*
28. *How do you encourage innovation in your organisation?*

### **Appendix (11): Interview Questions for Shop Floor Employees (SFEs)**

- *Generally speaking, to what extent you consider the service quality is important in your organisation? And why?*
- *If you were to rate your organisation service quality, what would be your organisation's position, in a rating scale one to five? and why?*
- *Related to the service quality do you think the performance of your bank is typical comparing with the performance of Syrian Banking Sector?*
- *In your point of view, what are the most important factors affecting the service quality at your bank? And why?*
- *Do you consider that your manager is committed to develop the service quality in your department? Can you give an example?*
- *Do you think that your manager considers the ethical dimension in his behaviour (e.g. trustworthiness, fairness, and honesty)? And how? Can you give an example?*
- *Who sets your organisational quality strategy? And how is this communicated?*
- *What do you understand of the term "customer satisfaction"?*
- *How do you satisfy your customers' needs and expectations? And how do you know that?*
- *What form of training do you apply for during your service years? Is there any specific training conducted to assist you in quality issues (tools) and customer service skills? How many courses?*
- *Did you find these courses are efficient to meet your needs? If No why?*
- *Does your manager encourage you to make decision without further approval?*
- *To what extent your manager empowers you? And which issues?*
- *Does your manager consider the good employees suggestions? If No why in your opinion?*
- *How often do you have meetings with your manager? What are the discussed issues?*
- *Did you receive any training to develop your communication skills?*
- *Do you have reward and recognition scheme in your organisation? Please clarify.*
- *Are you satisfied with the reward and recognition scheme in your organisation as a bank? If no, why?*
- *Do you consider that your bank provides a good service at a reasonable price and good quality to people from different social categories? If No, why?*
- *Is your organisation a pioneer in adopting service innovation? Please clarify.*
- *Do you think that your manager encourages the innovation? If No, why?*

**Appendix (12): Link between the Literature Review Themes and the Interview Questions.**

Fundamental Concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<p><b>1. Leading with Vision, Inspiration, and Integrity</b></p>	<p>Deming(1982), Juran (1991),Crosby(1984),Garvin(1986),MBNQA(2010) EFQM(2010 ), Wongrassamee, Gardiner and Simmons(2003) , kotter( 2001), Bohoris and Vorria (2009), Leonard and Sasser (1982), Kanji (2001), Fortuna (1992), Kehoe (1996), Dean and Evans(1994) , Huge and Vasily (1992) , and Tummala and Tang (1996) , Sureshchandar, et al (2001), (Strebel, 1996),Shingeo (1986), by Gufreda et al (1992), Nakamura (1992) and, Dean and Evans (1994), Solomon(1992), Gonzalez and Guillen (2002), Zhang, Wasznik and Wijngaard (2000), Nakamura (1992), (yusof, 2000), Mellahi &amp; Eyuboglu (2001), Kehoe (1996), Dean and Evans (1994), Hand (1992), Prigent (1992), Baines (1992), Deming( 1986), Schwinn( 2002), Soltani, (2005), Soltani, Chun Lai, &amp; Gharneh( 2005),Vorria and Bohoris(2009).</p>	<p>This theme examines and addresses to what extent Leaders in the CSOs are able to :</p> <ul style="list-style-type: none"> <li>• Setting a direction- developing a vision, mission and , quality values(culture)</li> <li>• Aligning people by satisfying basic human needs and caring for the welfare and well being of employees</li> <li>• Motivate and Inspire the Organization</li> <li>• define a Quality strategy,</li> <li>• Set a clear quality vision (based on customer and employee focus) and the extent to which the vision forms the basis for strategic planning and decision- making.</li> <li>• consider the ethical dimension in their behaviour e.g. trustworthiness, fairness and honesty in their job</li> <li>• devotes time, energy, and better coordinate the use of resources in order to improve financial performance</li> <li>• establish goals and systems to enhance customer satisfaction,</li> <li>• promote the development of human resources, investing in training and education</li> <li>• Achieve good communication(communicate the logic behind decisions and instructions), and listen to others(branch managers, head of departments, and customers)</li> <li>• Involvement by themselves and encourage employees involvement in quality management and improvement process.</li> <li>• Solving the problem on the system, removing the barriers and obstacles that affect the job continuity</li> </ul> <p>(Preparedness of the management to remove the root</p>	<p><b>TM &amp; MM Questions</b></p> <ul style="list-style-type: none"> <li>• <i>As a leader in your organisation to what extent you are committed to develop the quality and how?</i></li> <li>• <i>Do you have the authority and the ability to have a risk and guide radical changes in your organisation? Can you provide an example?</i></li> <li>• <i>Do you have a clear strategy for developing the service quality in your organisation? If “No” why? And who is the responsible about defining these strategies at your organisation?</i></li> <li>• <i>Who is responsible on setting the mission, vision, and quality values of your organisation? How do you communicate to all people?</i></li> <li>• <i>Do you have enough fund and resources in your organisation to improve the service quality?</i></li> <li>• <i>Do you have authority and flexibility to distribute these resources between different departments and activities?</i></li> </ul>



