

THE RELEVANCE OF ADOPTING BUSINESS PROCESS REENGINEERING  
(BPR) AND SERVICE QUALITY MANAGEMENT (SQ), IN ISLAMIC BANK  
MANAGEMENT: A CASE STUDY IN KUWAIT.

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## Abstract

Since the 1970s, the Islamic banking industry has developed significantly and enjoyed an impressive growth, especially in the Arabian Gulf States. This expansion is expected to continue and could become a feasible alternative to interest-based banking in the future, particularly in Islamic countries.

The operations of an Islamic banking system derive from Islamic Law and thus differ in spirit, cultural background and practice from interest-based bank operations. This study was carried out in Kuwait Finance House (KFH), one of the biggest Islamic banks, and looks at the current situation of Islamic banking from the perspective of the theories of modern financial intermediation and Islamic financial contracting.

A major problem has developed for Islamic banks, because of quick changes of technology, and the lack of innovative solutions to some managerial and operational issues. Strong competition has led to customers expecting to receive high quality services, something that is now lacking in Islamic banks. This study aims to examine the possibility of adopting Service Quality (SQ) and Business Process Reengineering (BPR) in order to provide high quality products and services in order to satisfy customers of Islamic banks.

The study indicates that it is important for Islamic banks to put cultural differences to the fore when adopting SQ and BPR and points out that it is in the hands of the Islamic bank management in deciding whether to adopt SQ and BPR programs or not.

A new model to measure SQ (CARTER, which is based on 34 items) has been suggested in the thesis. Moreover, the study has also defined the service quality in Islamic banks as a system of CARTER-items processes inputs and overall satisfaction outputs. In this context, the study suggests a scenario plan for KFH to adopt SQ and shows the importance of training to do so.

This thesis next lists the critical factors influencing the bank management decisions on whether the bank's operations need to be reengineered or not. A scenario plan consisting of five phases, (creating a culture for change, assessment, visioning, redesigning and implementation), with twelve steps, is provided for use in the adoption of a reengineering program in Islamic banks. The Murabaha operation was chosen as an example to examine the validity of this approach.

The thesis finally shows there is a significant potential for future research in this area.



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## Dedication

In my opinion, doing a PhD is a sacred task and this was definitely one of the best decisions of my life.

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## Some Abbreviations and Arabic Terms\*\* Definitions:

AD	Activity Diagrams
AGM	Assistant General Manager
<i>al-q'ard al-H'asan</i>	Free-interest loan
<i>al-wakala</i>	Absolute power of attorney
<i>al-wadi'ah</i>	Deposit an asset in the custody of another party who is not the owner, or any such asset deposited with a non-owner for custody.
<i>al-kafalah</i>	L/G
<i>Bay` Ajil</i>	Deferred Payment Operation
BPR	Business Process Reengineering
BOD	Board of Directors
CBK	Central Bank of Kuwait
DAGM	Deputy Assistant General Manager
<i>Fatwa</i>	An authoritative legal opinion based on Islamic law.
GM	General Manager
<i>Halal</i>	Lawful
HR	Human Resource
<i>Ijarah</i>	Leasing
<i>Istesna'a</i>	Advance purchase with advance fixed price but is not necessary to be paid at the time of agreement
IT	Information Technology
KFH	Kuwait Finance House
KFS	Kuwait's Financial System
KSE	Kuwait Stock Exchange
L/C	Letter of credit
L/G	Letters of Guarantee
<i>Mudarabah</i>	A form of partnership where only one side provide only capital while the other provides labour and experience.
<i>Murabaha</i>	Cost-plus or mark-up sale operation
<i>Mudarib</i>	Murabaha working partner
<i>Musharakah</i>	Partnership
<i>Muzarah</i>	Crop sharing
OFD	Object Flow Diagrams
OO	Object Oriented
PADM	Process Analysis and Design Methodology
PSP	Profit Sharing Principle Mudarabah
PLSP	Profit and Loss Sharing Principle Musharakah Partnership
QPS	Quick Pay Service
<i>Qur'an</i>	Muslims holy book
RACD	Religious Auditing and Control Departments
RE	Real Estate
<i>Riba</i>	Usury or Interest
<i>Salam</i>	Advance purchase
<i>Shariah</i>	The Islamic law
SERVQUAL	Parasuraman, et al. model to measure service quality in service industry
SQM	Service Quality Management
SSB	Shariah Supervisory Board (Islamic Law Supervisory Board)
SQ	Service Quality
SSM	Soft Systems Methodology



SRS	Systematic Random Sampling
SS Audit	Sharia Supervisory Audit
<i>Su’nnah</i>	The practice and saying of the Prophet Mohammed
TQM	Total quality management
<i>Zakat</i>	Obligation charity or obligation alms giving.
5Cs	Capital, capacity, collateral, character, and condition

**\*\*Note:** This study was carried out in the management science field, so the transliteration system was not used for some Arabic terms which defined above and mentioned in the text.

# Chapter One

## Introduction:

### 1.1 Introduction:

The collapse of Western Europe's communism has increased the Muslim awareness to follow *Shariah* (the Islamic law) in different sides. For instance, Islam forbids usury (banking interests) in the strongest terms and aims to establish an economy that is free not only from all forms of interest but also from anything bearing any similarity to it. Therefore, Islamic banking is an industry that has evolved, developed, grown and come into existence to satisfy the financial needs of Muslims or non-Muslims who observe the prohibition of interest-based transactions or who like to invest in real assets. However, the modern world economy is based on interest to such an extent that it is difficult to visualise any set of economic relations where interest is not involved directly or indirectly.

However, there has been an increase in the number of Islamic financial institutions in the world from none in early seventies to more than two hundred today, there has also been an increase in Islamic windows in many non-Islamic banks or open Islamic branches to provide Islamic products and services, and some Islamic banks have begun to introduce their products and services to non-Muslims (e.g. Singapore) are the consequences of Muslims' increasingly following Islamic law.

The spread of the Islamic banks has played an important role in attracting a new type of depositor who would otherwise find it difficult to deal with non-Islamic banks. Such a trend has led to an increase in the volume of deposits and mobilised a great deal of society's idle funds. It is estimated that the amount of funds that have been deposited to Islamic banks were more than US \$100 billions, distributed around 166 banks and financial institutions in 22 711 branches of Islamic banks around the world (Al-Amual, 1998). Islamic banking has grown from nothing to \$137.13 billion in 1997 (Asharq Al-Awsat, 1998) and its projected growth is estimated to be 15-20 percent a year (Wallstreet, 1996). However, Ibrahim Warde (2001) reported that Islamic banking institutions own and manage around US \$230 billion today that means the industry has doubled 40 times over since 1982.

Today, most organisations, including Islamic banks, are facing a variety of challenges, including the need of becoming customer driven through competitive products and services. Many management concepts have been examined in the manufacturing sector and some services organisations to encourage companies to be customer-oriented. Organisations which engage in



‘customer focus’, continuous improvement and reengineering programs attempt to focus on changes which are not nearly deep enough to position them for the future because organisational success will be based on focusing all strategies, decisions collective energy and activity on maximising customers’ benefit per pound (CIB, 1997).

This study tries to build a theory and proposals to adopt Service Quality (SQ) and Business Process Reengineering (BPR) Programs in Islamic banking management.

## 1.2 Aims of the Study:

The main objectives of this study are to explore the applicability of some new Western concepts in management, such as Service Quality Management (SQM) and BPR to the Middle Eastern context in general and to the Islamic banking management in particular. In other words, it looks at the possibility and the importance of adopting an SQM program by examining proposed service quality dimensions suitable for Islamic banks in the one hand. It will also examine the need of Islamic banks to start a reengineering program and use suggested Handbook to reengineer their processes which attempts to represent and catalogue varied Islamic bank processes to achieve two goals: to help theoreticians imagine new organisations and to help managers, and others understand and design existing banks’ organisations in the other hand. However this study is conducted in Kuwait Finance House (KFH), Kuwait to reach the following intermediate goals:

1. to provide an understanding the theoretical background behind Islamic banking;
2. to apply the concepts of SQ and BPR to fill the existing gaps in the Islamic banking management literature;
3. to test the validity of the new multidimensional approach to the management in an Islamic banking setting;
4. to measure the role of demographics variables for KFH customers (gender, age, marital status, education, income, occupation, and sector of work) in influencing customers’ satisfaction and their opinions about its performance and management;
5. to measure the role of demographics variables for KFH employees (gender, age, education, income, period of work and place of work) in influencing employees’ opinions about KFH performance and management;
6. explaining the nature, significance and importance of service quality in an Islamic banking industry and suggest its dimensions and customers’ perception and expectation;
7. to determine whether or not an SQ program can be adopted in Islamic banks, and the benefits that Islamic bank will gain in performance, improvement in services, and reduction of cost and time;



8. to explain the importance of products and service with reference to customer and employee opinions;
9. to examine job satisfaction, employee understanding of mission and objectives, work environment, decision making policy, management styles, and knowledge in Islamic finance and management skills;
10. to evaluate the efficiency and effectiveness of the supporting service sector, communication and bank's network, organisational structure, co-operation and co-ordination between departments and divisions, work procedures and processes, work scheduling and activity measurement, responsiveness to customers' needs and distribution of bank's resources;
11. to explore the problems which face Islamic banks in defining the hierarchical lines and relationships between the functions within the bank and provide some suggestions to resolve them;
12. to examine the Islamic bank hierarchy in terms of answering these questions 'are responsibilities equivalent with authorities? Are they clear? Is any reflection between its functions?';
13. to investigate the factors and the reasons of ambiguity in the hierarchical lines in Islamic banks;
14. to examine and develop the methodology validity to examine the need of BPR in Islamic banking management based on the whole diagnoses of the bank based on achieving the aims above;
15. to provide models, recommendations and suggestions for adopting SQ and BPR in Islamic banking management.

### 1.3 The Nature of the Problem:

It has been known that the increasing global competitiveness of business is causing firms to assess their core strategic objectives and the business processes needed to fulfil them (Kaplan, 1996). It is common for firms to discover that their business processes fall short of achieving these desired objectives and that a change is necessary to put them on a competitive track. Business process reengineering allows companies to make these changes, but unfortunately BPR often still remains a mystery with few rules and methods to guide firms through their endeavour.

As a result of implementing the concepts of customer-orientation, many non-Islamic banks opened windows for customers to benefit from Islamic products. This has increased competition among banks and is considered to be a threat mainly to Islamic banks which seek to improve the banking systems in order to meet customers' needs and wants.



On the basis of the literature review, it was found that SQ and BPR concepts have not been researched nor implemented in Islamic banks. In addition, few studies have been carried out to examine the effectiveness of implementing these concepts in the banking sector in USA and UK.

The literature also has shown that further studies and researches provided general and theoretical information about Islamic banks in terms of establishment, theory of Islamic economy, Islamic banking products and services and draw the differences between non-Islamic and Islamic banks. These studies did not, however, provide much information about the practical aspects in terms of management and organisational structure. Furthermore, it seems that there is ambiguity between hierarchical lines in the structure of Islamic banks. Therefore, in order to obtain information regarding Islamic banks a practical approach to the provision of financial packages and management structure must be applied.

This study focuses on KFH, which has been established in 1977 as an Islamic bank in the State of Kuwait. Since KFH is coming to the end of the end of its 23 years of monopoly in the supply of Islamic banking products and services; it is likely to lose some of its potential position in Islamic banking industry in Kuwait, because of the strong competition which comes from the new established investment companies and commercial banks which provide same products and services as KFH does.

A key feature of this study is that it is an assessment of KFH over ten years of its operation, it is pertinent to look at and study its current situation in terms of performance, management efficiency, work environment, job satisfaction, organisational structure, service quality, etc. to this date. Whilst data collected from customers, employees, and managers is relevant both to diagnose its current situation to implement this research objectives.

To conclude, this research is one of the few attempts in Islamic banking management and first study that seek adopting SQ and BPR in Islamic banking services and in general, the problem in this research is inherent in implementing the above study aims.

## 1.4 The Study Background:

The key reason behind the weak performance of some Islamic banks and slow service provision in others is often assumed to be due to mismanagement, rather than any technical, cultural and environmental factors. The main problem lies in managing people. Because Islamic banks have invested heavily in technology and have huge available funds but fail to increase productivity, creativity and provide a wide range of products and services to satisfy their customers.



Al-Faleh (1989) and Kanungo and Mendonca (1994) have examined work motivation in developing countries. They argued that this was primarily due to a lack of management concern for the optimum utilisation of human resource potential, also they argued that these organisations have recruited many managers who admirably play the role of bureaucrats and technocrats, but are quite inept in managing the human resource in organisations. Therefore, an attempt to import management practices, theories and some new concepts from western organisations and academics, may help in enhancing productivity and improving quality.

Nonetheless, the new management concepts, (such as SQ, BPR and benchmarking) which have directed attention of most Western organisations due to the importance of improving productivity and quality and creating an innovation environment to gain competitive advantage and global levels of efficiency are very important to be adopted by some third world organisations.

As far as KFH is concerned, imported western management practices and theories may have contributed little to the development of its management structure, performance, improving products and services quality, because the local management practices are part of the cultural infrastructure and therefore can not be imported in package form.

Al-Shammari (1994, p.56) suggested that Arabic organisations should “acknowledge their external environment before importing management and organisational theories from countries with different socio-cultural values, economic systems and political conditions”. Thus, if imported Western ideas are not capable of improving the performance of Islamic banks, where is the way out from the current depressing situation to a more encouraging future? To overcome current problems and to build a more encouraging future, Islamic banks must avoid importing the theoretical packages and try to adapt their ideas, practices, theories and, concepts of management to their own environment as well as developing ideas and concepts to create a new package based on their own cultural experience. For example, the Japanese model of adapting others’ ideas (mostly Western) has led to high performing organisations and increased productivity and quality. Above all, Japan has progressed from the list of the less-developing countries to the top of the list of the highly industrialised countries, and has become an uneasy challenger for all industrialised countries. In this context Schuster (1991, p. 5) asserted:

*Organisations that want their employees to be more productive should pay more attention to them. Over the last several years, a great deal of publicity has also been given to Japanese firms that have used an employee-cantered style of management to achieve levels of quality that exceed their American competitors. While the Japanese deserves a great deal of credit for demonstrating the potency of high involvement management, it was actually invented in America.*



Over a number of years the banking sector in western countries has undergone a reorganisation process requiring effort in the areas of operation process, recruitment, training and personnel policies. Hence, as an attempt at co-operating in the process of an import and adapt strategy, this study tries to adopt the new concepts in management such as SQ and BPR in Islamic banking management based on their cultures and environments.

### 1.5 The Importance of the Study:

Since management is the problem and management is the solution, this study tries to provide guidelines for developing the performance of management in the Islamic banking industry using SQ and BPR concepts.

The significance of this study is related to the fact that there has been a lack of research-based empirical studies of service quality and management transformation in the banking sector in the Arab and Muslim world and to the best of the researcher's knowledge, no previous study has attempted to examine the operations management side in Islamic banks. It is also of interest because of the significant strategic role of human resources selection and training of employees in order to become more customer focused in Islamic bank management. Furthermore, studies conducted to examine the organisational structure in banking sectors in Arab and Muslim countries (e.g. Al-Hawari, 1996, Al-Harran, 1996, TIIBI, 1995) could not provide practical change for improving the quality in this area. On the other hand, the issues of SQ and BPR are not well addressed in Arabic context, including Islamic banking industry, and little is known about these concepts. For example, only two books have been translated into Arabic in that field and few papers have been written about SQ and BPR, and they contribute little to the understanding of these concepts, as will be explained later.

Therefore, this study could be useful for both academics and practitioners alike. From an academic perspective, this research would improve understanding of Islamic banks management and the relevance of adopting SQ and BPR in their operations. They might use this study to build theories and new models, which link these concepts and issues, such as Islamic banks' performance, environment and culture. In terms of practitioners, they can benefit from this study in identifying those areas where improvement can be made and resources allocated. They can manage to make bank-wide improvement in quality performance. Also they can use benchmarking to compare their performance with other banks' which have already adopted quality or reengineering programs.



## 1.6 The Layout of the Thesis:

This thesis is divided into ten chapters:

**Chapter one:** addresses aims, background and importance of the study, the nature of the problem and discusses the layout of the study chapters.

**Chapter two:** reviews the literature on Islamic banking, history and background, and identifies some differences between Islamic and non-Islamic banks. Organisational structure and Islamic banking investment and financing operations processes are also discussed in this chapter.

**Chapter three:** this chapter addresses the study of KFH's establishment, organisational structure development, management, staff, performance, and current operations. The analysis of the importance of current products and services is also reviewed. It begins with Kuwait's financial system and ends by drawing conclusions of KFH strengths and weaknesses. The actual development of Islamic banking in Kuwait is the story of the evaluation and the framework of KFH and this is the focus of this chapter. Historical background of KFH, its performance in terms of management, financial achievement including financial ratios analysis, and creativity and innovation of providing new products and services, and finally the development of its organisation structure are discussed in this chapter.

The main point examined in this chapter is the extent to which KFH has succeeded in offering alternatives forms of banking in a well-established interest-free-based environment; and how it has achieved it? Whether its operations have been geared purely with the economic objectives of profits or does its Islamic trend differentiate it from other commercial or non-Islamic banks in Kuwait.

**Chapter four:** the focus of this chapter is to analyse and evaluate current knowledge and practices of SQ activities in the banking industry in general in order to build the theoretical background to adopting a new model of SQ in Islamic bank management.

**Chapter five:** this chapter continues building a theoretical background of this study. The basic theory and principles of BPR, its scope, the evaluation of existing methodologies are represented in this chapter.

**Chapter six:** the discussion of the methods used to measure the importance of adopting SQ and diagnose the current situation of KFH in order to examine the need of adopting BPR in Islamic



banking management are addressed in this chapter. It highlights several issues related to the investigation of the study, such as populations and samples, variables definitions, measurements, hypotheses, statistical analysis, pilot study, psychometric properties of the study measures and other related methodological issues.

**Chapter seven:** the primary data collected from KFH customers in questionnaires, will be presented and examined in this chapter. The major aims are to test the multidimensionality of the SQ variables, to examine the central tendency and variability of CARTER items, to test the hypotheses of the study which related to those variables mentioned in chapter six and to discuss the outcomes and the implications of the findings for both managers and researchers.

**Chapter eight:** the primary data collected from employees and managers through questionnaire and interviews, will be presented and examined here. The aim of the chapter is to test all hypotheses related to job satisfaction, understanding mission and objectives, work environment, decision making policy, management styles, work scheduling and activity measurement, knowledge in Islamic finance and management skills, support sector analysis, recognition, communication and bank's network, organisational structure, co-operation and co-ordination among departments and divisions, work procedures and processes, responsiveness to customers' needs, the importance of products and services and distribution of bank's resources.

**Chapter nine:** this chapter highlights the discussion and implications of the study results discussed in chapter eight and link between adopting SQ and starting reengineering program in the bank. It identifies and judges the main factors influencing the reengineering program that leads to decide whether KFH needs to be reengineered or not. It finally build proposed handbook for Islamic banks to reengineer their processes.

**Chapter ten:** this chapter contains three main issues; namely, the summery of the study chapters, the recommendations of the study, and some guidelines and directions for future research in the field of Islamic banks management, SQ and BPR.

## 1.7 The publications review from this study:

1. Developing an Instrument to Measure Customer Service quality (SQ) in Islamic Banking:  
An Assessment in Kuwait Finance House, (2001) *International Journal of Islamic Financial Services*, Vol. 3 No.1, pp. 1-26.
2. The Multidimensionality of CARTER Model to Measure Customer Service Quality (SQ) in



## 1.8 Concluding Remarks:

This introductory chapter began by stressing the need of Islamic banks to revolutionise their managements to gain more competitive advantages in the market. It is argued that Islamic banks today have high levels of capital and funds and invest heavily in technology, but they continue to report weak and less competitive performances. The chapter then discussed the background of the study, and proposed that the key reason behind the weak performance and slow service provision in third world organisations including some of the Islamic banks is often assumed to be due to mismanagement. It also highlighted the weaknesses of third world organisations in applying imported management theories and practices. It then argued that these theories failed to enhance the performance of third world organisations because they were in package form and suggested that adopting concept, such as SQ and BPR in Islamic banking management should be based on their cultures and environments.