		<p>causes of problems and not just “fire-fight” the symptoms )</p> <ul style="list-style-type: none"> <li>• Creating team work at management level</li> <li>• Discuss quality issues in top management meetings</li> <li>• High level educated and knowledgeable about quality management issues</li> <li>• How long they occupy their position on the board (Management mobility)</li> <li>• Ability to have risk and guide radical changes (Extent to which the management takes into account the competitive environment and the element of risk in its strategic planning and decision making)</li> </ul>	<p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Do you consider that your manager is committed to develop the service quality in your department? Can you narrate an example?</i></li> <li>• <i>Do you think that your manager considers the ethical dimension in his behaviour (e.g. Trustworthiness, fairness, and honesty)? And how? Can you narrate an example?</i></li> <li>• <i>Who set your organisational strategy? And how does communicated?</i></li> </ul>
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Fundamental concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<p><b>2. Adding Value for Customers</b></p>	<p>Ishikawa (1985), Deming (1986), Crosby (1984) (Dean &amp; Evans, 1994),( Bergman &amp; Klefsjo, 1994), ( Oakland, 2003), Sureshchandar et al (2001), Reynoso (1994), Chapman et al (1997), Conduit and Mavondo (2001),Parasuraman et al., (1991),MBNQA(2010), EFQM(2010 ), (Oakland, 1989), (Cullen &amp; Hollingum, 1987), Stebbing (1993), Besterfield (1986), Brige and Latvia (2006), Kehoe (1996), Walton (1985), Hand(1992), Zing at al. (2000), Brige and Latvia (2006)</p>	<p>This theme examine to what extent the CSOs are :</p> <ul style="list-style-type: none"> <li>• Recognise who are the organisation’ customers</li> <li>• Creating customer focus culture and listens to the customers</li> <li>• Develop system to gather information about customer expectation and update this information continually.</li> <li>• uses methods for determining and monitoring external customer’s perceived quality and value(customer complaints and compliments, customer satisfaction survey, focus groups, conducting market research ...)</li> <li>• Prioritizing these expectations according to the customer importance, company resources, and company ability to deliver the expected service.</li> <li>• Use customer feedback to improve product/service quality</li> <li>• Customer complaints should be treated with top priority by resolving them and using the information for quality improvement and prevention of recurrence of problems.</li> <li>• Warranty on sold products should also be provided</li> <li>• measure performance against customer targets</li> <li>• compare its customer satisfaction results with that of main competitors</li> <li>• Satisfy internal customer to achieve external customer satisfaction</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• “How do you satisfy your customers’ needs and expectations? And how do you know that? ”.</li> </ul> <p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• What do you understand of the term “customer satisfaction”?</li> <li>• “How do you satisfy your customers’ needs and expectations? And how do you know that? ”.</li> </ul>

		<ul style="list-style-type: none"><li>• Achieving levels of interdependence between internal and external customer</li><li>• Building strong and close relationship between bank and customer to achieve co-operation, commitment and trust</li></ul>	
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Fundamental Concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<p><b>3. Succeeding through People</b></p> <p><b>3.1. Training and Education</b></p>	<p>Strober(1990); Bartel and Lichtenberg,(1987)</p> <p>Heyes and Stuart(996), Bartlett(2001); (Soltani and Liao,2010), (Brown,1994; Patel, 1994; Perry, 1995), (Mellahi and Eyuboglu, 2001), (Ueno, 2008). (Juran, 1978; Crosby, 1979; Deming, 1986), Motwani and Rice (1994), (Caruana and Calleya , 1998;Money and Foreman ,1996, Zhang et al (2000). Dale and Cooper (1992), Palumbo et al., 1994; Cowling and Newman, 1995), Berry, et al (1990), Schneider and Bowen(1992), Spanbauer (1995), Porter and Parker (1993), Holden(2004), Rainbird (1995), Mann and Kehoe (1995), (Bowen and Schneider, 1988), Payne and Dale(1990), Leonard and Sasser(1982), Ueno (2008), Soltani and Liao (2010)</p>	<p>This theme examine to what extent the CSOs are:</p> <ul style="list-style-type: none"> <li>• Effectiveness and efficiency (scope, depth , up to date) of quality training programmes for different levels at the organisation (managers and employees)</li> <li>• The extent to which the organisation consider training programmes as investment in people not cost (dominant approach to training: human capital versus human cost )</li> <li>• The extent to which training programme meet the employees needs as well the organisation needs.</li> <li>• The extent to which training programmes should develop the technical skills such as using quality tools, as well as the interpersonal (behavioural) skills (service organisation).</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Do you have any training plans and budget to support the training purposes?</i></li> <li>• <i>Do you think that the training courses are efficient enough (scope, depth, up to date) to meet the employees and the organisation's needs? And how do you evaluate training programmes?</i></li> <li>• <i>How do you design and monitor your training needs?</i></li> </ul> <p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>What form of training do you apply for during your service years? Is there any specific training conducted to assist you in quality issues (tools) and customer service skills? How many courses?</i></li> <li>• <i>Did you find these courses are efficient to meet your needs? If No why?</i></li> </ul>

Fundamental Concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<p><b>3.2 Empowerment and Involvement</b></p>	<p>Soltant et al (2003), Besterfield <i>et al</i>, 2003; Morris and Haigh, 1996; Goetsch and Davis, 2003). Schneider and Bowen (1992). Gufreda and Maynard (1992), (Deming, 1986; Feigenbaum, 1983), (Crosby, 1980), (Iskikawa, 1985). Mersha (1997) ,(Oakland ,1989) , Milakovich (1995), .(Sureshchandar et al , 2001), Berry and Parasuraman, 1992; Ghobadian et al., 1994; Zeithaml and Bitner, 1996; Lin and Darling, 1997; Rafiq and Ahmed, 1998).</p> <p>Katzell and Guzzo, 1983; Locke and Schweiger, 1979, Sashkin, 1982, 1984; Kanter, 1983; Greenberger and Strasser, 1991; Spreitzer, 1992; Whetten <i>et al.</i>, 1996), Bateson, 1995; Zeithaml and Bitner ,1996), Zhange et al (2000) , Huges &amp; Vasily (1992), Wilkinson and Witcher, (1991), (Sun <i>et al</i>, 2000; Kondo, 1997; Ang, 2002), Whetten et al. (1996), Kanter (1983) and Bandura (1986), Mellahi &amp; Eyuboglu (2001), Gilmore and Carson (1995), Weiss (1997), Porter and Parker (1993), (Wilkinson, 1994, Smith, 1995; Zhang, 2000), Papasolomou (2006), Humbrstad <i>et al.</i> ( 2008), Greasley <i>et al.</i> (2008),</p>	<p>This theme examine to what <b>extent</b> at CSOs:</p> <ul style="list-style-type: none"> <li>• involve and empower all their employees at different levels in their institutional process of decision taking, continuous improvement, and service quality development</li> <li>• Believe that empowerment means transforming: power, information, reward, knowledge, and responsibility from top to down with the freedom to change the system.</li> <li>• Evaluate and Implement good employees suggestion</li> <li>• Managers have the responsibility of encouraging, praising, responding and providing feedback for employees to be involved and empowered efficiently.</li> <li>• Managers can balance between empowerment and strict management control</li> <li>• Use techniques for empowerment and involvement.</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Do you usually involve your employees at different levels in the decision making, continuous improvement, and service quality development? If yes how? If No why?</i></li> </ul> <p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Does your manager encourage you to make decision without further approval?</i></li> <li>• <i>To what extent your manager empowers you? And which issues?</i></li> <li>• <i>Does your manager consider the good employees suggestions? If No why in your opinion?</i></li> </ul>