Moreover, the chapter argued that investigating the possibility of adopting SQ and BPR in Islamic banking may improving academics' understanding to know more about Islamic banking management and to build theories and new models that might link concepts, such as SQ and BPR with issues, such as performance, environment and culture. Whereas it may help practitioners to identify those areas where improvement can be made and resources should be allocated to improve performance and quality of products and services. They can also use benchmarking to compare their performances with other banks' which have already adopted quality or reengineering programs. The above argument show the significant and importance of doing this research.

Having introduced the study in this chapter, the following chapter will discuss the basic ideas of Islamic banks, the background behind the concept, the basic differences between Islamic and non-Islamic banks, their organisational structure, their investment and financing operations processes, etc.



## Chapter Two:

### Islamic Banking Industry

#### 2.1 Introduction:

Banking is not a system in isolated surroundings but is a reflection of the environment and culture in which it exists. Thus, no banking system can exist without an ideological and cultural background. The non-Islamic banking system guiding the financial world today has been built according to spirit of capitalism in which the interest rate plays an important role. Islamic banking is no exception.

The development of Islamic banking literature is shown in two different and distinct strands of thought. On the one hand, in the Middle East, mostly in Arabic language, is preoccupied with functioning of single bank and has adopted a micro approach. On the other hand, in India and the west, mostly in English language, has generally taken a macro approach. The development of interest-free banking framework dealing with issues such as nature of money in Islamic economy, role and instruments of monetary policy and so on has been concerned in the second approach.

The aims of this chapter are to identify the general theoretical framework of Islamic banking including a definition of the concept, its key principles, and to examine how these principles have been applied in the development of Islamic banking operations both in theory and practice. Islamic banking literature will be reviewed first; followed by the Islamic banking operations and how theories apply in the bank organisational structure. For the best understanding, the chapter will start with a historical summary of the banking system.

#### 2.2 Banking System Historical Background:

Banking originated in ancient times where palaces and temples provided secure places for safekeeping of grain and other commodities. The banking appeared in different empires as described below:

In Mesopotamia (Cradle of civilization, which gave rise to a number of well-developed civilizations located in Iraq, Syria, Turkey and Greece), the wealthy families (private houses) got involved in the banking operations which were regulated by special laws, e.g. receipts came to be used for transfers not only to the original depositors but also to third parties (Glyn, 1996).

The Greek empire had also established banking system with written regulations that had started by famous and richest banker called Pasion, who started his banking career in 394 BC as a slave in



the service of two leading Athenian bankers and rose to eclipse his masters, gaining in the process not only his freedom but also Athenian citizenship. He had involved in making banking regulations and developed different products and services. In addition to his banking business he owned the largest defend factory in Greece and also conducted a hiring business lending domestic enterprises, such as silver bowls, textiles, blankets, etc. for a profitable fees (Glyn, 1996).

Also in the second and third centuries BC, the bank of Delos in Greece was established to provide credit transfer services for its clients and cash transactions were replaced by real credit receipts and payments made on simple instructions with accounts kept for each client, whereas in Athens, all transactions had been carried in cash. However, it was likely that the Bank of Delos should become the model most closely imitated by the banks of Rome. After the fall of the Roman Empire banking was forgotten and had to be re-invented much later.

In Egypt too, the centralisation of harvests in state warehouses led to the development of a system of banking. Written orders for the withdrawal of separate lots of grain by owners whose crops had been deposited there for safety and convenience, or which had been compulsorily deposited to the credit of the king, soon became used as a more general method of payment of debts to other persons including tax gatherers, priests and traders. Then Egyptian grain banks later served to reduce the need for costly metals, which tended to be reserved for foreign purchases, particularly in connection with military activities. The grain banks had transformed into a network connected with a central bank in Alexandria where the main accounts from all the state granary banks were recorded. This banking network functioned as a giro system in which payments were effected by transfer from one account to another without money passing (Muree and Abduh, 1962).

According to Arabs, they exercised different banking services before and after the arrival of Islam. For instance, most of them deposited their moneys with faithful and trustful people in Mecca. Naser (1996) has reported that the first financial organisation in Islam was established by Al-Zubir bin Al-awam in the fifth century. The Al-Zubir organisation accepted deposits from clients as loans and returned the whole amount of the deposit. Moreover, in addition to the organisation's headquarter in Al-Madina, three branches were opened in Alexandria in Egypt, Alkufah and Albisra in Iraq. These provided services, such as money transfers, commodities and money orders in and between these locations.

Finally, in Europe the word "bank" comes from the Italian *banca* for bench or counter of currency exchanger after the banking re-emerged at the time of the Crusades and the first for which definite evidence exists was a contract issued in Genoa in 1156. This enabled two brothers who had



borrowed 115 Genoese pounds to repay the bank's agents in Constantinople by paying them 460 bezants one month after their arrival (Glyn, 1996). The need to transfer sums of money for trading purposes led to the development of financial services including bills of exchange and that however encouraged many European to establish their banking system. Examples here include the Italian city-states, many banks were established such as, the Banco Della Pizza Rialto in Venice in 1587, in Spain, such as the Deposits bank established in Barcelona in 1401 and in Netherlands, where the bank of Amsterdam was established in 1609. However, it is possible that such bills had been used by the Arabs in the eighth century and the Jews in the tenth and are taken to use in Europe in late centuries.

In the late 19th century, a western banking system was introduced into Arab and Muslim countries at a time when they were under the occupation and main banks in the home countries of the imperial powers established local branches in the capitals of the subject countries. These mainly provided services to foreign businesses and import and export activities. Later local banks were established on the same lines as the interest-based foreign banks for want of another system and they began to expand within the country bringing the banking system to more local people. As countries became independent in the first half of the twentieth century, the need to engage in banking activities became unavoidable and urgent.

### 2.3 Islamic Economy Fundamental Concepts, which lie Behind Islamic Banking:

Islamic banks are supposed to offer instruments consistent with the religious beliefs and cultural characteristics of Muslim societies. So any study into Islamic banking requires an exploration of the philosophy that lies behind the theory of Islamic banking and how this relate to the fundamental concepts and practice of Islamic economics.

Islam as a religion and ideology differs fundamentally from other religions and ideological systems (such as communism/socialism and capitalism) in defining economic problems. The essential principle underlying the economic philosophy of Islam centres on the purpose of human creation, and the unique relationships between humans and God (Allah), humans and the Universe, and humans and other humans.

The relationship between humans and God is characterized by *AL-Tawheed* which refers to the undivided loyalty of humans to the only God. This loyalty entails total submission to the will of the Creator and the conviction to then pattern one's life according to His Will. The Creator invites human beings to explore and utilise all the natural resources of the universe. However, this



indicates that God has made practically unlimited resources available to mankind. Thus the economic problem does not stem from scarcity, as claimed in capitalism, or from exploitation of production relationships, as the Marxists claim, but from the utilisation of these resources in accordance with God's dictates. Thus, human beings' use of these resources is subject to the understanding that the rights of all other creatures in this universe must be recognised. Also the use of all resources has to be in accordance with specific conditions which support human equality and stand firmly against pillage and plunder (see Siddiqi, 1988a; IAIBs, 1996, 1997 and Othman, 1998).

The Islamic economy fundamental concepts, which lie behind Islamic banking, are distribution of wealth, ownership, justice, concept of money in Islam and of prohibition of interest.

### 2.3.1 Distribution of Income and Wealth:

In a meeting, Sheikh Ahmed Bazie Al-Yaseen, the chairman of the Shariah Supervisory Board (SSB) (Islamic Law Supervisory Board), KFH, described the main principles of wealth in Islam as:

1. All the wealth belongs to the God (Allah), who says “.... And give them of the wealth of Allah which He has given you” (An-Nur 24:33).
2. The community is the trustee of the wealth, “Believe in Allah and His Messenger, and spend whereof He has made you heirs” (Al-Hadid 57:7).
3. Hoarding of wealth is prohibited in the Holy Qur'an: “And those who hoard up gold and silver and spend not in the way of Allah; announce to them a painful chastisement.” (At-Tauba 9:34).
4. Circulation of wealth is a duty as God in the Quran says: “Whatsoever Allah may restore unto His Messenger - is due unto Allah and unto His Messenger - the orphans and the needy ...so that it may not be confined to the rich amongst you” (Al-Hashr 59:7).

However available resources and wealth should not be concentrated in the hands of a few. The redistribution of wealth and income is required from the Islamic State in order to provide individuals with their basic needs.

Islamic welfare laws (Zakat) are effective instruments for the redistribution of wealth and income when applied firmly and accurately. Presley (1988) reported that it means purification, in the form of purifying an individual of his selfishness, and is a test of the Muslim's faith. The Zakat plays a significant role in the distribution of income and wealth and takes the form of an annual



compulsory tax binding on all Muslim classified as being wealthy. It is calculated at 2.5% of the total value of capital and profits minus bad debts and depreciation. In agriculture, it varies from 2.5% to 10% based on the type of irrigation or commodity.

### 2.3.2 Ownership:

As said above, it is understood in Islam that the real owner (Creator) of all wealth is Allah. Humans only 'own' wealth by proxy as guardians so this concept is 'unique in Islam (Kahf, 1981, 1982).

Notwithstanding this, Islam does not impose a limit on the amount of wealth that one can own. Rather, it controls the means of ownership so that people acquire the right to wealth in a just manner. This excludes speculation, forward transactions, lottery, and dealing with interest among other things. That means, private ownership is accepted, but there are certain conditions linked:

1. Because the primary function of Islam is to guide human development on correct lines and in the right direction, resources are for the benefit of all and not just for the few. Therefore, they must be utilised in such a manner that will bring most satisfaction to society at large and not just a few (IAIBs, 1995, 1997).
2. Individuals must acquire resources in a legitimate manner.
3. Utilisation of resources should only be according to terms of trusteeship.
4. Destruction and waste of God-given resources is forbidden. Therefore, it is forbidden to destroy output by, for example, burning or dumping into the ocean, to force prices up. The owner has no right to destroy useful property. Wasteful use and extravagance is prohibited (Sadr, 1990 and Kahf, 1992).

Abdul-Haq (1993) also pointed out that conditional ownership by human beings is either collective or individual. The collective ownership extends to such natural resources as water, air, and fire, and while an individual cannot hold ownership of such resources, all individuals have a right to have access to or to use these resources. Individual ownership on the other hand extends to goods, buildings, lands, livestock, etc., and includes right to rent, lease or re-sell.

### 2.3.3 Justice:

Justice is such an essential element of the Islamic faith that it is impossible to imagine an ideal Muslim society where justice has not been established (Chapra, 1985). It is generally asserted by



Siddiqi (1988b, p. 40) that the Islamic scholar Ibn Taymiyya said: “the world can survive with justice and unbelief but not with injustice and belief”.

Islamic concepts of social and economic justice aim to meet human needs and provide equal opportunities for all irrespective of the stage of development of a country. The obligation to provide for the basic needs (food, clothes, shelter, education, and medical care) falls to an individual first, then the next of kin, followed by the immediate society and government (Idris, 1996).

#### 2.3.4. Concept of Money:

Early Muslim scholars, such as Al-Sceuty in his book *Al-Jameu Al-Sageer*, Al-Shawkani in his book *Nilu Al-Awtaar* and Al-Mawerdi (1989) assigned only three functions to money, i.e., a medium of exchange, a standard of value and a unit of account. They rejected its function as a store of value for which money could be sought as an end in itself. This also reported by many writers, such as Arif, (1982); Sabeq, 1988; Abu Guddah, (1993); Chapra; (1992) and Naser, (1996), At present, the most important thing about money in Islamic theory is the stability of its value so that it can perform all its functions (measurement of values, medium of exchange and a store of purchasing power). However, it has been treated now as potential capital and it becomes actual capital only when it joins hands with other resources to undertake a productivity activity. But Iqbal (2001) pointed out that Islam recognizes the time value of money, but only when it acts as capital, not as a ‘potential’ capital.

When people invest in currencies (speculation on currencies) with a fixed rate of interest, confusion occurs because of the forbidding of interest and the concept that money is not an asset in itself. Also, when money acts as deferred payments to pay amount outstanding of debt in the future, many researchers and scholars ignored that inflation exists and so the real value of a debt falls with the increase in prices especially, under a zero-interest environment, current and future nominal values of a debt are the same but not necessarily the real value of a debt and can easily be measured by money.

In other words, money acts here to measure the value of a debt in different inflationary environments. On the one hand, the opinion is that money, like any commodity, can be used as a store of value, but unlike other commodities, has perfect liquidity and we can invest in currencies with risk taking due to the ignoring of fixed-interest rate. On the other, there is no reason to ignore



this function of money-in an Islamic economy where hoarding money is an act of injustice. The store of value is a characteristic of money that exists in any economic system.

Saadallah (1994) explores the scholars' opinions relating to the relationship between time, loan and sale on credit. He indicates that the value of time in sales is acknowledged in the preponderant views of the scholars and this value is banned when increasing on loans because the loan is considered as a donation, not an exchange like sales on credit.

### 2.3.5 The Prohibition of Usury (Riba) or Interest:

According to Siddiqi, (1983a) and Chapra, (1985) Riba in Shariah refers to the 'premium' that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for an extension in its maturity. However interest is defined by Abu Saud (1983, p. 11) as: "the excess of money paid by the borrower to the lender over and above the principal for the use of the lender's liquid money over a certain period of time". From these two definitions, we can notice the similarity between Riba and interest.

The idea of taking interest on a loan was considered inherently evil and immoral in human history. There is evidence of ill feeling toward usury from the earliest civilisations (Homer and Sylla, 1996), and one finds the prohibition of usury featured quite significantly in the Hebrew Bible. This is not a prohibition on excessive interest rates, as in the modern sense of the term "usury", but of any and all interest, regardless of rate. From the Torah (the Pentateuch), this study quoted the following verses from King James Version (1994):

#### **Exodus (22:24-25):**

*If you lend money to My people, to the poor among you, do not act toward them as a creditor; exact no interest from them.*

#### **Leviticus, (22:34-46):**

*And if they brother, be waxen poor, and fallen in decay with thee; then thou shalt relieve him: yea though he be a stranger, or sojourner, that he may live with thee.*

*Take thou no usury of him, or increase: but fear thy God; that thy brother may live with thee.*

#### **Leviticus (25:35-37):**

*If your kinsman, being in straits, comes under your authority, and you hold him as though a resident alien, let him live by your side: do not exact from him advance or accrued interest, but fear your God. Let him live by your side as your kinsman. Do not lend him money at advance interest, or give him your food at accrued interest.*



## **Deuteronomy (23:20-21):**

*You shall not deduct interest from loans to your countrymen, whether in food or anything else that can be deducted as interest; but you may deduct interest from loans to foreigners. Do no deduct interest from loans to your countrymen, so that the Lord your God may bless you in all your undertakings in the land that you are about to enter and possess.*

Furthermore, Early Christianity maintained its antipathy of usury through the injunction in of the above verses and Luke (6:34-35) to "lend freely, hoping nothing in return"

## **Luke (6:34-35):**

*And if ye lend them of whom ye hope to receive, what thank have ye? For sinners also lend to sinners, to receive as much again. But love ye your enemies, and do good, and lend, hoping for nothing again; and your reward shall be great, and shall be children of the highest: for he is kind unto the unthankful and to the evil.*

Churches and thinkers reinforced the idea of forbidden interest but that happened since the function of money is a medium of exchange. However, to accommodate the expansion of capitalism, commercialisation, international trade and other economic factors, a pro-usury counter-movement began to take hold and the Western definition of usury gradually shifted from one referring to any loan with an interest charge to one referring to a loan with an exorbitant interest rate (Visser, and McIntosh 1998 and Rosser, 1999).

While it is tempting to dismiss restrictions on interest rates as impractical, outdated, and irrelevantly rooted in religion, today's most free-marketers may be surprised to learn that Adam Smith, despite his image as the father of the capitalism and his support of *laissez-faire* economics, was an supporter of usury law.

Although Smith opposed a complete prohibition of interest, he was in favour of the imposition of an interest rate ceiling. The 20th-century economist John Maynard Keynes endorsed government control of lending rates "by statute and custom and even invoking the sanctions of the Moral Law (James, 2001).

The above discussion however, means that the prohibition of interest in Islam was not an innovation since the Muslims view the one true religion was revealed by God through all prophets.

Finally, the prohibition of interest or usury has been mentioned in the Qur'an (Muslims holy book) in many verses. However, Qur'an forbids interest in four stages. First, it mentions that people who give alms are better than those who lend money in order to obtain interest (see Ar-



Rum 30:39). Second, it demonstrates that interest was also prohibited in the Jewish religion, which preceded Islam. When some Jews rejected the Law of God and continued to accumulate interest, God prepared a punishment for them. So Muslims must reject the taking of interest (see An-Nisaa 4:160-161). Third, in chapter (3) verse 130 Allah says (translated by Yusuf Ali, 1991):

*O ye who believe! Devour not usury doubled and multiplied [compounded]; but fear God; that ye may (truly) prosper.*

This emphasise the prohibition of usury and excessive interest but does not prohibit it altogether. From the above stages, we can not regard these verses as law, because there is a later, more imperative law laid down in the fourth stage. Finally, it was clear here that interest is forbidden by Qur'an because of the following verses:(Al-Baqarah: 275-281)

*Those who devour usury will not stand except as stand one whom the Evil one by his touch Hath driven to madness. That is because they say: "Trade is like usury," but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (The offence) are companions of the Fire: They will abide therein (for ever). Allah will deprive usury of all blessing, but will give increase for deeds of charity: For He loveth not creatures ungrateful and wicked. Those who believe, and do deeds of righteousness, and establish regular prayers and regular charity, will have their reward with their Lord: on them shall be no fear, nor shall they grieve. O ye who believe! Fear Allah, and give up what remains of your demand for usury, if ye are indeed believers. If ye do it not, Take notice of war from Allah and His Messenger. But if ye turn back, ye shall have your capital sums: Deal not unjustly, and ye shall not be dealt with unjustly. If the debtor is in a difficulty, grant him time Till it is easy for him to repay. But if ye remit it by way of charity, that is best for you if ye only knew. And fear the Day when ye shall be brought back to Allah. Then shall every soul be paid what it earned, and none shall be dealt with unjustly.*

In Su'nnah (the practice and sayings of the Prophet Mohammed), interest was prohibited in many sayings, for instance: Sabeq (1988) reported this saying of the prophet Mohammed: From Abu Said Al-khudri: the prophet said:

*Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, like for like, equal for equal, hand to hand. If these types differ, then sell them as you wish, if it is hand-to-hand. (Muslim and Musnad Ahmed).*

Also Vogel and Hayes, (1998) translated His saying regarding this issue as "Every loan that attracts a benefit is Riba".

The above phrases make it clear that Islam forbids Riba but allows sales and other contracts to make profits on real activities because in Islamic jurisprudence, there must be a marriage between money and work, initiative and risk, being just and equal. Muslim scholars maintain that when a



person lends money the funds are either used to create a debt or an asset. In the first case Islam contends as to why the lender should receive a return simply through the act of lending per se. In the second case, equally, it asserts that when money is used to create additional wealth, the lender should be entitled only to a small fraction of the added value (represented by interest rate) seeing as the lender is a partner in the enterprise and not a creditor (Hamoud, 1986). However, Chapra, (1992) argued that the Islamic view of flat annual interest rate is established on the requirements of the Islamic principles, which view flat interest on principal as evil because it involves accepting fixed gains without sharing the risks entailed in the productive enterprise.

Therefore, interest in whatever form is forbidden in Islam. The reason is to achieve an equitable distribution of profits between depositors and banks or partners. This indicates the importance for the need to establish an Islamic banking system to build a modern society in Islamic countries.

Today, a fixed payment called interest is one of the main bases that commercial banks all over the world are carried out their operations and organised their systems. However, Pryor (1985) argues that the elimination of interest from banking would lead to economic disorder because people would abstain from saving, and if there were no savings, investment and development would be slowed. However, this it is not so. As long as people recognise the need for future consumption, savings will still be positive, even though a positive rate of interest does not exist. A good example of this is that during inflationary periods, returns on savings are usually negative (e. g. when the central bank of Japan announced zero interest rates in the year 2000 to encourage investment, consumption, and economic growth).

## 2.4 Islamic Banking Historical Background:

As mentioned above the Muslim worldview on economics and finance is part of integrated and comprehensive overall system based on Islamic principles.

The wide spread of interest-based or non-Islamic banks in Islamic countries in the beginning of nineteenth century by foreign banks during the western colonisation, and then by domestic bankers after independence, did not, however, reflect this worldview nor did it fulfil the needs of religious Muslims for an interest-free banking system.

The idea of establishing an Islamic banking system began to develop in a number of writing from the late 1940s because of the independence of some Muslims countries however, the earliest record of an Islamic financial institution was the Mit Ghamr project, which was established in



Egypt in 1963 as a saving bank and closed in 1967 by the government which has established Naser Social Bank in 1967 as an Islamic bank.

In the early seventies, the involvement of research institutions, such as Al-Azhar University, the Egyptian government and Islamic Conference Organisation led to the application of Islamic banking theory and resulted in the establishment of the first interest-free bank called the Islamic Development Bank. This is an inter-governmental bank established in 1975 and gave a big boost to the Islamic banking movement (Ausaf ed., institute of policy study, 1994). The involvement included meeting, conferences, and studies, such as the Conference of the Finance Ministers of the Islamic Countries held in Karachi in 1970, First International Conference on Islamic Economics in Mecca in 1976 and International Economic Conference in London in 1977. These efforts were followed by the establishing the first private Islamic bank in Dubai (Dubai Islamic Bank) in 1975, Faisal Islamic Bank in Egypt and Sudan and KFH in 1977.

During the seventies, many Islamic banks were established in different countries, some public, some partly government-owned, and others private (Haron, 1994). By 1986 over forty Islamic financial companies have been established all over the world (Ahmed, 1987).

At present, more than 200 Islamic financial institutions are operating worldwide. Including in: Albania, Algeria, Australia, Bahamas, Bahrain, Bangladesh, British Virgin Islands, Brunei, Canada, Cayman Islands, North Cyprus, Djibouti, Egypt, France, Gambia, Germany, Guinea, India, Indonesia, Iran, Iraq, Italy, Ivory Coast, Jordan, Kazakhstan, Kuwait, Lebanon, Luxembourg, Malaysia, Mauritania, Morocco, The Netherlands, Niger, Nigeria, Oman, Pakistan, Palestine, Philippines, Qatar, Russia, Saudi Arabia, Senegal, South Africa, Sri Lanka, Sudan, Switzerland, Tunisia, Turkey, Trinidad and Tobago, United Arab Emirates (Abu Dhabi, Dubai, Sharja), United Kingdom, United States, and Yemen.

The industry has come a long way in a relatively short time and has captured a significant market share from their non-Islamic or interest-based rivals. Today, the Islamic banking system manages over \$200 billions and is said to be growing at 15%-20% annually. Penetration rates of Islamic banking services in Muslim countries range from 5% in Malaysia to 12% in Saudi Arabia to 20% in Kuwait and to 100% in Iran and Sudan.

It is anticipated that the Islamic banking industry will be responsible for managing at least 40-50% of the total savings of Muslims worldwide in 8 to 10 years.



## 2.5 Islamic and Non-Islamic Banking:

Many non-Islamic banks and some global financial institutions have been interested and active in Islamic banking since the early 1970s (Al-Harran, 1996 and Abdul Gafoor, 2001a). They have recognised this trend and are capitalising on the attractive market. Banks such as Citibank, ANZ, the Union Bank of Switzerland, Credit Swiss, First Boston and others have been very active in conducting Murabaha (cost-plus or mark-up sale) transactions. Furthermore, the Industrial Bank of Japan IBJ has established an Islamic portfolio for Mudarabah (profit sharing products). They are followed by some Arab interest-based or non-Islamic banks, which have also opened Islamic windows or separate branches to provide Islamic banking products and services, for example Arab Banking Corporation and Gulf International Bank, United Bank of Kuwait, etc. Finally, recently some of global banks have decided to establish Islamic banking subsidiaries or have substantial dealings in the field including, Bank of America, Commerzbank, Deutsche Bank, UBS, Standard Chartered, Barclays, HSBC, Royal Bank of Canada and Brown Brothers Harriman.

## 2.6 Islamic Banking Principles and Definition:

The above discussion has provided the fundamental fact of the objectives and rationale of the Islamic banking industry. It is now necessary to summarise its principals, define the concept, and draw some differences between Islamic and non-Islamic banks.

### 2.6.1 The Main Principles of Islamic Banking:

There are several principles of Islamic banking, this study tries to sum up some of the main as explained by (Siddiqi, 1988a; Sadr, 1990; Idris, 1996 and Othamn, 1998) as follows:

1. Does not receive interest nor pay interest.
2. Risk taking, when related to commercial or productive venture, is socially productive activity and consequently entitled to a reward.
3. Financial risk rests solely with the lenders and not with the managers or agents.
4. All loans must finance socially productive activity.

### 2.6.2 Islamic Banking Definition:

Islamic banking has been defined by a great number of researchers. Erol, et al (1990, p.26) for instance defines Islamic banking as:



*...as an organised institutional framework designed to spread the application of interest-free banking concepts by establishing banks and investment organisations throughout the world, operating in accordance with Islamic economic doctrines.*

Kabbara (1988, P. 84) quoted the International Association of Islamic Banks (IAIB) regarding the interpretation of Islamic banking as:

*....banking establishment that solicits funds and employs them in accordance with Islamic law, for the purpose of building solidarity and ensuring justice of distribution and employment of funds in accordance with Islamic principles.*

Moreover, an Islamic bank is defined in broad terms by the IAIB as reported by Mudawi (1986 p. 2)

*...a bank which implements a new banking concept in that it adheres strictly to the ruling of Islamic Shariah in the field of finance and others dealings.*

However, the definition below by Ausaf Ahmed (1987 p. 2) incorporate for the first time both areas of banking operations and Shariah on an equal footing.

*...an institution which conducted all financial operations, as normally conducted by a bank, in confirming with Shariahh, without involving itself with riba in any way.*

In light of the above definitions, this study asserts Islamic banking as an industry in which financial acumen goes hand-in-hand with Islamic principles and consisting of Islamic institutions throughout the world, operating in accordance with Islamic economic policies. In other words it is an industry for the implementation of the Islamic economic order that strives to build a society based on social justice, equity, moderation and balanced relationships. Also the industry presents an overview of what Islamic banks are doing and why they are doing it.

The author defined the Islamic bank as a non-interest based financial institution complying fully with Islamic laws, creative and progressive financial engineering to offer efficient and competitive banking, investment, trade finance, commercial and real estate financing services to its customers.

The above definition indicates that an Islamic bank has to meet the following four requirements:

1. Its operations must be based strictly on Islamic law,
2. It must fulfil all requirements of sound banking, and fulfil with creativity and progressive financial engineering programs.
3. It must be involved in all direct and indirect investments, trade finance, commercial and real estate financing products.
4. It should provide efficient and competitive products and services to its customers.



Like any new industry, the Islamic banking industry is sure to meet some difficulties in terms of development, management knowledge, satisfying internal and external customers by providing and innovating new products and services, and so on. It took the non-Islamic banking industry over two or three hundreds years to develop to its current situation. However it might not necessarily mean that an Islamic banking industry will require the similar period as it stands to gain from the extensive experience obtained from interest-based or non-Islamic banking industry.

## 2.7 Islamic and Non-Islamic Banks Major Differences:

There are many similarities between Islamic and non-Islamic banks, since both deal with common set of operating business realities. In most cases both banks simply travel different paths toward the same goal, but the following brief discussion will be focussing on some fundamental differences between them in terms of their natures, forms of financing, techniques of evaluating projects, risk facing, Zakat and organisational structure which will be considered in the following points:

### 2.7.1 The Nature of Islamic Banking:

1. From the experience of the last four decades, Islamic banks have emerged as one of the most significant and successful modern implementations of the Islamic legal system (Vogel and Hayes, 1998) and a test case for future Islamic legal innovation and development. Therefore, they are unique, first because they are organised on an alternative basis to non-Islamic banks and that alternative basis is primarily the basis of profit-loss-sharing which can take a number of forms. Some forms have been experimented and others need to be benchmarked, developed and experimented. Second, their resources would go to the grass-root of society, and that is how the ordinary people would be enable to make money in the future unlike the non-Islamic banks, they provide financial resources to those who already have them.
2. Non-Islamic are intermediate financial institutions, which stand between the savers and the investors (Al-Hawari, 1996). However, Islamic banks are a mixture of internationally known traditional financial institutions for they not only operate like saving banks but are also similar to finance companies in so far as they can offer financial support to high risk projects and they can also operate as an open or closed investment funds [or banks].
3. The Islamic banking principles include risk taking and the prohibition of fixed interest rate. Thus, the Islamic bank does not promise profits; if it made any profits during the agreed financial period it would give the depositors the agreed rates; conversely, if the bank made losses, the depositors would share the burden together with the bank. Whereas, the non-



Islamic bank promises to pay fixed rates on its deposits, regardless of whether it makes profits or losses.

4. The Islamic bank is more than the non-Islamic bank for it works like any other specialised bank, (such as industrial banks, agricultural banks or building societies). It finances projects in all the above mentioned fields in addition to the fact that it can work like any investment bank because it is interested in the establishment of long-term projects.

### 2.7.2 Forms of Financing:

1. The term ‘investment’ used by interest-based banks is different from the term ‘investment’ used by Islamic banks (Ali, 1982). In non-Islamic bank, ‘investment’ refers to investing in portfolios and financing long-term projects and working capital according to fixed interest rates. While, investment in Islamic banking would include direct investment, such as equity finance, long term investment, decreasing share in equity finance through profit-term-participating certificates, equity capital share and finally financing working capital according to profit/loss sharing PLS principles as we will see in the following sections.
2. A considerable part of the non-Islamic bank’s funds are directed towards commercial (business) loans, but the majority of the funds in the Islamic bank are directed toward Al-Murabaha finance (cost-plus or mark-up sale) and Al-Musharakah finance (shared finance or partnership companies), Mudarabah finance (speculative finance) or resale with specification of gain or others, as we will see also in the following sections.
3. Any non-Islamic bank can issue excellence shares, which have fixed rate from the profits, but the Islamic bank cannot do that because they are of limited interests (Al-Hawari, 1996).
4. Regardless of their rate of profits, the Islamic banks prohibit the production of trading with certain prohibited goods and services in Islam (Al-Harran, 1996), such as: the finance of companies which process, trade, or deal with Alcohol and pigs meat and the finance of gambling casinos.

In summery, non-Islamic banks do not get involved in the buying and selling or even the keeping of commodities, only within certain conditions. Also these banks, in accordance with their charters, cannot buy capital assets or fixed assets unless they are used by the bank itself (Al-Hawari, 1996). As for Islamic banks, they can trade with all types of legal commodities and can keep capital assets and establish limited companies (Warde, 2000) or other types of companies.



### 2.7.3 Projects Evaluation Technique:

The forbidding of interest rates in Islamic banking makes it difficult for them to use this rate in evaluating the feasibility of projects. Therefore it is not a factor in determining the cost of capital on which the internal rate of return is judged as used in non-Islamic banks. An average rate of return is expected for every category of projects that can be used to calculate the discounting of future cash flow to arrive to their present values. So the average minimum rate of return for all projects is necessary to anticipate the expected and the desired level of profits distributed on the investment accounts.

### 2.7.4 Reserve Deducted and Risks Facing:

1. All reserves in the non-Islamic banks are deducted from the net profit before tax and paying interests to depositors, but Idris (1996) stated that in the Islamic bank reserves are deducted only from the net profit ear-marked for the shareholders.
2. Islamic banks do face a risk not faced by their non-Islamic banks. Though both have to take a credit risks, capital adequacy, liabilities, and asset-matching risks, currency-fluctuation and liquidity risks, the risk for Islamic banks is higher, because of their extensive trade and investment activities also from the lack of sufficient Shariahh based liquidity instruments (Al-Omer, et al., 1996). Also it is attributed to the non-existence of secondary market for Islamic instruments, finally they cannot use central banks as a lender because of the interest rates required.

### 2.7.5 Zakat, and the SSB:

One of the characteristic features of the Islamic banks is the existence of what is called 'Al-Zakat fund'. This seeks to establish social equality. Such funds are found in the Kuwait Finance House (KFH), the Islamic Bank of Jordan (IBJ) and various other Islamic banks. This fund is financed by taking 2.5% of the bank's capital every year, with the bank's customers given the option of paying their Zakat to the bank.

Also one of the differences is the SSB requirement of Islamic banks, which must comply with the principles and rules of the Shariah in all financial transactions and operations.



### 2.7.6 The 5Cs:

The importance of the 5Cs (capital, capacity, collateral, character, and condition): Islamic banks attach varying degrees of importance to the elements of the 5Cs from that of the non-Islamic or commercial banks. The commercial bank may give priority to the collateral, whereas the Islamic bank gives priority to character of customer. The commercial bank is perhaps more interested in capital and capacity, but the Islamic bank is found to be more interested in capacity than in capital. On the other hand, there may be some similarity between the commercial bank and the Islamic bank on the issue of priority attached to the security and soundness of any project submitted to the bank for the purpose of financing (Al-Hawari, 1996).

## 2.8 Islamic Banking Operations' Principles and Models:

As a result of the discussion briefly reviewed in the previous sections, many studies (See, e.g., Uzir, 1955; Qurishi, 1946; Uzair 1979; Siddiqi 1983a,b; Chapra 1985; 1992; Ahmed, 1987; Ausaf, 1994; Kahf, 1992; Wilson, 1994; Vogel and Hayes, 1998 and Abdul Gaphor, 2001a,b,c) viewed that the Islamic financing approach should primarily be based on a principle whereby the rate of return on financial capital should vary in accordance with the variations in the return of the whole enterprise. However, this return form can take the application of Profit Sharing Principle (PSP) or Profit and Loss Sharing Principle (PLSP). The following section will examine in addition to these principles of financing emerging from the literature the management framework and operations' processes by which Islamic banking are currently practiced.

### 2.8.1 Mudarabah (Profit Sharing Principle PSP):

The PSP is based on the Mudarabah model i.e., profits will be shared between the owner of capital and the entrepreneur on the basis of contractual agreement between two parties whereas losses under normal circumstances would be written on capital. The lender or money owner (first party) is normally a sleeping partner, while the bank or second party is the working or managing partner which provides labour or expertise with the purpose of earning lawful profit. The net profits realised are divided between the two parties according to certain ratios agreed upon in advance. Of course, the Mudarib (bank) can be sued for any wilful act or negligence on its part (Al-Harran, 1996).

The literature the first indication or the earliest reference to this principle was in the late 1940s, in a book called 'Islam and the Theory of Interest' by Qureshi (1946). It was followed by a work of Ahmed in 1952 who discussed the possibilities of replacing debit-financing with PS or PLS



principles. However, as observed by Arif (1988) and Vogel and Hayes (1998), the above works are wider and defined above concepts in vague ways, because they have generally explained the Islamic economic theories and the possibilities of the implementation of interest-free banking in pure Islamic environment.

However, the first systematic attempt to develop a comprehensive model of Islamic banking was in 1968 in Siddiqi's work, 'Banking Without Interest' which was written in Urdu and translated to English in 1983. This model is based in both PS and PLS. He visualised a two-tier Mudarabah relationship between the bank and depositors in first tier and between the bank and entrepreneur-borrowers in second tier. A simplified version of these model transactions will be described and illustrated with some hypothetical examples in the following lines.

A first-tier is created when investors (depositors) place their capital with an Islamic bank, which here act as a working partner (Mudarib). The Islamic bank in turn invests these money or deposits with entrepreneurs (equivalent to interest-based bank's borrower) by means of the second-tier, and now the Islamic bank has the role of capital investor. Therefore, the model would include a relationship between three parties namely: the depositor or investor (capital owner), the bank which serves as a partial user of capital or intermediary link and the entrepreneur-borrower who is the actual user of the capital funds. In addition to that, each party in the first-tire have a share of the net profits yielded by the investment undertaken by the bank based on conditions of the opening investment or saving account with the bank. Whereas in the second tire, profits earned from the project undertaken by the external entrepreneur or internal entrepreneur (company owned by the bank) will be shared with the bank at a mutually agreed profit sharing ratio.

The profits between the three parties can be summarized in the following example and equations: -

Suppose that four investors deposit \$100,000 into an Islamic bank \$25,000 each, 2 for one year starting from Jan. 2000 and the remaining two for six months starting from July 2000. The investment account's conditions include net profits distribution between the bank and depositors by 40% and 60% consistently. The bank invested \$80,000 in two Mudarabah contracts. Also suppose that the Mudarabah contracts include the ratios of sharing profits between the bank and entrepreneur by 80% to first party and 20% to the entrepreneur. In 31<sup>st</sup> of December 2000, the results of two projects contracting have shown the net profit of the first one \$20,000 and \$10,000 for the second one.



Therefore, assuming that:

$I$  = total deposits by investors =  $\sum I_i$  which is the sum of deposits,  $i$  is the 1,2,3,...number of depositors, in our example:  $\sum I_i = \$100,000$ ,  $i = 4$

$M$  = total Mudarabah fund =  $\sum M_j$  which is the sum of fund using in Mudarabah projects,  $j$  is 1,2,3... , number of projects, in the example  $\sum M_j = \$80,000$ ,  $j = 2$

$P$  = total profit from the investment =  $\sum P_j$  is the sum of profits gained from Mudarabah projects which were here \$30,000.

$\beta$  = depositor's profit sharing ratios in the first tier where ( $\beta > 0$ ), = 60%

$\theta$  = bank's profit sharing ratio in the second tier where ( $\theta > 0$ ), = 80%

- 1) Staring at the second tier, the share of net profits (SBP2), received by the bank from the entrepreneur is represented by:

$$SBP2 = \theta (\sum P_j)$$

$$SBP2 = 0.8(\$20,000 + \$10,000) = \$24,000$$

Whereas, the entrepreneur profit's share is also represented as:

$$SEP = (1 - \theta) P_j$$

So for the first one is  $(1 - 0.8) (\$20,000) = \$4,000$

And for the second one is \$2,000

- 2) In the first tier, the net profit (SBP) received by the bank from entrepreneur, will then be divided between the bank and depositors. Hence, the share of net profits (SDiP), received by depositor  $i$ . from the bank can be simplified as

$$SDiP = (I_i / I) \times \{(\beta \times SBP2) / 12\} n,$$

$n$  is the number of months that the investor kept his deposit in the bank.

In our example the

$$SD1P = (25,000 / 100,000) \times \{(0.6 \times 24,000 / 12) \times 12\} = \$3,600$$

$$SD2P = 3,600$$

$$SD3P = 1,800$$

$$SD4P = 1,800$$

While the bank's net profits gained as intermediary is equivalent to:

$$SBP1 = (1 - \beta) \times SBP2$$

$$SBP1 = 0.4 \times 24,000 = \$9,600$$



The above equations indicate that the three parties will all stand to gain or lose together in the Islamic banking system, which also lead to a fair distribution of profits between the three parties (Ausaf, 1994). However, Islamic banks today face problem regarding the fair distribution of profit between these parties and need more focus and research as this is not within the remit of this study.

In theory, Siddiqi (1988a p. 37) pointed out that “the PSP system would be more stable than the interest-based system causing less bankruptcies and bank failures”. The reason behind is that any shocks to the bank’s assets position, for example caused by a fall in revenue from investment, would be absorbed on the liability side where profits paid to depositors’ would adjust automatically to the change in the PS system.

To conclude the above brief about the PSP of finance, three remarkable conclusions have been reached.

First, the classical Mudarabah is based on a one to one relationship between the owner of capital and the entrepreneur, whereas most contemporary Muslim writers made it clear that Mudarabah can also have many capital owners (depositors) facing one entrepreneur i.e., the bank.

Second, in the classical Mudarabah, view of mixing of personal capital of the Mudarib and other investors’ capital or Mudarabah capital is an exception, while in modern thinking; this became the fundamental rule, as the Islamic bank will use its own share capital together with the depositors’ money.

Finally, using Mudarabah money for making other Mudarabah contracts is an exception in the classical form but in the present this also became a main rule of Mudarabah and gave rise to an innovation; that the PSP can be used for the purpose of financial intermediation. The significance of this innovation for the Islamic system of finance is vast as evidenced empirically by the resource mobilisation practices of Islamic banks as well as by the theoretical works on the subject.

### 2.8.2 Musharakah Profit and Loss Sharing Principle PLSP:

The PLSP is related to the Musharakah (Partnership), which refers to two or more parties drawing up a contract to work together with capital they themselves contribute, on the condition of dividing the profit between them. The theoretical structure of the PLSP was designed to enable the bank and its customer to enter an arrangement whereby they would jointly establish a special company, which would then manage the respective business venture. Profits are distributed



according to the contractually agreed shares but liability of loss would be proportionate to capital contribution. This principle was mentioned by many economists and scholars. However, it may take one of two forms of finance: Shares may be floated by ordinary joint stock companies in accordance with the Musharakah principle, or Islamic banks may mobilize resources on the basis of the Mudarabah principle (Ahmed, 1987) and invest them in the principle of Musharakah.