Fundamental Concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<b>3.3Communication</b>	(Lievens et al., 1999), (Nadler, 1993), ( Robitaille, 2006), (Oakland, 2000), (Zeithaml and Bitner, 1996; Allen and Brady, 1997; Savery et al., 1998), Beach (1996), (Gilmore and Carson, 1995; Gro'nroos, 2000; Zeithaml and Bitner, 2000), Kandampully (1993), Deming (1982), Zeitz et al (1997), Freed and Klugman (1997), (Ueno, 2008), Augsdofer and Harding (1995), Lewis and Smith (1994), Axline (1991), Jabnoun (2001), Wells (1997), Porter and Parker (1993), Feigenbaum, (1991) ,Besterfield <i>et al</i> (2003) (Thiagarajan and Zairi 1997), Hopkins(2006),(Internal communication, 2009)	This Theme examine and addresses How the CSOs: <ul style="list-style-type: none"> <li>• Remove the obstacles of not communicating such as fear, arrogance, lack of trust, and extra sensitivity for others' feelings by offering an atmosphere of trust and clear shared understanding of objectives</li> <li>• Allow people to criticise processes and activities provided by them and appropriate respond for that.(Balm free environment)</li> <li>• Provide sufficient training for managers and employees in communication skills and means.</li> <li>• Assess the effectiveness of their communication process ( communication should be two- way, frequent, regular , effective, and between all levels)</li> <li>• Respond to feedback from all levels.</li> <li>• Availability of communication means and allocating sufficient resource for that.</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>How do you communicate the key decisions with other managerial levels?</i></li> <li>• <i>Do you consider the present system of communication appropriate for your organisation as a bank? Why? why not?</i></li> </ul> <p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>How often do you have meetings with your manager? What are the discussed issues?</i></li> <li>• <i>Did you receive any training to develop your communication skills?</i></li> </ul>

Fundamental concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<b>3.4 Reward and Recognition</b>	<p>Juran and Gryna (1993), (Hale 1998; Lawler, 1981, 1987), (Crosby, 1980; Deming, 1986; Drummond and Chell, 1992; Oakland, 1993), Juran (1989), EFQM(2010) , (Carter et al., 2000; Martensen and Gronholdt ,2001,and Wong and Sohal ,2002), .(Schuler and Harris ,1992), (Shadur et al., 1994; Redman and Mathews, 1998), (Van Looy et al., 1998), (Schuler and Harris, 1992; Brown <i>et al.</i>, 1995; Palmer, 2001).USA Conference Board (1991), Ueno (2008), Redman and Mathews (1995), (Lashley, 1998),(Heskett <i>et al.</i>, 1990; Schmenner, 1995; Lashley, 1997; 1998). Dale and Plunkett, 1990; Mehra <i>et al.</i>, 2001, Brown <i>et al.</i>,1994; Besterfield, 2003), Cherrington (1995), Armsrong (1999),Zhang <i>et al</i> (2000), Shaw (1999)</p>	<p>This Theme examines to what extent Reward and recognition system adopted in CSOs are:</p> <ul style="list-style-type: none"> <li>• Carefully designed and appropriately managed to encourage and stimulate people to achieve the excellent performance (Such as improving working conditions, salary promotions, position promotions, monetary or non-monetary rewards)</li> <li>• Dynamics, they have been updated and revised regularly to cope with the changed circumstances.</li> <li>• Treating all employees equitably, fairly and consistently in relation to the work they perform and their contribution</li> <li>• Dealing with both individuals and teams (departments, sections, divisions,etc) by assessing their performance on number of identified criteria (efforts , skills, experiences, contributions..)</li> <li>• Taking in consideration that earning money is the most important reason for people to work hard to get their remuneration.(Financial reward have the priority)</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Do you have reward and recognition scheme in your organisation? Please clarify.</i></li> </ul> <p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Do you have reward and recognition scheme in your organisation? Please clarify.</i></li> <li>• <i>Are you satisfied with the reward and recognition scheme in your organisation as a bank? If no why?</i></li> </ul>

Fundamental Concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<p><b>4.Managing by Process</b></p>	<p>(Armistead et al., 1999; Garvare, 2002; Lindsay et al., 2003, Isaksson, 2006). Slack et al. (2001), Munro-Faure and Monro-Faure (1993), Isaksson (2006), (Rentzhog, 1996), Cakar et al. (2003), Bergman and Klefsjo" (2003) and Ould (1995), Harrington (1991), (Bessant et al., 1994), (Carpinetti et al., 2000), (Feigenbaum, 1991),(Berman and Klefsijo,1994;Straker,1995),ISO( 9001:2000), EFQM Excellence model (2010) , Baldrige Model (2009-2010), Kanji (2001), Carmignani (2008), (Melan , 1992; Tsim et al , 2002), Garvin, 1983; Juran ,1978; Crosby, 1979; Deming, 1982;Monfon, 1982; Motwani,1994) , Sureshchandar et at (2001), Milakovich (1995), Zemke and Schaaf (1990), Joseph and Stone(2003), Byers and lederer, 2001' Howcraft and Beckett, 1996; Kelley, 1989; Pyun at al., 2002; Quinn, 1996), ( Kopp, 2010), Cowles and Crosby (1990)</p>	<p>This Theme examines to what extent CSOs are able to:</p> <ul style="list-style-type: none"> <li>• Design, manage and improve their process and activities efficiently as a function of customers' satisfaction and of the attainment of quality objectives.</li> <li>• Assess the quality of its processes</li> <li>• Determine which are the critical processes and selects adequate control points</li> <li>• Applies appropriate statistical methods to control its processes</li> <li>• Standardize, simplify and document the service delivery process so that services are delivered without any hassle. (Seamlessness of service).</li> <li>• Enhance the technological capability (e. g. computerization, networking of operations, etc.) to serve customers more effectively.</li> <li>• Emphasis on developing procedures for reducing the overall service delivery time</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>How do you design the operation processes in your organisation? Whose responsibility is to manage?</i></li> <li>• <i>How do you control these processes? Do you have any statistical methods?</i></li> <li>• <i>What are the new technological developments in your view adding to your bank?</i></li> </ul> <p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Do you consider that your bank provides a good service at reasonable price and good quality to people from different social categories? If No why?</i></li> <li>• <i>Is your organisation pioneer in adopting service innovation? Please clarify.</i></li> </ul>