Chapra (1985 and 1992) worked in Musharakah model and gave out an important role to its principles. In the one hand, he has not introduced any model of a typical financial intermediation system as Siddiqi (ibid) or Uzair (1955, 1979) had done in their works. On the other, his emphasis was on institutional arrangements which characterize the Islamic financing institutions more as investment institutions rather than typical financial intermediaries. Ahmad (1987) and others are in line with this approach. The natural outcome of such arrangements is expected to provide a much more fertile ground for Musharakah.

### 2.8.3 The Models' Problems:

Muslim scholars and economists regard Mudarabah and Musharakah as the real substitutes for the interest-based systems but when adapting the above forms of finance, many challenges have to be addressed before it could be widely applied. Most of these problems are still not fully solved and may be found in the relationships between the bank's management, shareholders, and depositors of various types of maturities and risks. How can equity be ensured between shareholders who are investors in the bank, on the one hand, and depositors who are investors in a Mudarabah fund managed by the bank, on the other? And how the bank's management will manage equity and deposits? Frank Vogel and Samuel Hayes (1998) considered three major groups of problems.

First, problems arise in managing deposits in the first tier because these deposits are understood as partnerships under Islamic law. Therefore, how could an Islamic bank offer depositors different maturities or liquidity options? How can it tolerate inevitable mismatches between the maturities of various depositors and still pays depositors the precise return their money has earned? How would the manager respond to the individual instructions of all investors? In response to these challenges, Sami Hamoud (1986) created new type of Mudarabah called Public Mudarabah which is unaffected by changes of membership and its returns are determined by using accounting techniques. He suggested that depositors agree in advance to donate a portion of their gains to a charitable fund to be used to meet losses of later investors or, if unused, to be given later to charity.



Second, problems found in organising the Islamic bank or fund using interest-based legal forms and practises. Thus, Islamic banks need to adapt modern legal forms and practices, need to use benchmarking techniques to develop new forms of finance and investment using non-Islamic banks', fund trust, investment, and insurance companies' techniques and ways of investing money.

Third, problems come from the pressure on Islamic bank to frame deposits and investments to have risk, liquidity, and net profits similar to those of non-Islamic bank. In the environment of expectations of depositors, entrepreneurs, and regulators, as well as the pre-existing legal system and competition from non-Islamic banks, Islamic bank cannot behave fully in accord with PS and PLS systems.

#### 2.8.4 The Sales-based and Debit-based Principles:

In the early discussion, those forms (Mudarabah and Musharakah) which have been grouped under the principles of PSP and PLSP -to contrasted with the other forms of financing, such as sales-based and debit-based forms which will discuss in the following sections- are somehow more ideal forms on Islamic point of view. As, M. Taqi Usmani (1998, p.239-240) states that:

*The ideal instrument of financing according to the Shariah is Musharakah where the profits and losses both are shared by both the parties according to equitable proportions.*

This opinion is not based on any religious evidence, but rather based on the jurist's economic reasoning. The reason behind this opinion might be because Musharakah provides better opportunities for the depositors to share actual profits earned by the investment which in normal cases may be much higher than the rate of interest. Since the profits cannot be determined unless the relevant commodities are completely sold, the profits paid to depositors cannot be added to the cost of production, therefore, unlike the interest-based system the amount paid to depositors cannot be claimed back through increase in the prices. It is important for the sophisticated reader to distinguish between the jurists' opinions which are based on solid religious grounds, and those based on inadequate economic reasoning.

However, the fact that most Islamic banks' operations are based on Sales and Debit Principles, which are used universally by most Islamic banks in many countries. Therefore, PSP and PLSP are the least popular modes of financing in most of the Islamic banks in the modern world (Siddiqi, 1983b). Principles within this category are further divided into three categories, namely:



**Fees-based category:**

It is also grouped into fees based on mark-up, fees based on commission, and fees based on services. Products or services whose charges are based on mark-up are usually governed by the principle of Murabaha, bay' ajil, Ijarah, Ijarah wa-l-iktina (hire-purchase), Salam, and Istesna'a. The marked-up amounts are based on the nature of the transactions and the length of the credit given to the customer. Commission is usually received by the Islamic banks for the transaction based on the volume or the amount such as transactions, bill collections, and forward delivery. However, service charges are imposed on customers upon utilisation of bank services and the rate is fixed in line with all of services, such as a loan with service charge where the bank lends money without interest but cover expenses by charges for service.

**Free-based category:**

Most Islamic banks within this category have adopted a single principle called al-qard al-hasan.

**Other or ancillary principles category:**

It includes principles, such as Al-Wadiah, Al-kafalah, and Al-wakalah.

1. Al-Wadiah principle: al-wadiah is defined as an agreement to deposit an asset, excluding immovable fixed assets, in the custody of another party who is not the owner, or any such asset deposited with a non-owner for custody (Haron, et al., 1994).
2. Al-Kafalah principle: al-kafalah is an agreement between two parties. One issues a letter of guarantee to fulfil the obligation of a third party.
3. Al-Wakalah principle: this refers to an agreement between a customer and his/her bank in which the former appoints the latter as his/her agent in undertaking a certain transaction on his/her behalf.

In the following section, Islamic banks' operations, which based on the above principles, will be discussed with brief highlights of the practices.

## 2.9 Islamic Banking Operations:

As shown above, an Islamic bank cannot, under any circumstances, operate without legal permission from Islamic law. In other words, all Islamic financing operations in theory and practice are direct or indirect reflections of the above principles. Some operations may combine features of two or more of these principles.

Therefore, Islamic banks have had to create a number of special operations that are suitable and attractive to their existing and potential customers, and at the same time, conform to Islamic law.



In this section, we are ready to examine the various Islamic banks' operations in light of theories and practices of Islamic banks.

### 2.9.1 Operations Based on the PSP and the PLSP:

#### 2.9.1a Mudarabah:

As we reviewed in the last section that Mudarabah is a financial form which the bank may provide funds to the capital users or receive funds from investors for use in some productive activity on the condition of sharing profits between the two parties.

#### 2.9.1b Musharakah:

As referred above Musharakah is different from Mudarabah in the way of contracting and managing the project. In Musharakah, all parties have a right in the management of the project. However, these two techniques are very similar in that the provider of finance directly shares the profits and is willing to bear the losses, if any, to the extent the investor investment.

#### 2.9.1c Muzarah:

The Muzarah (crop sharing) is a partnership contract in agriculture: One party provides the land and the other undertakes the farming to share in the crop between landowner and the agent. Muzarah takes many faces. For example, the first party provides the land, seeds, and equipment and other party only provides the efforts and work or the first party provides only the land and the other provides seeds and equipment in addition to his efforts and work.

These modes of financing weight represents no more than ten per cent of the total financing portfolio in Islamic banks (Haron, 2000).

### 2.9.2 Operations based on Sales-based and Debit-based Principles:

#### 2.9.2a Murabaha (cost-plus or mark-up sale operation):

It means a way of making profit and it is also a two-tier operation. Sami Homoud (1986, p. 25) and Al-Qardawi, (1985, p. 12) quoted Ibn Qudamah's definition of the concept as:

*...selling for the cost price plus a specified profit, provided that both the seller and the buyer know the cost price. The seller says, my capital, or the cost price, is a hundred, and I*



*sell it to you for a profit of ten.' This is permitted and there is no doubt about its legitimacy. No scholar is reported to have regarded it with legal `dislike.*

Under this operation, the buyer knows the price at which the seller obtained the object to be financed and agrees to pay a premium over that initial price (El-Gamal, 2000). It is one of the most widely used modes of finance by Islamic banks, being suitable for partial financing of the investment activities of the customers, in industry, trade and others. The very close boundary line between interest and Murabaha has been confusing many researchers and also customers, because the differences are so minor and the nature of contracts resemble each other so much that even Jurists find it very difficult to elaborate.

The difference appears in the risk of loss involved for the bank because it faces all risks normally involved in a trading activity, such as goods getting damaged during transportation, storage, etc. Furthermore, it also runs the risk that the commodity may not be finally accepted by the customer on account of quality or any other alleged reason. Therefore, these risks keep the rate of return uncertain until the goods have been finally handed over to the customer or finance user.

The following example simplifies the process of Murabaha. One may come to an Islamic bank asking the bank to purchase a commodity, such as a car on his/her behalf. He/she should mention the price for the car e.g. \$5,000, and suggest that he will give the bank a profit margin of \$500 or in other words, he/she should ask the bank “would you purchase this car on my behalf at \$5,000, and I shall give you a profit margin of 10%”. In principles, the bank must own the goods at the time of operation, the mark-up has to be negotiable between both parties, the buyer must be told the price is a credit price and the differences between cash and credit, and the transaction must be a trade transaction.

The above example indicates that when the customer (buyer) comes to the bank with the intention to buy a commodity. When he/she promises to buy it, the bank has the authority to buy it and sells it to him. That means it agreed to sell it to him and the customer promises the bank to buy it. So this operations includes two promises one from the buyer to buy the commodity and the other from the bank to sell it to him in the way of Murabaha (Al-Qardawi, 1985).

Murabaha is one of the most suitable operations available in the market for many Islamic banks and it is the most widely used operation for financing. For example, Islamic bank of Bahrain IBB and Dubai Islamic bank DIB channelled 96% and 85% of their financing activities in form of Murabaha. There is no doubt that credit sale instruments will remain dominant in the interest-free banking industry. But their prolonged use will not benefit depositors. More can be done to



improve the use of these deferred sale instruments from which both banks and customers can extract new benefits.

### 2.9.2b Bay' Ajil (Deferred Payment Operation):

It is similar to al-Murabaha except that payments are allowed to be deferred in the purchase of capital assets. It is a contract that involves the sale of commodities on a deferred payment basis. The Islamic bank (provider of capital) buys the commodity (asset) on behalf of the customer and then sells it to him at an agreed price, which will include a mark-up. The customer can pay the total balance at an agreed future date or make instalments over a pre-agreed period. This is similar to a Murabaha operation since it is a credit sale.

### 2.9.2c Ijarah (Leasing):

Leasing (Ijarah) is simply an operation to transfer the using of an asset from one party to another for an agreed period against an agreed consideration. It is similar to an instalment leasing agreement where fixed assets are the subject of the lease, such can return to the lesser at the end of the lease period, in which case the lease takes on the features of an operating lease. It can be in the medium or long term which the Islamic bank leases machinery, equipment, office automation products and vehicles to its customers. The rental payments are structured in accordance with the customer's cash flow patterns and objectives.

However, leasing is a rapidly growing segment of the Islamic financial market place that also used as an alternative to instalment sale for financing purchases of equipment.

There are two types of leasing allowed by Islamic principles: first direct leasing or simple leasing and second, purchase leasing or hire purchase (Ijarah Wa Liqtina).

#### Simple Leasing:

The Islamic bank in that type purchases various assets which usually have a high degree of marketability and leases them to different customers. After the termination of the lease period the assets are returned to the Islamic bank, and on its part the bank looks for a new lessee. Thus, in that case the Islamic bank would keep the ownership of the asset but the customer has the exclusive right to use it on payment of the pre-agreed rental.



## Purchase Leasing:

The Islamic bank often combines leasing with purchase in a single operation called Ijarah Wa Liqtina which is designed such that the lease payment includes a portion of the price of the asset. The lease is structured in such a way that towards the end of it the asset is given away as a “gift” and the title is transferred to the customer (Khoja, 1996)

## Hybrid Operation (declining partnership based on leasing):

An example for hybrid operations is declining partnership for assets financing using leasing as the income-generating engine. It is simply used to help customers own a house or other assets without resorting to interest-based or even deferred-sale financing. It can be applied to such transactions as land, vehicles, factories, machinery and offices. We assume here that the Islamic bank wants to assure repayments while the customer desires to own the asset in the end. The following example and figure (2-1) represents this operation.

Suppose that shop costs £100,000 with 90% end financing, declining partnership will see the formation of a contract in which the Islamic bank and customer become partners. The bank will contribute in £90,000 as capital while the customer contributes 10%. However, in that operation, the capital contribution ratio is not fixed as it can be adjusted based on negotiation and the nature of relationship between both bank and customer.

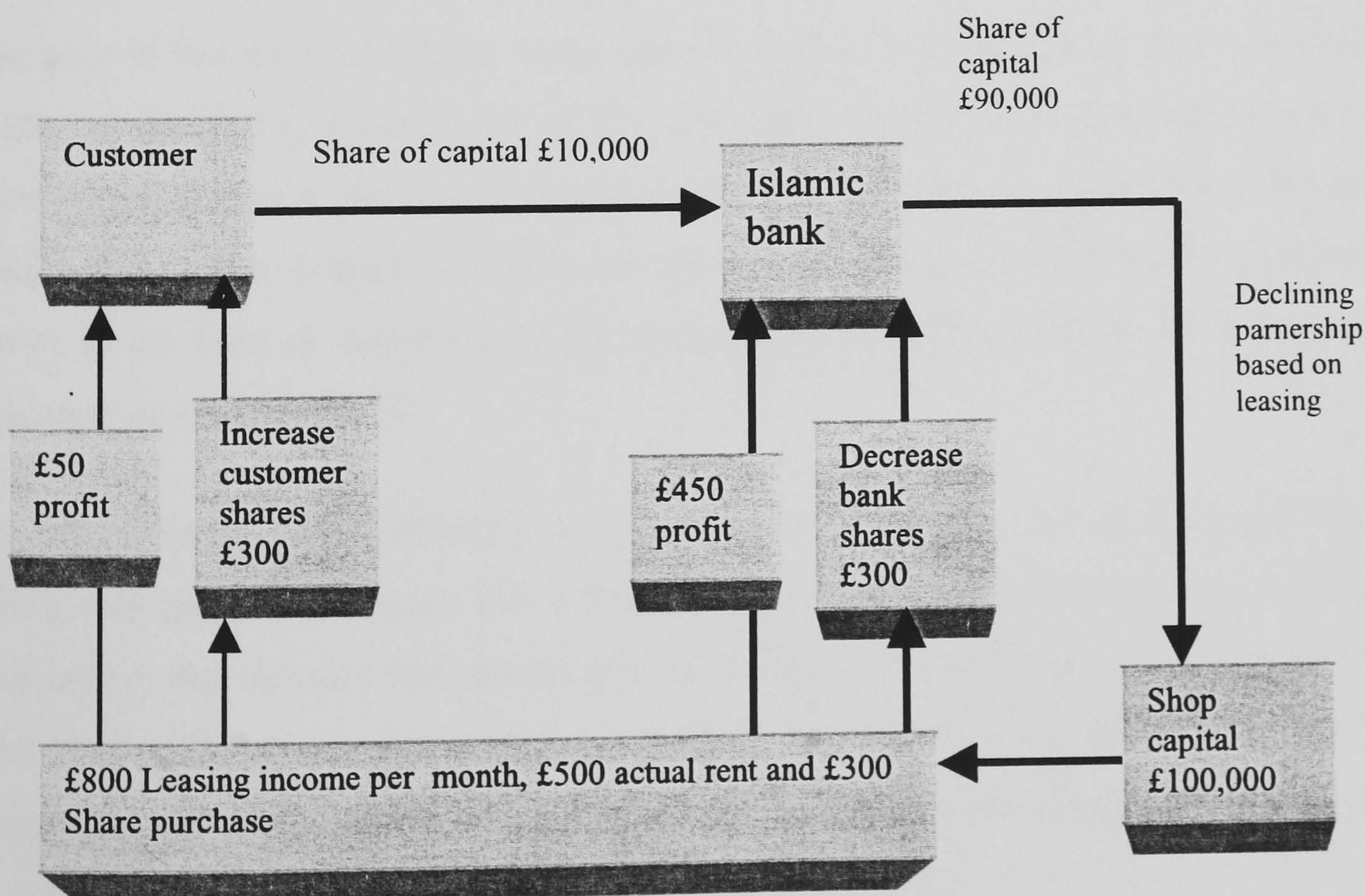


Figure (2-1): Declining Partnership based on leasing



A leasing contract will be applied to earn rental income. For example, the partnership will invest the £100,000 capital on the shop, which is then rented to the customer. As rentals are paid, it will be distributed to the bank and customer on the basis of shared ownership as profits. The profits will be used to buy shares the banks holds, so that ownership claims of the customer increases over time, while that of the bank decreases. To accelerate the share-purchasing process, a premium is added onto the true rental value of the property. This is to ensure that rental payments are able to reflect market value.

Suppose that the actual rental is valued at £500 and the customer will pay the bank an extra £300 as a share purchase transaction. So total rental is £800. Soon after the first rental payment is made, the customer will secure £50 profits (i.e.,  $10\% \times £500$ ) from rental, plus £300 to buy a portion of shares from the bank. The customer after making the first payment (£800) owns  $£10,000 + £350 = £10,350$  as a capital share while the bank holds a decreasing £89,650. The capital contribution ratio now is 10.3%: 89.6%. This buy-back share process will guarantee that as the rental or lease period expires, when the customer holds 100% ownership of the property.

#### 2.9.2d Salam Operation (advance purchase):

It is an operation which the Islamic bank (or financier) pays in advance to buy a specified quantity and quality of a commodity, deliverable on a specific date, at an agreed price. Because the quantity and price of the commodity are known and fixed in advance, the Islamic bank's (or financier's) rate of return is also assumed to be fixed in advance i.e. the internal rate of return is the cost of that form of capital to the business which is simply the difference between the present value of the future market price of the commodity and the price that one receive today. But the actual rate of return remains unknown until the commodity in question is delivered to the buyer and he/she is able to dispose it of in the market. The actual rate of return will depend on the actual price at the time of disposing of the commodity compared with the price paid and on the cost incurred in disposing of it.

Ezzedine Khoja (1996) defines it as a sale of a commodity whose delivery will be at a future date for a cash price. This means it is a financial transaction in which the price is advanced in cash to the seller who delivers the commodity, of determined specification, on a definite due date. The deferred is the commodity sold and described (on liability) and the immediate is the price. This financing technique, similar to a futures or forward-purchase contract, is particularly applicable to



seasonal agricultural purchases, but it can also be used to buy other goods in cases where the seller needs working capital before he can deliver.

### 2.9.2e Istesna'a Operation:

In Istesna'a operations, the price is fixed in advance but is not necessarily paid at the time of agreement (as required in Salam), but a certain quantity of specific commodities must be delivered at a given date. It may be similar in design to Salam and it combines two points:

1. The allowance of a Salam sale when the commodity to be purchased does not exist at present.
2. The element of trust with regards to payment and meeting the obligations incurred upon date of contract.

A bank is able to transact on Istesna'a basis by selling the commodity when available either for cash or at a deferred price. This operation is usually used to finance manufacturing assets.

### 2.9.3 Free-charge Operations:

#### **Al-Q'ard Al-H'asan:**

The Islamic banks set part of their funds to provide loans without interest or grant no-cost loans to needy persons such as small farmers, entrepreneurs, producers, etc. and to needy consumers such as a loan for marriage, students, and non-profit organisations. Also under this principle the bank provides overdrafts to some customers.