Fundamental concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<b>5. Building Partnerships</b>	<p>Taket and White (2000), (OECD, 2000), (Doz and Hamel, 1998), (Bresnen and Marshall, 2000), Cully et al.( 1999), Kanter (1994), Zineldin (1996), Haubrich (1989),( Donnelly <i>et al.</i>, 1985; Moriarty <i>et al.</i>, 1983; Thunman, 1991; Zineldin, 1993, Zineldin, 1995, Edris and Almahmeed ,1997) , Bell et al., 2005; Mittal and Katrichis, 2000), Paré (1990) (Bejou et al., 1996; Crosby et al., 1990;Hennig-Thurau, 2000; Hennig-Thurau and Klee, 1997; Moliner et al., 2007), (Gro'nroos,; 2001), (Storbacka et al.,1994). (Lin and Ding, 2005; Wray et al., 1994; Wray et al., 1994; DeWulf et al., 2001; Lang and Colgate, 2003; Roberts et al. 2003; Macintosh, 2007), Gwinner et al., 1998; Hennig-Thurau et al., 2002; Reynolds and Beatty, 1999), Dagger and O'Brien(2010) , Zineldin (2006)</p>	<p>This Theme examines to what extent CSOs are able to:</p> <ul style="list-style-type: none"> <li>● Build and maintain effective partnerships and trusting relationships with various partners(customers/clients ,and other organisations) to ensure mutual success</li> <li>● Build and maintain partnership relationships are be based on mutual trustworthiness, co-operation, shared interest and objectives, closeness, openness, flexibility, and a commitment which ensure client/customer satisfaction and loyalty.</li> <li>● Develop knowledge and access information about the partners which create a competitive advantage enable bank of estimate future investment opportunities</li> <li>● Be aware of the concept relationship quality where the customer's perception of the quality is developed and changed in line with the relationship's duration per se.</li> <li>● Be aware of the relationship quality dimensions which are: quality of (objective, process, infrastructure, interaction and atmosphere)</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>● <i>Do you have any partnerships with other clients or organisations? If No why?</i></li> <li>● <i>What are the mutual benefits of such these partnerships?</i></li> </ul>

Fundamental concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<b>6. Achieving Balanced Results</b>	<p>Nabitz <i>et al.</i>, (2001), Parasuraman <i>et al.</i>(1994), Cronin and Taylor( 1992), Ennew and Binks (1996), Colgate and Hedge (2001), Chakravarty <i>et al.</i> (2004), Anderson and Sullivan (1993), Yavas <i>et al.</i> (1997), Jamal and Nasser (2002), Chakrabarty (2006), Manrai and Manrai (2007), Gan <i>et al.</i> (2011), Sureshachander <i>et al.</i> (2001),McGregor, 1960; Crosby, 1979; Deming, 1986; Cranny <i>et al.</i>, 1992; Rao <i>et al.</i>, 1996; Zhang <i>et al.</i>, (2000), Greenberg, 1985; Schneider and Bowen, 1992, 1995; Schneider <i>et al.</i>, 1994, EEFQM(2010), Wilkinson (1992), Kohler and Mathieu (1993), Saari and Judge (2004), Kaya (2010), Babakus <i>et al.</i> (2003), Lau and Idris, 2001; Johnson, 1997; McAdam and Henderson (2004), Reynoso (1994), Ishikawa (1985), Floger and Greenberg (1985), Ooi <i>et al.</i> (2007), Xiao (1996), Lawler (2000), (Crosby, 1979; Deming, 1986; Bohan and Horney, 1991; Carr, 1992). Garvin (1992), Hendricks and Singhal (1997), Easton and Jarrell (1998), Rapert and Wren (1998), Rust <i>et al.</i> (1995), and Moballeghi (2011)</p>	<p>This Theme examines to what extent CSOs are able to:</p> <ul style="list-style-type: none"> <li>• Excellence can be translated to different achievements relating not only to the key business results but also to the satisfaction of internal and external customers, and the society in which the organisation performs its activity.</li> <li>• Customer results: many dimensions of service quality have been recognised affecting the customer satisfaction such as personnel-related considerations, financial considerations, branch environment-related considerations, and convenience-related considerations.</li> <li>• People results: can be classified to a. Employee motivation and commitment b. Employee achievement c. Employee satisfaction</li> <li>• The influence of employee satisfaction on organisational performance has been proved by many studies.</li> <li>• Many suggested practices for meeting quality objectives, and accordingly for achieving people satisfaction such as reward and recognition systems, creating a good quality work-life environment considering safety, health, well-being and morale, training and education, involvement and empowerment, and fair treatment.</li> <li>• Regarding key performance results,a positive link between the adoption of a QMS and financial and organisational success.</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>What had your organisation achieved to satisfy their customers, people and society? Do you have internal performance indicators for each criterion?</i></li> <li>• <i>Do you think that your organisation has achieved good financial performance during the last five years? How do you assess this performance?</i></li> </ul>

Fundamental Concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<p><b>7. Taking Responsibility for a Sustainable Future</b></p>	<p>Douglas <i>et al.</i> (2004), Bowman (1953), McGuire (1963), Sethi (1975), Carroll (1991), Carroll and Shabana (2010), Dahlsrud (2008), Lockett <i>et al.</i> (2006), Beauchamp and O'Connor (2012), Gildea (1995), Brown and Dacin (1997); Drumwright (1996); Bagozzi, 2000; Maignan and Ferrell, 2001; Murray and Vogel, 1997; Sen and Bhattacharya, 2001; Maignan and Ferrell, 2004; Tsoutsoura, 2004; Sen <i>et al.</i>, 2006; Luo and Bhattacharya, 2006; De Schutter, 2008; Lee, 2008; Weber, 2008; Garcí'a-Castro <i>et al.</i>, 2010; Wood, 2010.</p> <p>(James, 1996), Waddock and Bodwell (2004), José Tarí (2011), Withanachchi <i>et al.</i>, (2007), Konuse <i>et al.</i> (2009), Curkovic (2003)</p> <p>Halici and Kucukaslan (2005), Mijatovic and Stokic (2010), Fisscher and Nijhof (2005), Ghobadian <i>et al.</i> (2007)</p> <p>(Al-Marri <i>et al.</i>, 2007; Parast <i>et al.</i>, 2006; Prasad and Shekhar, 2010 Holjevac, 2008; Sureshchandar <i>et al.</i>, 2002), Aşçıgil (2007), (Yeomans, 2005), Gray <i>et al.</i> (1995), Auger <i>et al.</i> (2006), Bhattacharya and Sen (2004), and McDonald and Rundle-Thiele (2008), Gray <i>et al.</i> (1996), Adams <i>et al.</i> (1998), Perrini (2006), Spence (1999), and Spence and Rutherford (2003), and Valiente <i>et al.</i> (2012).</p>	<p>This Theme examines to what extent CSOs are able to:</p> <ul style="list-style-type: none"> <li>• CSR is the corporation's obligation to be compliant with the prevailing social norms, values and expectations for legal and economic obligations.</li> <li>• Corporate social responsibility (CSR) could be understood as a pyramid in which economic, legal, ethical, and philanthropic responsibilities are met in ascending order.</li> <li>• There is a link between the social responsibility of the corporate and the managers' obligation to achieve mutual benefits for both the organisation and society.</li> <li>• CSR is one of the core values for quality management models.</li> <li>• Many practices are too likely to occur in financial institutions like banks under the CSR umbrella such as strengthening corporate governance, fighting money laundering, preventing tax evasion, protecting financial privacy, offering equal opportunity employment, and promoting environmental awareness.</li> <li>• Corporate social reporting or 'social disclosure' is also one of the main expected bank practices related to good corporate governance.</li> <li>• Two main factors are affecting the CSR strategies in organisations; company size, and corporate performance.</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>How do you fight the financial crime such as (Money laundering, high risk lending) or any other illegal financial practices (penetrating the financial privacy, encourage tax evasion)?</i></li> <li>• <i>How does your organisation support the society? Do you have some investments or programmes to promote human welfare and good will?(e.g. investments in education or health sector etc)</i></li> </ul> <p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Do you consider that your bank provides a good service at a reasonable price and good quality to people from different social categories? If No, why?</i></li> </ul>