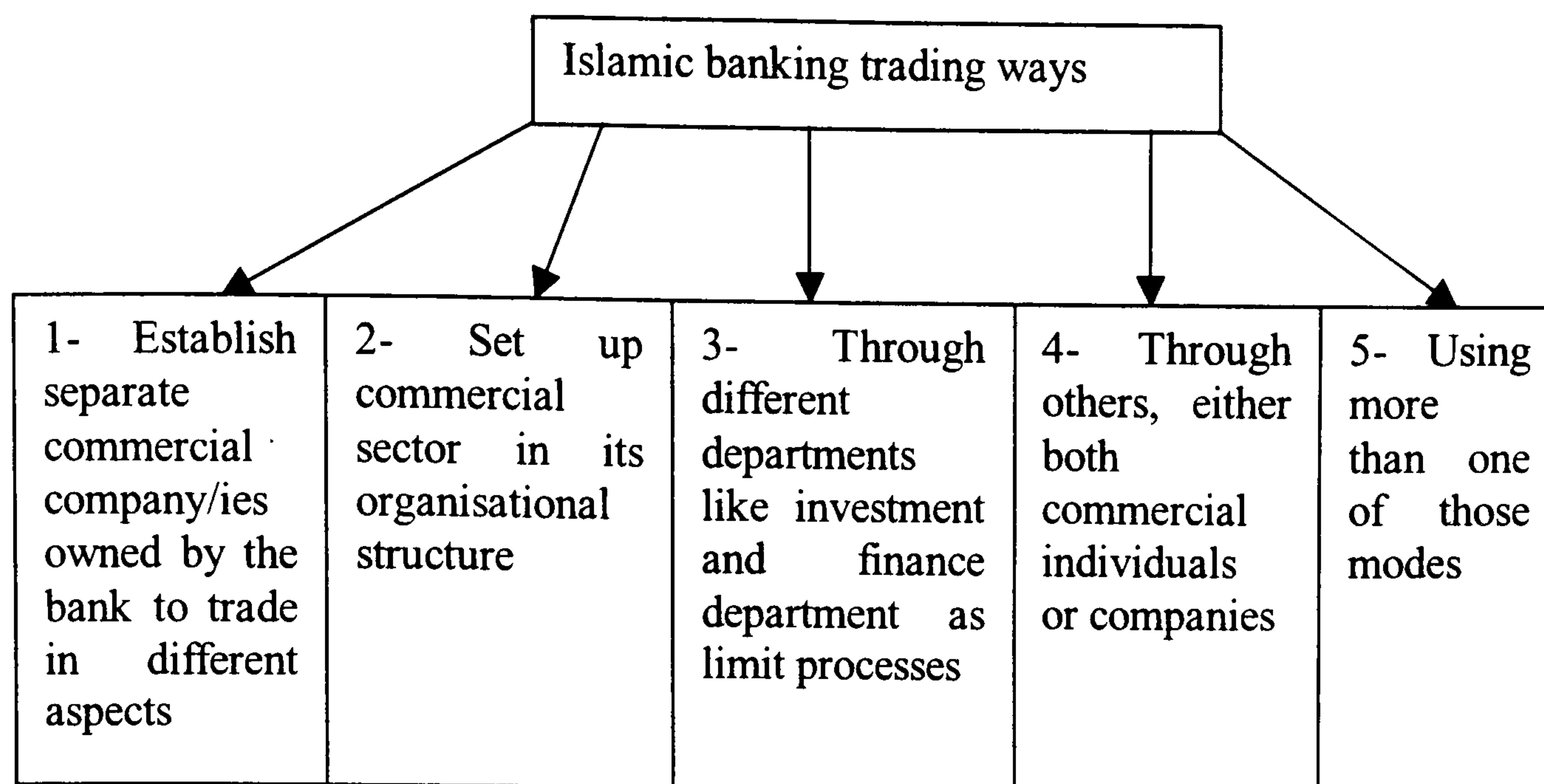
### 2.9.4 Other Operations:

This category can be grouped into direct trade and banking operations.

#### 2.9.4a Direct Trade Operations:

Ezzedine Khoja (1996) defines trading as the operations of buying with the intention of selling through the turnover of capital to make lawful (Halal) profit from the difference between the sale price and the purchase cost. Trading operations in Islamic banks might be take one of the different ways represented in the following figure (2-2):





**Figure (2-2):** The ways of trading in Islamic banks

The trading operation may comprise different processes. The Islamic bank should study trading processes and choose the best way of implementation. The following steps are suggestions of the well-known trading operation:

1. Processes before purchasing (e.g., collecting information about the market, commodity, trading laws, tax, customers, prices, competition, etc.).
2. Purchase processes (e.g., comparison between more than one deal, contracting processes, and pay attention to services like guarantee, insurance, maintenance, parts, and so on)
3. Warehouse processes (e.g. capacity, choosing the system for keeping the stocks in the stores open or close system, calculate the cost of storing, and stores insurance)
4. Selling and collecting the prices money processes (e.g. credit or cash, selling contracts, pricing, etc.)
5. Other processes which include transportation, insurance, shipping, security, and so on.

#### 2.9.4b Banking Operations:

One of the main objectives of Islamic banks is to provide banking facilities and services in accordance with Islamic principles, rules and practices. The sources of funds in Islamic banks are mainly from paid-up capital and reserves in one hand; and deposits in the other. In terms of deposits, they are mobilized through the application of Al-Wadia and PLS principles. Al-Wadia principle implies that the bank receives funds with the undertaking to refund the deposit on demand and with authorization from the depositors to use funds for the benefits of and at the risk of the bank. Bank current account deposits are managed on this principle. By opening such an account, a depositor does not acquire any management (voting) rights in the Bank or on the funds



deposited. Banking operations include banking activities that are grouped into operations with service charges and operations based on free charges.

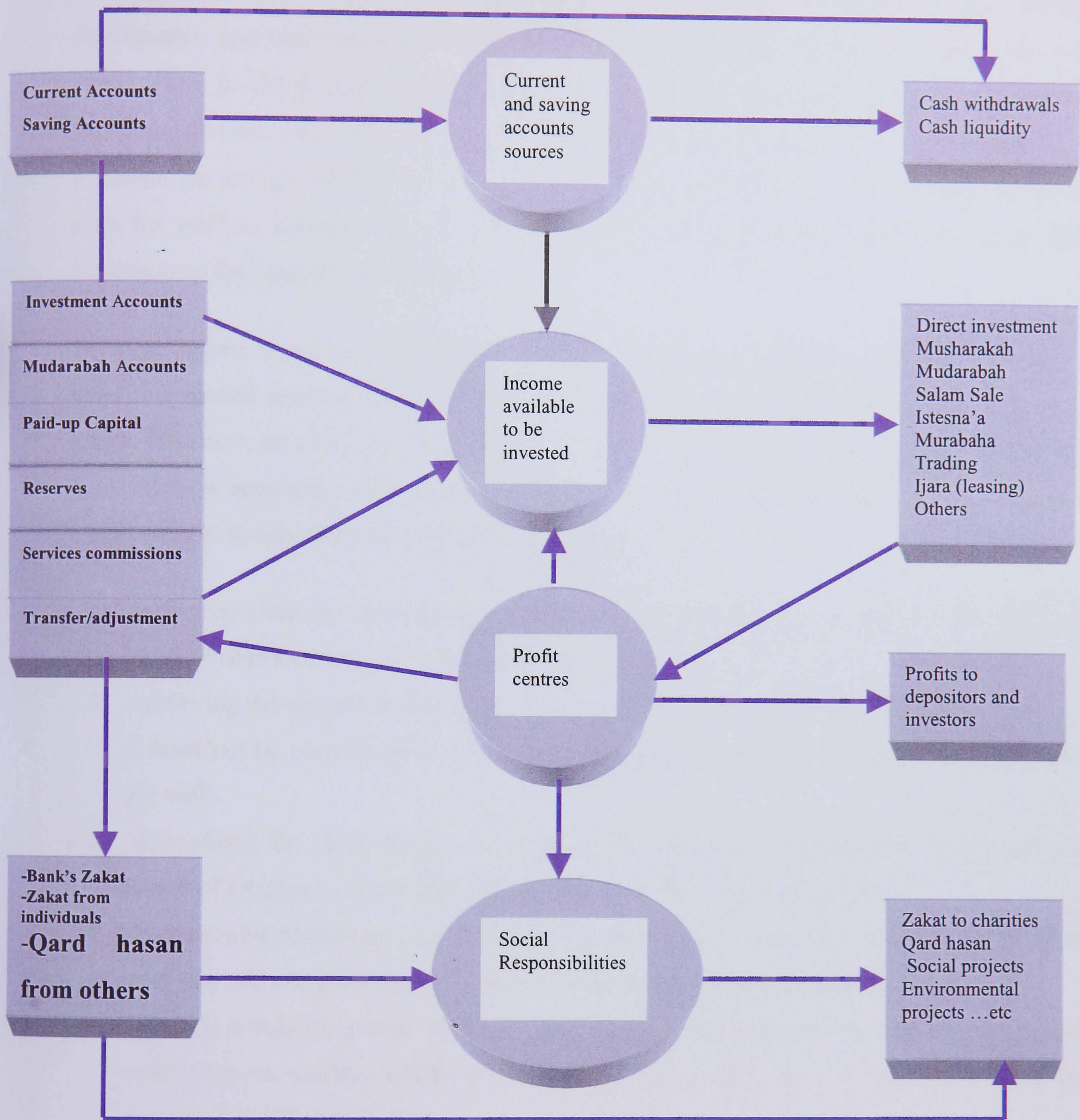
Therefore, Islamic banks provide saving facilities to depositors and extend loans to deficit units. Normal deposit facilities such as savings account, current (checking) accounts, fixed or investment deposits are available to customers. Islamic banks are also involved in facilitating international trade for their customers. Services such as letters of credit, bills for collection, letters of guarantee, buying and selling of foreign currencies, and remittance services are also available services at most Islamic banks.

Advisory services are also available in many Islamic banks. These services include preparation of feasibility studies, project evaluation, project planning, property management, training and education in Islamic finance and economics and trustee services. Unlike non-Islamic banks some Islamic banks are also actively involved in social activities. The services that are considered as social service include benevolent loans, collection and distribution of Zakat funds, donation and activities that will enhance Islamic values and ways of life.

#### 2.9.5 Islamic Banking Operations System:

In addition to the above discussion, this study looks at an Islamic bank as a system of inputs (financial resources) and outputs (the use of financial resources) operations. The following figure (2-3) shows these operations and the relationships between them:





**Figure (2-3):** Islamic Banking Operation System

The left side of the figure shows inputs or financial resources for the Islamic bank and the mid and right sides illustrate Islamic banking operations and the outputs (the use of the resources).



## 2.10 Organisational Structure:

The organisational structure in any organisation refers to the way in which the various divisions, departments, and tasks are linked together in order to carry out its aims and objectives (Coult, 1992). Thus, in any organisational structure, many questions need answers, for instance, how job has been divided into tasks, how it follows through the organisation, how departments and divisions are set up and link to each other, how many staff each manager responsible for, how easy for staff to communicate in different level of the organisation, and how these factors contribute to the organisational structure.

To some degree, it can be said Islamic banks are different from non-Islamic banks in general and there is a special structure for every Islamic bank which is slightly different from other Islamic banks. However, an efficient organizational structure of any Islamic bank is always linked to the bank mission statement, objectives and kinds of activities. Islamic banks should design their organisational structures to achieve the following objectives:

1. Setting up clear and well-documented functions and procedures for dealing with the various areas of activities that are vital conditions for success.
2. Achieving the smooth and efficient delivery of services at all levels of the banks that means it must not be interrupted in case of any staff being temporarily or permanently unavailable for work.
3. Maintaining the clear distinction between the purposes, responsibilities and roles of the Board of Directors on one hand and the Executive Manager on the other.
4. To maximise employees contributions in order to achieve the Islamic vision of the bank to motivate and empower them to improve work methods and take decisions.
5. Securing a reliable source of funds from internal and external resources. This requires a solid trust in quality, reliability, efficiency, and a high level of performance of those managing the Islamic bank.
6. Carry out well-planned on-going training programs in all levels of structure.
7. Making sure that all operations are lawful in Islam or fulfil Islamic principles.
8. Increase awareness of Islamic products and services via appearing special departments in the structure.

Most Islamic banks are established as a holding company, for example KFH and Dubai Islamic banks. They may also be established as either a private company, such as Al Rajehi Banking and



investment corporation – Kingdom of Saudi Arabia and Altadamun Islamic bank, Yemen; or as a government institution, such as Dubai Islamic bank. However, as there is no preference regarding their organisational forms, it is common for an Islamic bank to establish itself as a commercial bank with specialised merchant and investment banking departments, as will be seen in the following chapter, there are special departments in most Islamic banks that will highlighted below:

### 2.10.1 The Shariahh Supervisory Board (SSB):

In addition to the board of director, the organisational structure in Islamic bank must include the SSB which is ‘composed of religious authorities, including those with a detailed knowledge of Shariahh law so that they can ensure all bank practices conform with the letter as well as the spirit of Islamic teaching’ (Wilson, 1985). The main objectives of the SSB are:

1. To Co-ordination with the internal and external auditing to make sure that Shariah regulations are implemented and observed.
2. Provide the Board of Directors and the executive management with relevant Shariah concepts required.
3. To assure investors of the conformity and adherence of the business to the rules and requirements of the Shariah.

Most Islamic banks also have established Religious Auditing and Control Departments (RACD) under the SSB. The RACD’s authority is equal to an external auditor but unlike external auditors, members of the SSB and RACD are employees of the bank and are on its payroll.

Briston and El-Ashker (1986) state that the Functions of the SSB, which are usually spelt out in the articles of association of the bank, lie in the three main areas: namely ex ante auditing, ex post auditing, and the calculation and payment of Zakat.

However, the SSB has authority to reject any proposal or project deemed to be against Islamic law (Dar and Presley, 2000). Therefore, decision-making is constrained by the SSB that sanctions or rejects any proposals in the light of Islamic law (see next chapter).

### 2.10.2 The Legal Department (LD):

Because Islamic banks opt to comply with two sets of law: the law of the Land (Jurisdiction); and Shariah Law, so it has two bodies of legal council, the SSB and LD (Al-Bahar, 1996). The LD



includes traditional lawyers to make sure that all agreements and contracts are permitted by the law and based on Islamic law. Thus, the LD's primary goal is to protect the bank 'in the event of any dispute between the bank and its customers (Presley, 1988) and other bodies, such governments.

### 2.10.3 The Social Department:

Some Islamic banks have this department in their structures to deal with social and cultural activities, such as helping charitable organisations by providing them with financial aid, distributing Zakah which the bank must pay as a percentage (2.5 percent) on its capital and profits every financial year to those in need of financial assistance, providing Qard hasan to those who need this service and contribution in social projects.

### 2.10.4 Commercial Department or Sector (CD):

In addition to financial and investment departments or sectors, most Islamic banks have commercial sectors or departments in their organisational structure which are responsible for direct trading, Murabaha, credit sale, and leasing operations.

Most of the remaining departments, such as the marketing, credit, human resource, investment, and other departments are identical to those of a non-Islamic bank. Most of these departments will be discussed in details in the KFH chapter.

## 2.11 Concluding Remarks:

This chapter has presented and discussed the concept of Islamic banking. First, a general historical background about banking was highlighted and it has been stated that people were familiar with banking since ancient times. In the era of Greek and Egyptian empires, the banking system was found with well-established legislations and offered different products and services till it has been destroyed by roman and re-emerged in 11<sup>th</sup> century in Italy and Spain.

Second, it pointed out the fundamental concepts behind Islamic banking, such as distribution of income and wealth which belongs to the Creator (God) among society, ownership, justice, the concept of money and finally the prohibition of Riba or interest in the old testimony, Christianity and Islam.

Thirdly, an Islamic banking historical background was discussed and concluded that building literature of Islamic banking has started since late forties by scholars, economists and



governmental and independent institutions in many countries. Whereas, practices have begun in early sixties and continued in seventies and the opening of the Islamic development bank as an inter-governmental bank gave a big encouragement to the Islamic banking movements to establish many private Islamic banks in different countries.

In addition, the chapter examined the definition of Islamic banking in the literature and provided definition for the industry and the bank that related with this study's aims and hypotheses.

Moreover, the chapter summarised the main differences between Islamic and non-Islamic banks in terms of their nature, forms of finances, techniques of evaluating projects, reserves deducting, risk taking, zakat fund, the SSB and the importance of 5Cs.

Islamic banking operations frameworks which have emerged from the literature and current practices of Islamic banking were discussed in this chapter. Three based principles for operations were highlighted namely, Mudarabah PSP, Musharakah PLSP and sales-based and debit-based principles. The chapter also explained and defined the Islamic banking operations starting by Mudarabah, Musharakah and Muzarah processes and the main differences between them. Moreover, the operations based on sales and debit principles were defined, such as Murabaha, Bay' Ajil, Ijarah, Salam and Istesna'a operations and categorised the other operations into free charged operations, such as Al-Qard Al-hasan, direct trade operations and banking operations. It finally looked at the bank's operations as a system of inputs and outputs.

The final part of this chapter discussed the organisational structure in Islamic banking and described the main objectives to design ideal organisational structures in Islamic banking. It also distinguished those departments which should be appear in Islamic banks' organisational structure such as the SSB, the legal department, the social department and commercial department or sector.

The next chapter will focus and study one of the leading Islamic banks in the world; Kuwait Finance House (KFH).



## Chapter Three:

### Kuwait Finance House (KFH)

#### 3.1 Introduction:

Today's banking industry is a very dynamic field. It is faced with quite significant and complex challenges, because of several domestic and international trends, techno-economic impacts, socio-political and regulatory factors. In this context, the aim of this chapter is to enhance the ability of KFH to cope effectively with the challenges confronting it based on its mission statement and objectives. This is a study of KFH's establishment, organizational structure development, management, staff, and performance in the last decades, and its current operations. Also it is an analyse of the importance of current products and services. The chapter begins with a discussion of Kuwait's financial system, and concludes with the strengths and weaknesses of KFH.

#### 3.2 Kuwait's Financial System (KFS):

The financial sector usually refers to all organizations, markets and instruments involved in the process of transferring funds from savers to investors (Al-Fadly, 1998). The structure of KFS has not changed significantly since the late seventies and in addition to the Central Bank of Kuwait (CBK), KFS includes 7 commercial banks, 3 specialized banks, one Islamic bank (KFH), more than 25 investment companies, more than 20 insurance companies, a number of Money Changes and Exchange Houses and the Kuwait Stock Exchange (KSE).

The CBK was established on June 30, 1968, with the mission to lay the foundation of a flexible and stable monetary and financial system. Today, CBK controls the banking system in the country, as it defines, implements, and monitors the government's monetary policy objectives. CBK's duties include issuing the Kuwaiti Dinar on behalf of the State of Kuwait, controlling both the domestic interest rate and exchange rate and directing credit policy to assist social and economic progress and growth of national income. CBK also acts as a banker and financial advisor to the government.

Overseas Banks are not allowed to have branches or representative offices in the State of Kuwait but in 1994 the parliament passed a law allowing foreign investors to own up to 40% of local banks, subject to approval by CBK.



### 3.2.1 Commercial Banks:

Under the supervision and authority of the CBK, the KFS is made up of seven commercial banks. These are: the National Bank of Kuwait (NBK – the largest bank in the country established in 1952), The Gulf Bank (established 1960), the Commercial Bank of Kuwait (established in 1960), Al-Ahli Bank of Kuwait (established 1967), Burgan Bank (established in 1976), Bank of Kuwait and the Middle East (BKME established in 1971), and the Bank of Bahrain and Kuwait (which is a share-holding company with its head office in Bahrain and established in 1977).

The commercial banks have grown rapidly as a result of the economic expansion and growth. Since the 1970s, the commercial banks have become full service financial institutions providing a wide range of individual and corporate services for their customers. In corporate banking, several banks provide complete financial services to major domestic businesses, along with international contractors doing business in Kuwait. They have also achieved a prominent position in international banking markets, because they have full correspondent relationships with major U.S. banks and with such banks as Lyonnaise, Deutsche Bank, Dresdner Bank and Standard Chartered Bank, Gulf International Bank, Barclays and Hong Kong Shanghai Banking Group, to mention a few, and few of them have branches outside the country.

KFH is a single, full-fledged Islamic bank in Kuwait. It is both a commercial and investment bank in addition to acting as an investment company. It was established in 1977 to serve Kuwait's economy, which means it is the second oldest Islamic commercial bank in the world, after the Dubai Islamic bank which was established one year earlier.

Most banking activities in the commercial banks and to a minor extent in investment companies are carried out by KFH. Therefore, KFH adopted an innovative approach in Islamic banking and develop many modern instruments to serve its customers better (Presley and Wilson, 1991).

### 3.2.2 Specialised Banks:

KFS also comprises three specialised banks which provide medium-term loans for industry, housing, and real estate. The Industrial Bank of Kuwait (IBK) was established in 1973 to promote and finance industrial and agricultural projects. The Savings and Credit Bank is controlled by the Public housing Authority and funded by the government to help Kuwaiti individuals with financial support for housing and personal residential development. Kuwait Real Estate Bank (KREB), established in 1973, offers loans for real estate purposes.



Because of the improvement of the money market in Kuwait and the surplus of funds from the government and individuals due to the increase of oil prices, many investment companies which have been established since 1960s, to invest some of the State and individuals surplus abroad. They build bridges or channels linking government and financial sectors in Kuwait and the international money market.

### 3.2.3 Insurance Companies:

There are four partially state owned Insurance Companies called Al-Ahleia Insurance Company, Gulf Insurance Company, Kuwait Insurance Company and Warba Insurance Company. These companies insure all risks of the State owned or partially owned companies as well as participating with overseas insurance companies for the insurance needs of the private sector. Also, there are twenty-four private insurance companies located in Kuwait most of them are local agencies for foreign well-known companies and others are local insurance companies.