Fundamental Concepts of Excellence	Key related literature review	Themes have been highlighted of the literature review	Interview Questions
<p><b>8. Nurturing Creativity &amp; Innovation</b></p>	<p>Sundbo (2006), Huse et al. (2005), Tushman and Nadler (1996), (Normann, 2001; Carr, 2003), (Edvardsson et al., 2000; Gustafsson and Johnson, 2003), (Cooper and de Brentani, 1991; de Brentani, 1993; Easingwood, 1986; Easingwood and Mahajan, 1989), Parasuraman (2010) , Feigenbaum (1991), EFQM Excellence model(2010), (Martensen and Dahlgaard, 2000a,b,c; EFQM, 2005; Dahlgaard-Park and Dahlgaard, 2005, 2008; Martensen et al., 2007), Dahlgaard-Park and Dahlgaard(2010), Dahlgaard-Park and Dahlgaard (1999, 2001, 2005, 2006, 2008), Karlsson &amp; AË hlstroÈ( 1997), Johne and Harborne (1985), Lusch et al. (2009), (Lyons et al., 2007).</p>	<p>This Theme examines to what extent the CSOs are able to:</p> <ul style="list-style-type: none"> <li>• Adopt new changes to an existing service in terms of the service delivery process and/or outcome, or any new service(s) being considered</li> <li>• Balance their resource by adopting service innovation enhancing organisation productivity and meeting customer’s expectations of service quality</li> <li>• Build and develop product innovation strategy by answering three main questions : <ul style="list-style-type: none"> <li>○ What are the firms’ capabilities where are we and what can we do?</li> <li>○ What is wanted by the firms’ customers product /market pull?</li> <li>○ What is technologically possible for the firm technology push?</li> </ul> </li> <li>• Improve the “soft aspects of innovation”= leadership, people and partnership), before they try to improve the “hard or logical aspects” processes, policy and strategy.</li> <li>• Adopt formal approach to strategic planning for innovation</li> <li>• Adopt proactive approach for new product development</li> <li>• Avoid uniform planning style and bureaucracy across their various divisions which impede the innovation.</li> <li>• Determine separate departments with mandates for product innovation (or team approach)</li> <li>• Human resource strategies such (training programme, rewards, job evaluation ...) support the innovation.</li> </ul>	<p><b><i>TM &amp; MM Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>How do you encourage the innovation in your organisation?</i></li> </ul> <p><b><i>SFEs Questions</i></b></p> <ul style="list-style-type: none"> <li>• <i>Do you think that your manager encourage the innovation? If No why?</i></li> </ul>

## Appendix (13): Introductory Arabic Letter for the CSOs



جامعة أسيوط  
كلية الاقتصاد

إلى .....

تحية طيبة وبعد:

يرجى الموافقة على تسهيل مهمة السيدة ديمة السيد أسعد المعيدة في كلية الاقتصاد قسم إدارة الأعمال جامعة  
- حلب والموفدة إلى بريطانيا باختصاص (إدارة إستراتيجية للمؤسسات المالية جامعة سالفورد بريطانيا )  
وذلك من أجل الحصول على بعض المعلومات اللازمة لبحثها لصالح جامعة حلب .

شاكرين حسن تعاونكم

عميد كلية الاقتصاد  
أ.د. علاء الدين جبل

## Appendix (14): The main Study Letter



Professor John Wilson  
BA MA PhD MCIM CPFA  
Head  
Salford Business School  
The University of Salford  
Maxwell Building  
Salford, Greater Manchester  
M5 4WT, United Kingdom  
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JW/kja

1 December 2010

### THE MAIN STUDY LETTER

#### To Whom It May Concern

**Dima Alsayed Assad**

**Research Title:** An investigation of the factor affecting the excellence of service quality at Syrian Public Banks: Strategic perspective

**Researcher:** Dima Alsayed Assad  
PhD student, Salford Business School

**Outline of Research:** The main aim of conducting this research is To investigate the factors affecting the excellence of service quality at Syrian public banks by using the fundamental concepts of excellence of EFQM Excellence model as a framework to develop the service quality at Syrian Public Banks, and enable them to compete efficiently by joining the European Mediterranean partnership. This research will cover two case studies, Commercial Bank of Syria, and the Real Estate Bank.