### 3.2.4 Exchange Companies:

Exchange Companies were established under the supervision and control of the CBK and the number of registered exchange companies was 26 in 1999. They are restricted to exchange and remittance activities, that are largely for buying and selling foreign exchange, and are permitted to take large open positions or engage in lending activities (Al-Fadly, 1998).

### 3.2.5 The KSE:

The stock market is defined as an organised marketplace for securities featured by the centralisation of supply and demand for the transaction of orders by member brokers for institutional and individual investors (NYSE Website, 2001). The legislation to organise the dealing in holding company shares in Kuwait was issued in November 1976 which also designated the first committee in the ministry of trading, to supervise the Kuwait share holding and insurance companies and to regulate the trading of shares.

In April 1977 the stock exchange opened, which was later referred to as the Kuwait Stock Exchange. The exchange resumed working according to rules stated in the aforementioned ministerial resolution, until August 1983.

In August 1983, another law was issued concerning the organisation of the exchange as an independent financial institution, based according to yet more updated concepts and principles, managed by the exchange committee and by an executive administration.



### 3.3 The Establishment of KFH:

On 23<sup>rd</sup> of March 1977, the Prince of Kuwait issued new legislation called ‘the Licensing Establishment of KFH’ as a Kuwaiti shareholder company with a capital of ten million Kuwaiti Dinars, which was raised by the sale of shares at the price of 1 KD per share. However, 25 per cent of the allocated capital has been paid-up in that date and 75 per cent was completely paid-up by 6 January 1982. The need for this special legislation is to enable the bank to operate outside the existing laws where interest is the main element of concern.

The government kept 49 per cent of the company’s shares (900,000 shares bought by the Ministry of Finance, 2,000,000 shares by the Ministry of Awkaf and Islamic Affairs and 2,000,000 shares to the Ministry of Justice; department of Minors’ Affairs) and the remaining 51 per cent were available to the public.

The reason behind the establishment of KFH was the desire of Kuwaiti consumers to save and invest their money in a non-interest banking system. In other words, the need for bank operates under Islamic law was the main force which led to the establishment. In an interview with the head of the SSB in KFH, he stated that “the idea of establishing an interest-free bank had been merely a wish on the part of the followers of Islam until 1976 and when it had been established in 1977, many doubts and questions regarding its potential for success arose. So we were so afraid of failures and losses”.

Appendix (1) represents the KFH Memorandum of Agreement and Articles of Association which explaining company’s name, place, duration, objectives, banking operations and services, investment operations, company capital, Board of Directors, management, general assembly, financing operations, accounts, profit distribution, and consultative bodies.

Articles No. 5 in Memorandum of Agreement and No. 4 in Articles of Association declare the objectives of KFH as undertaking all banking operations and services on the base of no-interest paid nor taking and to carry out direct investment, or purchase or finance projects or activities owned by others, on a non-usurious base too. Also they will co-operate and do business with other organisations which engage in activities similar to its own.

Articles 6 and 7 of the Memorandum of Agreement comprise ten banking operations and services and seventeen investment operations. KFH may carry out all these operations which may assist it in realising its banking and investment objectives.



Article 9 of the Articles of Association states that shares shall be nominal and shall not be owned by non-Kuwaitis however, in 1994 an Extraordinary General Assembly added to this original text that the Gulf Cooperation Council citizens are allowed to own numbers of shares not to exceed 49% of the whole company shares.

Distribution of profits were mentioned in article 58 of the Articles of Association as 10% of the net profit for the Statutory reserve accounts, 10% for the Voluntary reserve accounts (this allocation shall be stopped by decision of the Ordinary General Assembly on the recommendation of the Board of Directors), 5 % for shareholders and investment depositors (for the paid value of their shares) and not more than 10% for the Board of Directors. The remaining 65% shall either be distributed among shareholders as an extra profit or carried forward to the following year on the recommendation of the Board of Directors, or allocated for the formation of a reserve for settlement in such years where the net profit is inadequate, or for the formation of extraordinary allocations.

When the Memorandum of Agreement and Articles of Association state the consultative bodies, the SSB has not mentioned directly or indirectly but they give the Board of Directors (BOD) a power to choose members of the SSB. That mean the power of the SSB comes from public's consideration of Shariah and customers' preferences to deal with free-interest bank not from the General Assembly.

### 3.4 The Organisational Structure of KFH:

The structure of an organisation is an important indicator of its culture and affects the way individuals approach their work. Good structures on their own do not guarantee successful operations. However, poor structures can frustrate some of the best work of individuals and teams. Therefore, the organisational structure of any bank refers to the way the various parts of the bank are linked together to carry out its aims and activities (Coult, 1992).

This particular section will focus on issues of KFH organisational structure and its development in terms of design. 'Structure' and 'Design' are related but different concepts. 'Structure' focuses on the different functions of an organisation and the relationships between those functions. They may be differentiated in a variety of ways; their responsibilities, geography, power and hierarchy, knowledge and skills, even culture, can define different parts of an organisation. The relationship between the functions of an organisation may be, for example, hierarchical, collaborative, competitive and so on. Whereas 'Design', by comparison, is a more far-reaching concept. It has an element of intervention and internationality. 'Structure' can simply arise over time without



much conscious planning whereas 'design' assumes a designer. Design is generally concerned with how an organisation works. Therefore, it includes processes as well as structures (Bolman, Deal and Terrence, 1997).

In the interview with an executive who is responsible for developing the KFH organisational structure, he said '...KFH organizational structure attempts to bring together sectors and products with the object of successfully suggesting, funding and implementing deals for corporate customers. It aims to involve all parts of the organisation in successfully selling ideal ideas to customers, so it has been developed and changes several times as we will describe later on'.

In the first period (1977-1982), KFH was established with three main departments, banking, commerce, and real estate. Each department includes a few staff working without a formal organisational chart.

The second period started on 26<sup>th</sup> of July 1982 when KFH issued the first formal organisational structure in order to meet the requirements of its current situation which reflects the increase of deposits, numbers of customers, the need of financing tools and investment opportunities to satisfy the customers needs and wants. Therefore, the organisational structure consisted of two sectors, two departments and later in 1983 departments under each sector were established, as shown in figure (3-1). The figure shows the importance of the banking sector, which had been designed to include five departments.

This structure continued till 30<sup>th</sup> June 1987 when KFH radically simplified its organisational structure by means of a functional organisation of its activities in the banking division, finance division, investment and international relation division, administrative division, trading division and planning and studies division as illustrated in figure (3-2). That was because of the increase of its activities in terms of size and number and the need to concentrate on specialisation and establish operations overseas which reflect their chosen strategy.

The new structure had been built on the basis of divisions, which work together to create a remarkable performance. We can see that in the investment and international relation division, which was formally a small department, and changed to consist of the Dealing Room Department and the International Banking and the Relation Department. The Commercial Department had been changed to be the Trading Sector, which includes the Department of Trading Operation (Murabaha and Cars) and the Supporting Trading Operations Department (finance, accounting and collecting instalments from customers). Supporting Service Sector had been changed to



Administrative and Human Resource Sector and the Financial Control Department had been put under the Financial Sector. Also a new Planning and Research Sector had been added to the structure which reflects the importance of strategic planning, information in general and market research for KFH in this growth stage in all activities.

On 24<sup>th</sup> of October 1993, KFH announced a restructuring for its organisation because of its aim to separate some of its activities and establish independent companies. An example of that is the Real Estate Sector which was removed from the organisational chart and all its activities transferred to the Al-Enma Company. KFH owns 54.78 percent of its shares, but it has its independent management and Board of Directors. Also at this stage, a new sector was established called the Finance Sector, which includes four departments (Credit Department, Documentary Department, Local Real Estate Department and Private Banking Services Department) and the Planning and Studying Sector responsibilities moved to a new unit (Strategic Planning and Product Development Unit) under the Chairman Managing Director. All support activities and departments were merged in the last stage into one sector called the Support Service Sector. In terms of the Banking Sector, it was established a new department in 1994; called the Banking Card department. It is responsible for issuing credit cards and other service cards.



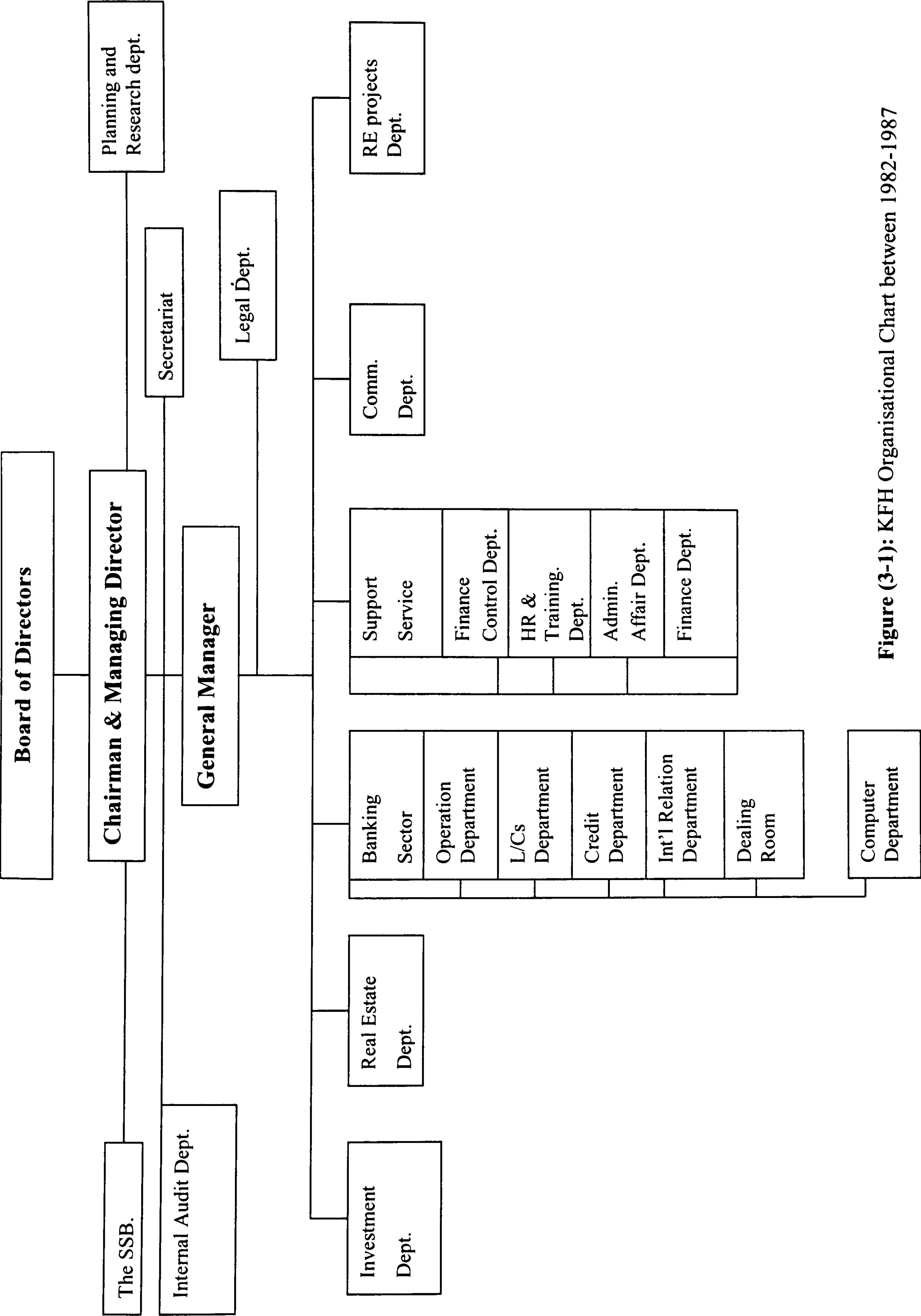
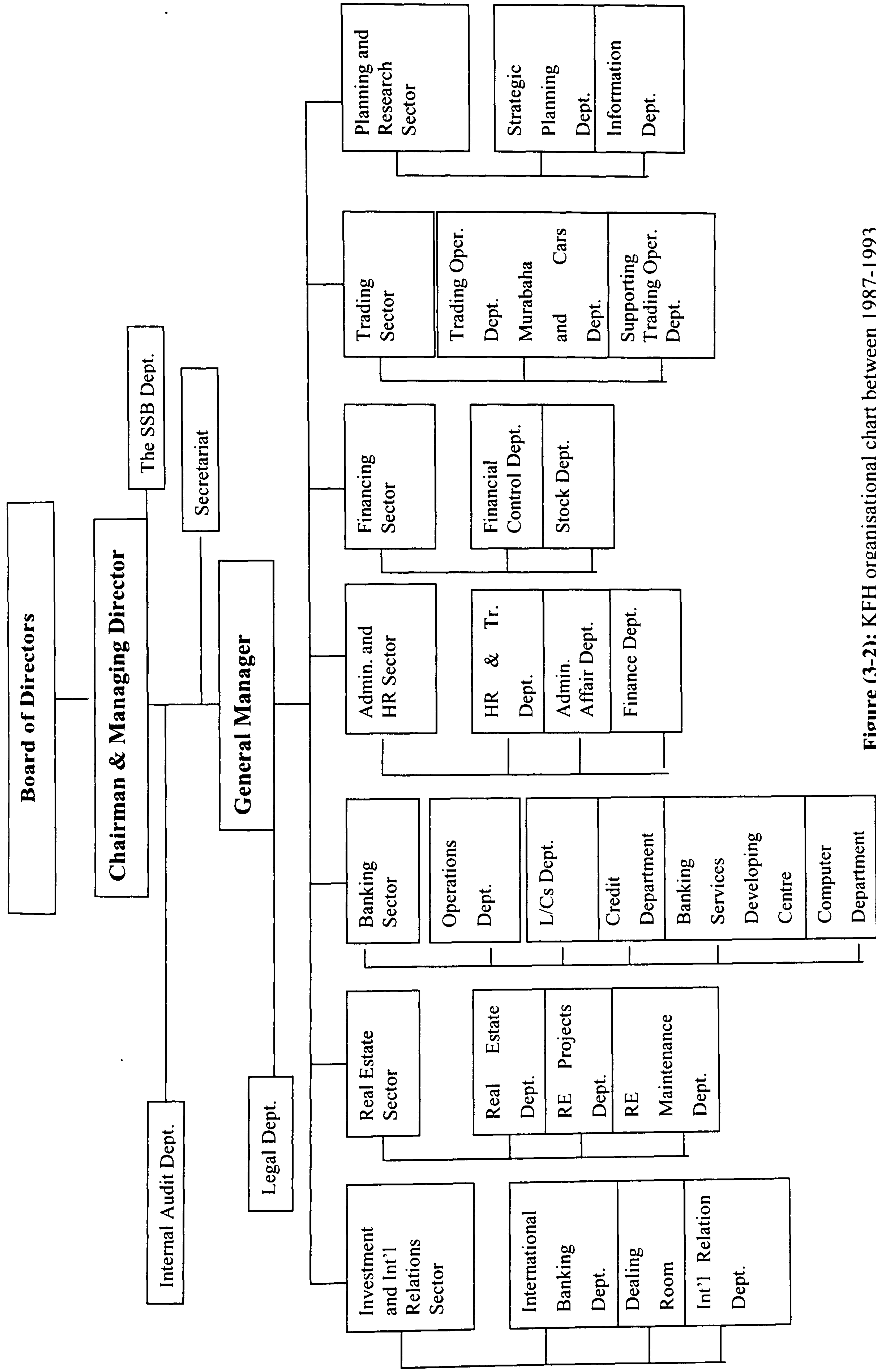


Figure (3-1): KFHB Organisational Chart between 1982-1987





**Figure (3-2): KFH organisational chart between 1987-1993**



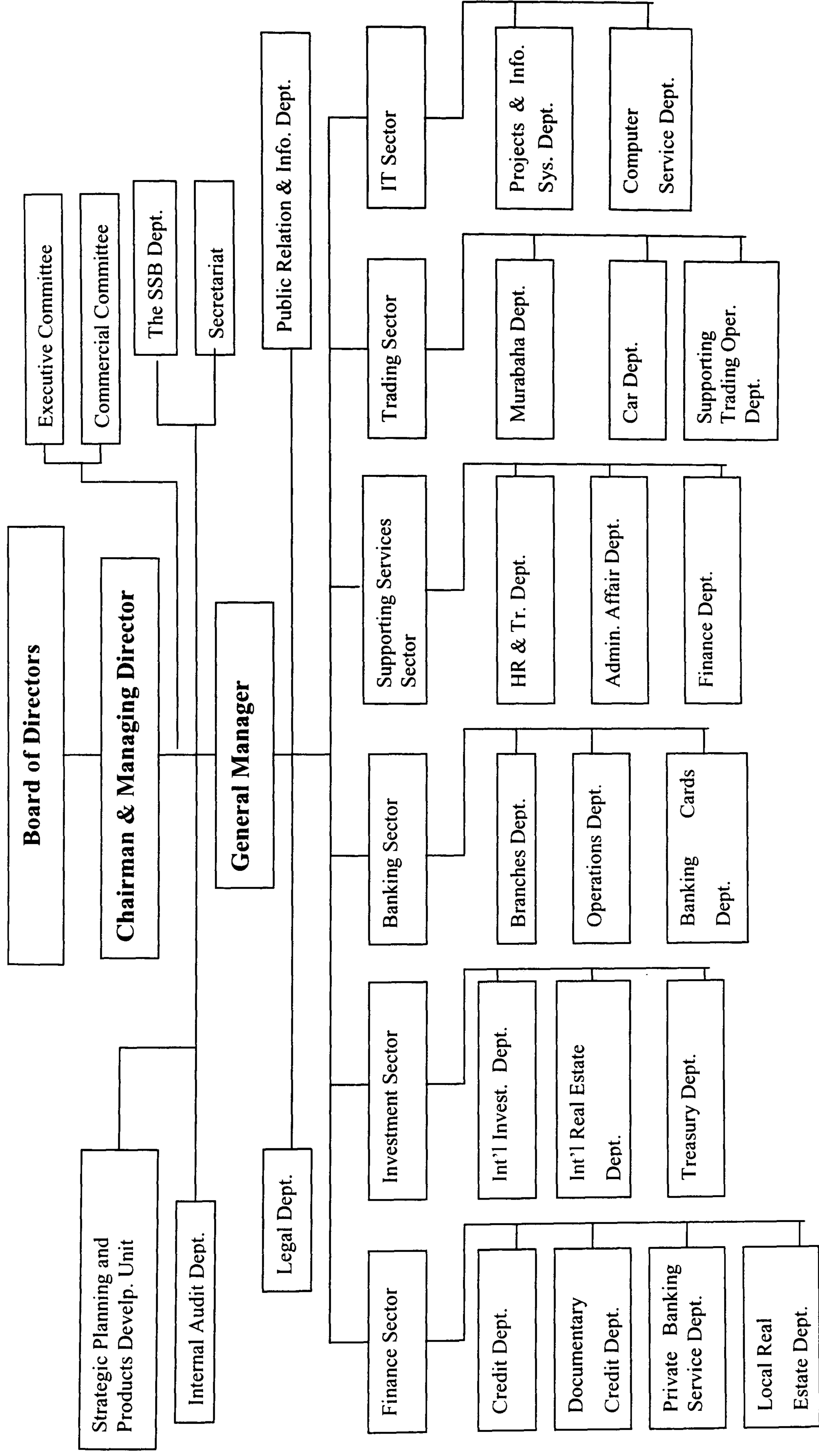
The final stage was on 21/3/1998 and the details for all sectors and departments as illustrated in figure (3-3). In keeping with KFH's diversified range of banking, investment, financing, and trading products, its organizational structure, which is market driven and customer oriented, reflects 4 Distinct Core Businesses.

New departments have been added to the structure, such as the International Real Estate Department under the Investment Sector and the Direct Investment Department under the Chairman and Managing Director. In December 1999, a new decision by the BOD to establish a new sector called; the Information Technology Sector (IT), which includes two departments (Projects and Information System Department and Computer Service Department). The development of its structure reflected the diversified range of investment, financing, banking, and trading products and services and its business expansion in the market and its growth in capital.

To some extent, KFH may use Mintzberg's structure of five elements (strategic apex, the middle line, technostructure, support staff, and operating core) to design and develop its organisational structure. Figure (3-4) illustrates the five elements for the final stage of its organisational structure.