This study will gather views of senior management (Board of directors, General Mangers, and Branch Managers) and the employees of both case studies. This research will explore the possibility of adopting the EFQM excellence model through the Syrian Public Banks. It will also spot all the difficulties related to overtaking this model and how they may be overcome. The research will develop an appropriate service quality model for the Syrian banking sector and context.

**Confidentiality:** all collected data will be handled confidentially and any reference to it will be made anonymously. A copy of the final thesis will be provided to the Commercial Bank of Syria, and Real Estate Bank. In circumstances where data is requested for legal reasons. Any queries relating to this research should be addressed to:

**Professor John Wilson**  
Head: Salford Business School

## Appendix (15): Ethical Approval

Academic Audit and Governance Committee

Research Ethics Panel  
(REP)

To Dima Alsayed Assad  
cc: Prof J Wilson  
From Tim Clements, Contracts Administrator  
Date 27<sup>th</sup> August 2010



MEMORANDUM

**Subject:** Approval of your Project by REP  
**Project Title:** An investigation of the appropriateness of Syrian Public Banks to adopting The European Foundation Quality Management (EFQM) Business Excellence Model as a strategic approach to improve the service quality  
**REP Reference:** REP10/086

Following your responses to the Panel's queries, based on the information you provided, I can confirm that they have no objections on ethical grounds to your project.

If there are any changes to the project and/or its methodology, please inform the Panel as soon as possible.

Regards,

T. 

Tim Clements  
Contracts Administrator  
TC/JH

For enquiries please contact  
Tim Clements  
Contracts Administrator  
Contracts Office  
Enterprise Division  
Faraday House  
Telephone 0161 295 6907 Facsimile 0161 295 5494  
E-mail: t.w.clements@salford.ac.uk

## **Appendix (16): Information Letter for the Interviewees**

Dear Sir/Madam

I am xxx , a PhD student, at the College of Art and Social Science, Salford Business School, University of Salford.

I am conducting research about the factors affecting the excellence of service quality at Syrian Banking Sector.

The main aim of carrying this research is to investigate the factors affecting the readiness to implement the EFQM excellence model at Syrian banking sector

As part of getting the research objectives, the views of the Top Managers, Middle Manger, and Shop Floor Employees at the Real Estate Bank, Fransabank Syria, and Syrian International Islamic Bank will be accessed through semi structured interviews.

- The interview will take approximately one to one hour and half
- Involvement is completely voluntary
- Participants are free to withdraw their consent at any time.
- Information and data obtained will be analysed by the researcher solely for the purpose of this study, and will not affect any participants anyhow.
- The researcher decided to tape record each interview, with the interviewee's permission. The researcher will made detailed notes during each interview and used the tape recordings to check the accuracy of the transcribed interview notes. The typed record of each interview was sent to the interviewee to verify that it was an accurate record of the interview
- After finishing data analysis, all the (tapes, drafts, etc.....) will be damaged to prevent any misuse.
- The final written thesis will ensure anonymity by not using any actual names or identifying characteristics of any participants.



This letter seeks your permission to be involved in this research. Please indicate this in the Section at the end of this letter.

If you have any concerns about the conduct of this research, please contact:

**Professor Xxx**

The University of Salford

Salford

Greater Manchester

M5 4WT

Email

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Thanks in Advance for all Participants

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Please indicate approval for your participation in the study by deleting as applicable.

**I wish/ I do not wish** to participate in the study titled: Investigation of the Factor Affecting the Excellence of Service Quality at Syrian Banking Sector.

Signature: -----

## Form of Consent

**Name:**

**Position:**

**Organisation/Company:**

**Address:**

**Date:**

Anonymity -            Requested    /    not requested

I am the above named interviewee and give my full consent and understand that the information I am giving can be used as data for research. The information I provide may be used by other researchers, published and put into public domains such as the British Library, Universities' Libraries, Internet, etc. If I request anonymity I understand that the information I provide will be edited so that it cannot be linked to me.

I understand that the subject of the interview is an Investigation of the factors affecting the readiness to implement the EFQM excellence model at Syrian banking sector.

I accept that there are no hazards or risks responding to this interview associated with this work.

I understand that my responses will be kept in the strictest confidence.

I understand that my participation is entirely voluntary and that I may withdraw at any time and without provides any reasons for such withdrawal.

I understand that I may elect to provide the information anonymously and will indicate so above; in which case the researcher will allocate a random reference to me and only the researcher will know the name of the original source.

Signature: .....

Date: .....