However, as we discussed above, the first stage was built as a simple structure which only included the strategic apex and operating core. The control here was by direct supervision from the top, but when KFH grew beyond a certain point there was a need to expand the middle line and the structure had moved to the stage two which was called Machine Bureaucracy. In that stage, the middle line has become more important and bloated by numerous layers of middle management with considerable volume of technical and support staff (see figures 3-2 and 3-3). Problems such as, interdepartmental conflict; motivating the demotivated core; and coping with the strength of the technocrats might arise because of this structure.

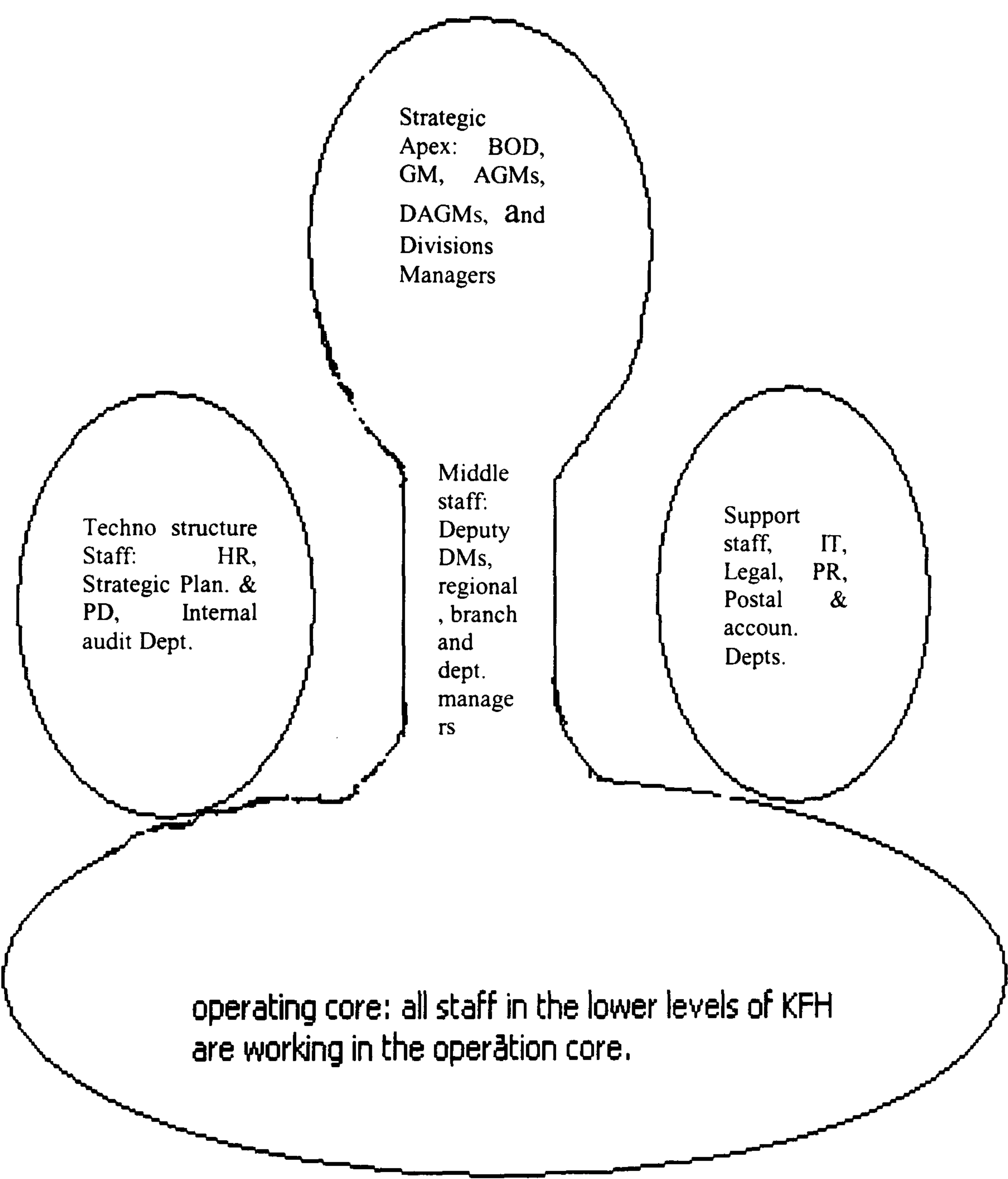




**Figure (3-3):** the latest organisational structure for KFH found in the year 2000



Therefore, KFH had moved to stage three and four which can be called sectors or divisional structure, which aim to build coordination and co-operation between all sectors and departments. But all decisions still made in the Strategic Apex level or in other words this design based also on bureaucracies. The advantage here is that each sector can manage its business in the best way of performance.



**Figure (3-4):** KFH Five Mintzberg elements of organisational structure

In the final stage of organization structure, KFH spans a wide range of tasks and areas of expertise because it works on various aspects of Islamic products, financing products, international investments efforts, real estate services, information technology and computer systems, the Islamic banking system, project assessments, and so on. This means that KFH draws members of staff from a wide range of occupations with a high level of expertise and varied backgrounds.



At present, KFH has more than 1300 employees with different backgrounds, such as bankers, specialists in investment (internally and internationally), Islamic scholars, economists, lawyers, computer engineers, business economists, political scientists and civil engineers.

### 3.5 KFH Operations' Processes:

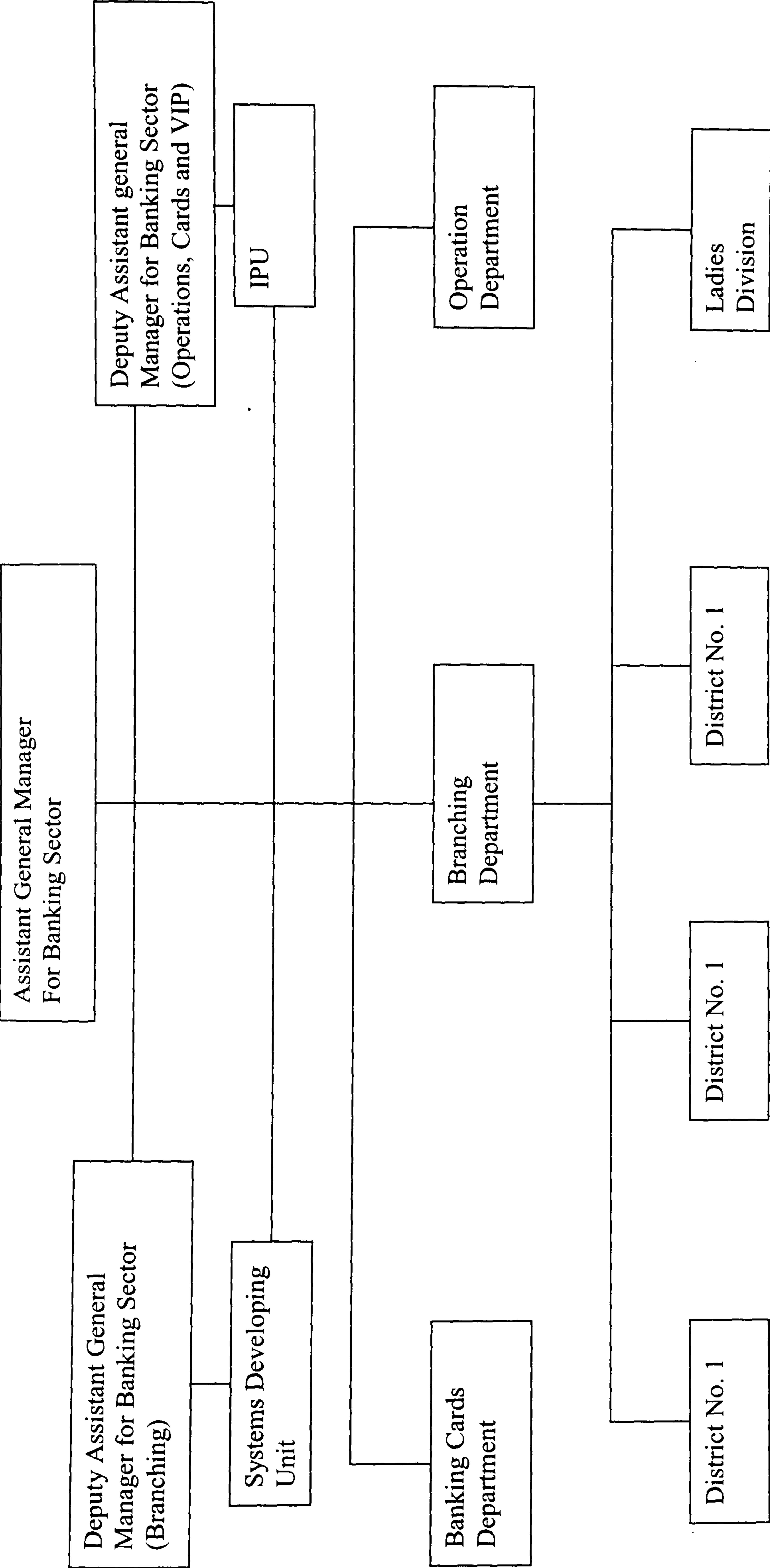
As discussed above, KFH organisational structure has developed and changed several times since its establishment due to the expansions of activities and operations in terms of size and innovative new products and services.

In the following section, the study will highlight the operations and activities, which have been accomplished or achieved by different sectors and departments in KFH. Also, some operations' processes will be mentioned as an example, to analyse their process times and costs in the future in order to reengineer them to have more accurate results to benefit both KFH and customers.

#### 3.5.1 Banking Sector's Operations:

The banking sector brings together the Headquarter office and 25 branches which all provide a wide range of banking and financial services mainly through proprietary distribution channels. The chosen organisational model for banking activities is customer-oriented and organized in five business lines in addition to Assistant General Manager and his two deputies (see figure 3-5). One of them focuses on a specific market segment called the Important Persons Unit (IPU), which serves customers who deposit more than KD50,000. The second line is called System Development Unit (SDU), which concentrates on the integration of IT systems and is responsible for suggesting the IT system and network technology for the Banking Sector. The others are banking operations, banking cards and branching departments. They are responsible for banking operations and services provided to customers. The Branching Department is divided into three districts and ladies division. Each one is led by individual manager with authority for several branches.

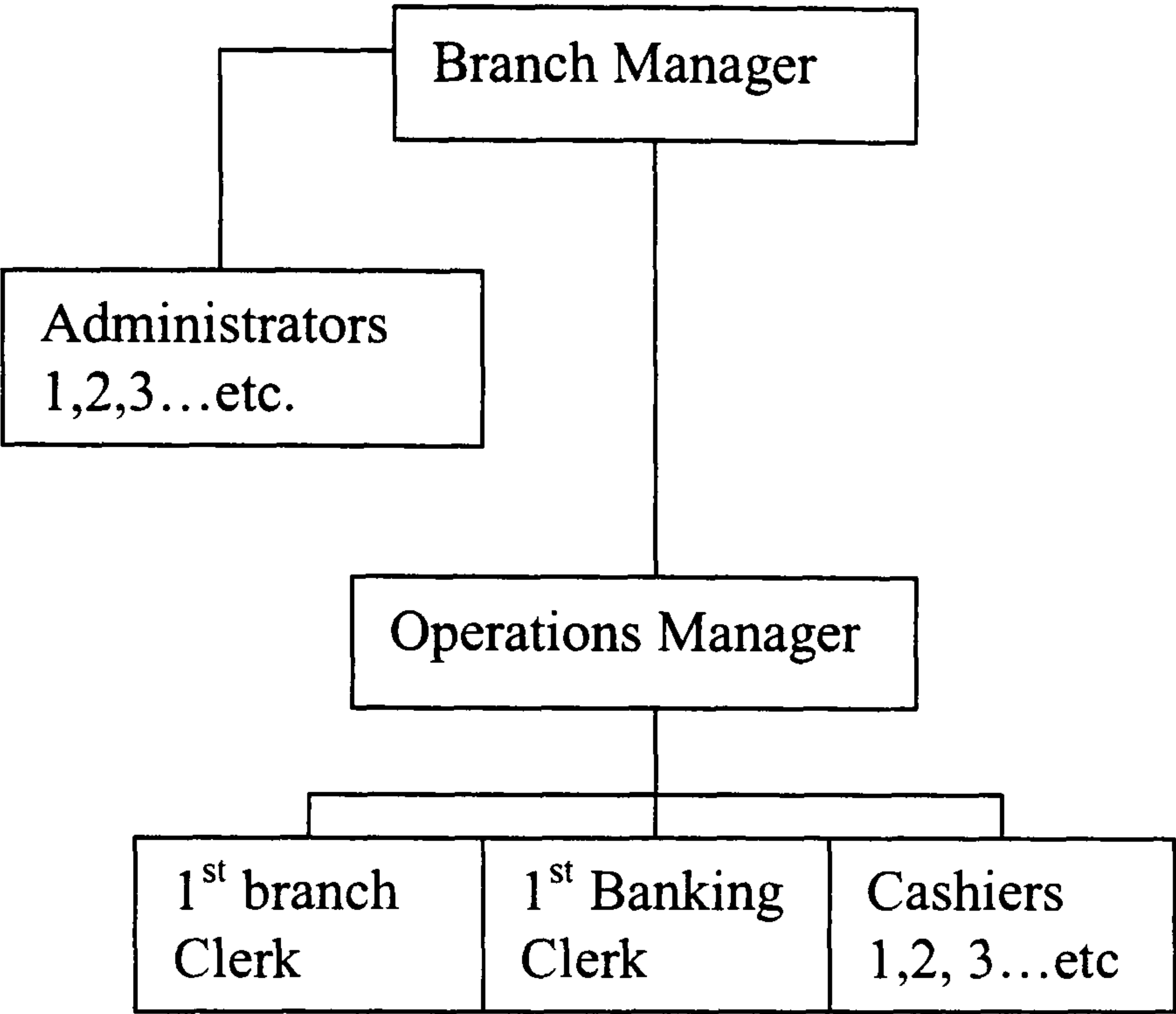




**Figure (3-5):** KFH banking sector organisational structure



The structure of each branch is illustrated in figure (3-6). The Branch Manager is responsible for overall supervision and marketing the branch to outsider. Most of the banking operations and services are under the responsibility of the Operations Manager who is accountable for all banking operations concerning customers. The Administrators and Clerks are responsible for supporting services in the branch, opening accounts, issuing cards, etc.



**Figure (3-6):** KFH branch organisational structure

The Banking Sector provides all financial and banking products and services which designed to meet all customers’ needs in terms of commerce, saving, travel, exchange, investment, and banking services. These operations can be grouped under three major departments, which provide different products and services as represented below:

3.5.1.1 Branching Department Operations:

Branching Department operations that include most banking activities, such as banking accounts and deposits (current accounts, ATM accounts, savings accounts, and deposit accounts) as represented below:

3.5.1.1a Current Accounts:

Current accounts are virtually the same as in all interest-based banks. As deposits are guaranteed, KFH accepts deposits from individuals and companies in both KD and foreign currencies for save custody and convenience of the customers. The basic purpose of these services is to facilitate bank transfers and pay cheques drawn on them through the normal national and international clearing



system (Presley, 1988). The current account is as an interest free loan deposited with KFH by its customers and may take one of the following forms:

#### **Current Account in Kuwaiti Dinar:**

The customer has the right to deposit or withdraw the funds by cheque at any of the branches of KFH. The facilities provided to this account holder are a chequebook with nominal charges. Monthly statements and salaries can be received and paid from the account. Visa electron cards can be issued on the strength of this account and others. However, KFH has the authority to invest and use this free loan without any liability on the part of the depositor.

#### **ATM Current Accounts:**

These are not different from current accounts because there is no profit or loss borne here but an ATM card is provided to the account holder against the charges. The card is used for withdrawal of cash and to inquire about the balance and receipt of salary to the account. All facilities provided for current account are available in this account.

#### **Current Accounts in foreign currencies:**

Current accounts in foreign currencies have been established on the basis of no profits or loss and customers can deposit and withdraw through transfers, travellers cheques, and cash according to the banking rules and foreign currency rates. It can be opened in the following foreign currencies: US dollar, British pound, Saudi riyal, Japanese yen, Euro, and Swiss franc. Facilities provided to this account are Chequebook and regular statement, if the customer is in business to import goods, this account will facilitate to settle the payments without any effect of fluctuations in foreign currency rates because transactions will be effected through the account directly and transfer by telex or demand draft can be made using this account.

Current accounts have grown from KD 55.2 million in 1981 to KD 113 million by 1986, KD 137 million in 1993 and to more than KD 200 million in the year 2000.

#### **The Processes to Open the Current Account:**

It can be opened at any of KFH's 25 branches by contacting the administrator in the branch. Application forms and all applicable information should be completed. The administrator will enter the data to the system and issue the account number for the customer. The customer will go to the cashier to pay the minimum required money and the application must then be sent to the branch manager to sign. Signature forms are sent to the scanner section in the branch to finish the



procedures. The process time is different between branches and that based on rush hours, but the average time is between 40 minutes as a minimum in some branches like Alfiha and 1.5 hours in the head office branch. Issuing cards and chequebook might take between three days to one week after opening the account.

#### 3.5.1.1b Saving Accounts:

Saving accounts operate in different ways. KFH adopt several methods of inducing its clients to deposit with the bank, but no profit is promised. In the first instance, the customers allow KFH to use their money but they obtain a guarantee of getting the full amount back. In that kind the customer is given a saving account book. In the other, savings accounts are treated as investment accounts but with less stringent conditions as to withdrawals and minimum balance. Capital is not guaranteed but the bank takes care to invest 60 per cent of money from such accounts in relatively low risk, risk-free, and short-term projects. The return (profit or loss) is calculated on the lowest monthly balance and paid or deducted periodically as determined by the administration.

The customers here are interested to invest their savings and to have deposit and withdrawal facilities, receive their salary and to enjoy other banking facilities, such as credit cards, ATM cards, operations books, transferred money, etc.

Saving accounts have grown from KD 116.7 in 1981 to KD 568 million in 1993 and to more than KD800 millions by the year 2000.

The process of opening this account is not different from the current account and it might take the same time mentioned above.

#### 3.5.1.1c Investment Accounts:

KFH accepts investment accounts for a fixed or unlimited period of time either in KD or foreign currencies and the investors agree in advance to share the profit (or loss) in a given proportion with the bank, and the capital is not guaranteed.

##### **One-year Investment Deposit Account in KD:**

It is a part of KFH's portfolio of general investment, which gives KFH the authority to invest 80 per cent of the amount of deposit as deemed jointly beneficial. At the end of the financial year the profit earned is credited to the account and the customer can renew this account or change to other accounts as desired. The minimum amount to open this account should be KD1000.



### **Continuous Investment Account in KD:**

The deposit is an appropriate medium-term (at least one year), where KFH invests 90 per cent of its value in various investment fields to achieve the best possible annual profits. The minimum amount of deposit should be KD3000 and the time limit of deposit is one year. This renewed automatically if not otherwise instructed 3 months prior to the maturity, and profit on the deposit is credited to the customers' account every year.

### **Investment Accounts in Foreign Currencies:**

This investment account is suitable for customers requesting investment in foreign currencies, where KFH invests the full deposit value through a special investment portfolio. It can be in US dollar (not less than US\$10.000) and British Pound (not less than £5000) and can be issued for a period of 3,6 or 9 months and up to one year. The profit earned is credited to the customer's account at the end of the months of March, June, September and December every year according to the period of the deposit. However it cannot be revoked before the maturity date.

#### **3.5.1.1d Foreign Remittances Money Transmission Services:**

Foreign transfers and currency exchanges are available at most branches. KFH provides a specialised service of global transfer of funds in most major foreign currencies and from all parts of the world. The processes included in these operations are computerised based and most of them completed in the front office in the branches. These operations are described below:

1. Buying and selling foreign currency cash at the daily prevailing exchange rates
2. Buying and selling traveller cheques.
3. Remitting and receiving foreign currency transfers to and from all over the world through the correspondent banks
4. Execution of standing instructions for the transfer of funds in foreign currencies.
5. Collection of foreign currency cheques.

#### **3.5.1.1e Safe Deposit Boxes:**

KFH provides lockers for keeping important documents, jewellery, and other valuables. They take responsibility for their security in return for reasonable charge such as KD50 for the large box and KD25 for the smaller one. The customers can open their boxes during the official working hours and there are safe deposit boxes especially for ladies.



3.5.1.1f Letters of Guarantee (L/G):

L/G is a document issued by KFH for the limited period to certify that the customer has the sufficient funds on deposit at the bank to equal the total price of the put (the L/G) if it is exercised. In other words, it is a certificate issued in favour of government or private sector that KFH will pay the beneficiary a specific amount in a case the customer fails to perform certain task, or honour a contract. KFH issues three different types of L/Gs which describes below:

**Initial L/Gs or Tender L/Gs:**

It issues them to customers who desire to enter to a tender for execution of certain project. It will enable the customer to participate in the bid and partially covered by him (usually 10 per cent from the total bid and for 90 days).

**Final L/Gs or Performance L/Gs:**

They are issued to customer who win a tender, supported by the initial guarantee. It is issued to assure that the customer will implement the project as contracted. The risk here is higher than the initial L/G.

**Other L/Gs:**

That includes all L/Gs not listed above, such as L/Gs to the ministry of communication, auto clubs, the ministries of the state and others.

The average time for the above processes varies from one branch to another based on rush hours, the amount of L/G, Clerk himself, and the reliability and efficiency of computer system.

Unlike other banks which charge commissions based on the duration and value of the L/G, KFH's customer pay a flat charge which is based on the kind of L/Gs as shown in the table below:

**Table (3-1): L/Gs' Charges**

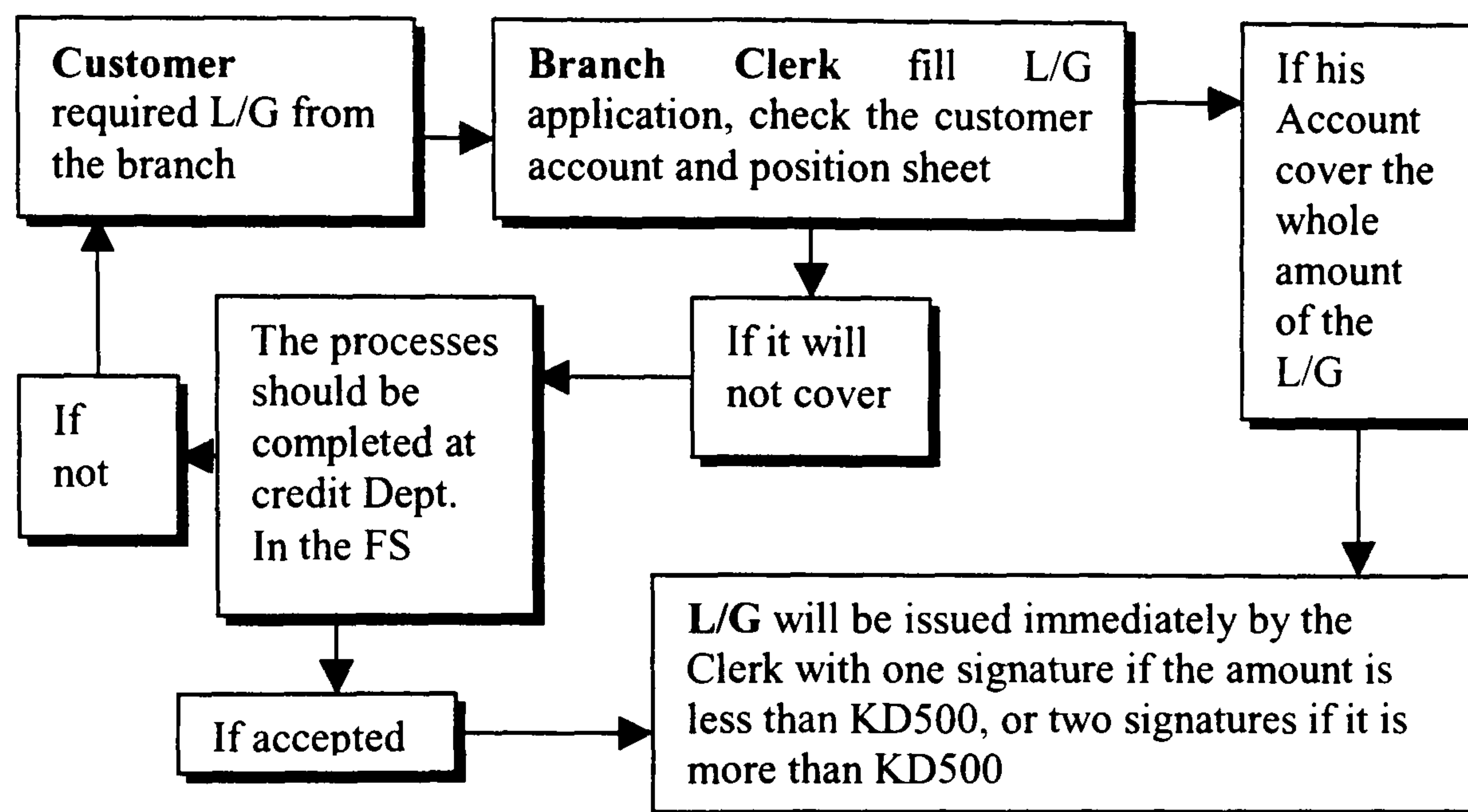
L/G	Issued charge	Renew charge
Initial L/Gs	KD 30	KD 20
Final L/Gs	KD 50	KD 30
Other L/Gs	KD 15	KD 10
International L/Gs Initial	KD 75	KD 50
International L/Gs Final	KD 120	KD 75

Source: KFH Circulars Book



### L/G's Processes:

If the customer has an account with KFH and the whole amount of the L/G is covered 100 per cent by the account, the branch manager has an authority to issue L/G to him after making sure that there is no interest based action will occur according to this action. However if the account does not cover, the authorised department to issue the L/G is Credit department in the headquarter office (see figure 3-7). Also the customer can renew the L/G if he wants to. The following figure (3-7) illustrates the L/G processes at one of KFH branches:



**Figure (3-7):** The process of the L/G in one of KFH's branch

#### 3.5.1.1g Tamweel Telephone Banking Service (TTBS):

The TTBS is another product introduced by KFH to save customer time in carrying out such services as inquiry of the account, the ATM card, foreign currency rates, cash Inquiry or salary credited into the account, obtaining a full statement of the account, payment of bills, internal transfer between two accounts on the same card, stopping the visa electron ATM card in case of lost or theft, and Zakat in co-operation with Bait Al Zakat and others.

#### 3.5.1.1h ATM Service:

More than 70 ATMs are spread in all branches, commercial complexes and the consumptional co-operative society. In addition, 6 branches of KFH provides the services of cash withdrawals without having to leave the car, a service which is not found in many developed countries.

#### 3.5.1.1i Internet Banking:

It is one of KFH innovation services, which helps its customers to do their banking on line where and whenever they are. It is fast, safe, fun and easy way for customers to check their accounts



information (balance enquiry, transactions history, and cheque status), to change personalised banking information (change addresses and pin number), to transfer funds (immediate or in the future dated), to pay bills (immediate or in the future dated), to buy traveller's Cheque and to have access to investment information.

### 3.5.1.2 Banking Cards Department operations:

KFH issues different cards as explained below:

#### 3.5.1.2a Service Cards (Debit Cards):

KFH provides its customers who have current, saving, investment or ATM accounts with visa electron cards which provide integrated financial services from a network of ATM machines all over the world.

#### 3.5.1.2b Credit Cards:

One of the latest banking products in Islamic banking offered by KFH, is the Islamic credit card. Using the principles of a deferred payment sale, KFH issues an interest-free and penalty free credit card to fulfil its customer's financial needs while travelling abroad. As a customer bought product or service using credit card, KFH will render the transaction on his behalf and simultaneously sell it back to him. This credit is payable over a deferred period through instalments within a certain time frame.

The KFH credit cards are open to Muslims and non-Muslims with a small fee charged annually for the credit card, and a flat percentage from the purchases as service charge. The customer may enjoy the value-added benefits of non-Islamic credit cards e.g. bonus points, gifts, shopping discounts, travellers' cheques etc.

KFH issued two different credit cards (Visa and Master cards) with variants offered of each one as represented below:

**Visa Classic** (Silver), and **Visa Sundus** (Silver) for ladies, which is used by 190 million people all over the world. The customer should be a current account holder, with at least KD 450 monthly salary to apply for these cards.

**Visa Gold**, which is issued to meet the requirement of VIP customers and businessmen. The customer should be a current account holder, with at least KD 1000 monthly salary to have this kind of cards.



**Master Card Classic (Silver).** It is a credit card introduced by KFH as a well-known service to the customers being a reliable system of making payment at international level. The holder must have a current account with KFH and with KD 400 monthly salary.

**Master Card Gold** also to meet the needs of VIP customers and the only difference here from the Visa gold is the customer must have at least KD 800 monthly salary.

**Platinum Master and Visa cards** with special discounts program that can reach up to 50% which covers hotels, airlines, and so on.

#### 3.5.1.2c Quick Pay Service or Point of Sale (QPS):

The QPS service was first introduced by KFH in Kuwait and is designed to help local merchants, travel agencies and tourism offices to increase sales, through accepting all major credit cards, such as Visa and MasterCard. Through this service sales are posted online to the merchant account with KFH, minimizing the risk of carrying the daily cash balances and also to provide with the statement of daily sales movement.

The general discussion above regarding the structure and the application processes for KFH credit cards is not enough to know the procedures, requirements and structuring which may vary from non-Islamic banks. However, the collection data from interviews with both managers in banking sectors and employees in the SSB explained the whole processes for credit cards operations in KFH which is the same as non-Islamic bank but the difference is when the customer does not pay his/her statement within the period of time given, KFH does not charge him any interest and consider the amount as a loan without interest.

#### 3.5.2 Investment Sector:

The Investment Sector's main objective is to reinforce the corporate strategy of KFH in expanding its global markets on a selective basis, while maintaining its asset quality at a steadily improving earning rate thereby providing the investors with innovative and viable investments alternatives. It is directed by an Assistant General Manager and it has three main departments carrying out investment operations: International Investment Department, International Real Estate Department and Treasury Department.



### 3.5.2.1 International Investment Department (IID):

As shown, KFH receives both regular investment savings and large amounts of deposits from customers in addition to its large capital sum, however it must use these deposits and capital to make a profit for investors and shareholders. The IID invests the surplus liquidity of KFH and its customers' funds in a uniquely progressive way through KFH's foreign basket of investment services with the aim of achieving high returns at a minimum risk. It participates in the establishment of companies, both in Kuwait and abroad. Such companies can be either wholly owned by the KFH or be joint venture with other companies or partners. It has entered the market as a buyer and seller, and finances private projects that do not conflict with Islamic Law.

#### 3.5.2.1a Forms of Investments:

Most of the IID operations take a range of the following forms:

**Lease Finance:** by buying the asset required by the customer and lease it to him as discussed in the previous chapter.

**Syndication:** KFH participates with other global, regional and local banks in financing companies', such as petrochemical, IT, real estate, etc. in which KFH either plays the role of the arranger or participant.

**Istesna'a:** it has provided finance for the production of equipment necessary for the manufacturing of specific industrial materials.

**Structured Finance (SF):** the SF is designed to meet the needs of multinational customers who like to invest their funds internationally.

**Investment Funds and Portfolios (IFP):** the IFP is based on the department business strategy, as well as creating in-house funds for its customers.

**Project Finance:** the IID searches for investment opportunities in big projects which require high financing and then markets these projects among KFH clients who are in search of suitable investment alternatives to diversify their investment and achieve higher returns.

**Securitization:** the IID brings together different kinds of assets into a Special Purpose Company (SPC) and sells the company shares to potential investors.



### 3.5.2.1b Examples of the IID Operations:

The IID has participated in many projects inside and outside Kuwait such as:

1. Sharjah Electricity and Water Authority (SEWA) by the amount of US\$ 4 millions.
2. It has financed the Saad Medical Centre (SMC) in Saudi Arabia in a buy-lease back method for medical equipment totalling US\$ 5 million.
3. Kuwait's Equate Petrochemical Project which is considered one of the biggest projects in the region especially in Kuwait. The amount provided to this project is US\$ 200 millions out of US\$ 1.2 billion. It was one of the first transactions of its kind where Islamic and non-Islamic banks came together and co-financed a project, which proved the capability of Islamic financing and its product range in providing private and corporate financing in accordance with Islamic Shariah.
4. E'amar company which most of its shares hold by KFH.
5. Al-Thuraya telecommunications company established in the United Arab Emirates to build a satellite mobile telecommunication network. KFH co-arranged US\$ 50 million to finance this company and adding a new sector to its diversified portfolio.

KFH also started to invest in the South East Asian market. It established a holding company and a leasing company in Malaysia and completed a feasibility study for establishing an Islamic bank in Indonesia. Finally it increased its capital share in the Dubai Islamic bank and bought 10 per cent of the Shariga Bank in the United Arab Emirates.

### 3.5.2.2 Treasury Department:

The investment sector pays attention to monetary markets and international currencies to take advantage of speculation activities of foreign currencies in favour of KFH clients and others. The main activities and operations of the Treasury Department includes buying and selling foreign currencies in the dealing room in this department, Mudarabah in main currencies is offered for customers who wish to speculate in currencies (the customer must open an account with at least US\$ 250,000 that only used for the Mudarabah in the international currencies), and trade finance where the customer can open an account with a minimum of KD 100,000 or its equivalent to be used in financing trade.

### 3.5.2.3 International Real Estate Department (IRD):

The IRD successfully developed a real estate fund in the USA, Europe and other western countries because real estate investment is considered to be one of the safest and most prosperous



investment means. The IRD is in charge of real estate investments and management of portfolios outside the State of Kuwait. Also it helps customers own a resident or commercial property in the international real estate markets. The IRD portfolios include the following funds:

**The Health Care Fund:** established in the United Kingdom in 1997 with five years term fund, the Health Care Fund consists of real estate properties of twenty-three homes secured by long-term leases with well-known operators. KFH invests £42 million Sterling pound in healthcare homes with high annual return.

**Danah Reality Fund:** this fund is located in the USA with a paid up capital investment of US\$49 million. Since 1995, KFH has owned three residential properties that give the customers the option to invest in the ownership of investment units and benefit from quarterly distributions and continuous growth in the capital value. Two of properties were sold in 1998 and 2000 and KFH is now working to fund a similar project.

#### **Funds Under Operations and Development:**

**Land Development Fund in USA:** this is a private fund because it has invested in three residential areas in Arizona and California. The estimated rate of return for this project is 15%.

**Al-Soor Real Estate Leasing Fund:** also located in the USA, this US\$ 106 millions lease fund which will be structured to lease multi-family residential properties, office building and industrial warehouses with an option to purchase during the lease term. Citigroup Investments will invest up to US\$16 million and will act as an advisor to the fund. It is projected that there will be 7-9% net cash yield with an IRR of 9-11%.

**Al-Deera Real Estate Fund:** again in the USA, this is a US\$ 50 million investment in real estate properties for five years term. Gains are expected to be more than 10 per cent a year and there will be a return due to liquidation. The Al-Deera fund was started at the beginning of 2000.

**U.K. Residential Murabaha:** this product is suitable for customers who are interested in owning residential property in the U.K. When the requirements are fulfilled, KFH will finance the deal based on the appraisal conducted by its correspondent bank in UK.

**Retirement Village Fund New Zealand:** the statistics show that the number of elderly people recently increased in New Zealand and are more than younger. Thus, KFH bought 50,000 square meters of land in Auckland, New Zealand and started to construct a retirement village which will be sold mainly to the elderly people. This fund started at the beginning of 2000.



### 3.5.3 Finance Sector Operations:

As shown in the organisational chart figure (3-3), this sector operates through four departments, the Credit Department, the Documentary Credit Department, the Private Banking Service Department and the Local Real Estate Department. All products and services provided by those departments aim to fulfil the customers' needs for different financial and banking services.

#### 3.5.3.1 Credit Department:

The Credit Department provides specialized long-term financing services for major commercial and real estate projects as well as short-term financing for local and international trade aiming for more success and development. The Department Manager said in the interview "our department is unique in offering financial solutions to many new businesses and projects with the aim of boosting the national economy and our achievements to date stand as witness to our continuous success in this area". Its products and services take the following forms:

##### 3.5.3.1a Leasing (Ijarah):

A leasing (Ijarah) operation is used by KFH to finance products that customers want to lease. KFH buys and owns the equipment and leases it to the customer on a 'lease and return' basis. If the customer chooses a 'lease to purchase' basis, the customer purchases the equipment at the end of the lease period at a price agreed upon between both parties before the signing of the contract. The experience of KFH shows that various assets, including aeroplanes (4 Airbus), heavy equipment, computers, vehicles and even furniture have been leased to customers, including Kuwait Airline, private companies and individual customers.

##### 3.5.3.1b Murabaha L/C:

Murabaha is considered unique in many aspects not found in other present-day banking services. In the Murabaha operation, KFH opens an L/C for its own benefit that is based on the desire of a customer to purchase certain goods. The processes of this operation include three parties; KFH, the customer who promises to buy certain goods and the seller (exporter) who will usually pay the value of the shipment upon presentation of a bill of lading and other related documents. When the bills and documents are received they are passed on to the buyer (customer) after the signing of a sales contract, which includes the total cost of the product including the profit, agreed upon.

However, there is no charge or fees for opening a Murabaha L/C and no commissions are charged on the currency in which the L/C is opened. The customer is allowed a grace period of up to one



month from the transaction date in case the documents arrive late. This may increase the contract period up to thirteen months, however profits are charged only for one year.

#### 3.5.3.1c Istesna'a:

KFH also operates Istesna'a product to finance mining, refining, building and construction, and manufacturing industries. In this operation, KFH is responsible for supervising, overseeing and maintaining the project, with subcontractors assigned the task of executing and commissioning the project. With the project completed, the customer begins to pay both the cost of the project and the profit due to KFH based on the initial agreement, which provides flexible and easy instalments.

KFH has a rich experience in executing and commissioning such huge projects because of the hard work of a team of experts who have a high standard of professionalism in the fields of engineering and project management.

#### 3.5.3.1d Co-op Marketing:

This is one of the financing operations aimed at support for local commerce and to encourage a national economic activity to serve society in the present and secure prosperity for future generations.

The co-op marketing includes financing the activities of trading businesses dealing with the co-operative societies sector in which KFH purchases customers' goods from suppliers, sells them to co-operative supermarkets in credit and receives instalments payments from them that based on agreed period. The suppliers are responsible for transport and delivery of goods to the co-operative supermarkets. The prices or suppliers payments for goods delivered to co-operatives will be deposited in their accounts within one week from the submission to KFH of sales statements and delivery notes, after deduction of a pre-agreed profit percentage from the total amount.

The Co-op marketing can be also used as a leverage to facilitate and expand benefits from other services offered by the Credit Department.

#### 3.5.3.2 Documentary Credit or L/C Department:

The L/C department issues five forms of letters in addition to Murabaha L/C, ordinary or sight L/C, acceptance L/C, documentary bills for collection, export L/C and L/G.



### 3.5.3.2a Ordinary or Sight L/C:

KFH undertakes this L/C on behalf of the customer to pay the beneficiary (the exporter) the value of the goods he ships against the submission of required documents listed on the Letter of Credit (L/C), (invoices, Bill of Lading, Certificates of Origin etc.). KFH charges a fixed commission for opening this type of L/C and the customer benefits from the period between payment to the exporter and settlement by him. The goods during this period is considered as a loan to the customer who does not bear any charge apart from the fixed commission payable to KFH and expenses of corresponding banks the customer agrees to pay.

### 3.5.3.2b Acceptance L/C:

Similar to the sight letter of credit, here the documents are handed to the customer against a Promissory Note due for payment after a period of 60 to 90 days. This is also considered an excellent financing tool for working capital offered by the beneficiary.

### 3.5.3.2c Bills For Collection:

KFH acts here as an intermediary because it receives the bills from the exporter abroad, contacts the importer, presents him/her with the bills, obtains acceptance or refusal to receive the goods and notifies the exporter accordingly. When the bills are accepted, the importer may pay the value of the bills at once or in instalments and the sum received later transferred to the exporter's bank. A service fee is charged by KFH.

This operation is offered either in a sight document, whereby the value of the bill is paid by the customer upon receipt of the bills, and an acceptance document, whereby the customer signs a promissory note due for payment on a given date.

### 3.5.3.2d Export L/C:

This is for the benefit of local exporters through foreign banks located mostly in the importer's country. They issued for the export of local products such as oil and its by-products, fertilizers and scrap metal.

### 3.5.3.2e Letters Of Guarantee (L/G):

As discussed in the section on banking sector, KFH provides its customers with different kinds of L/Gs.



### 3.5.3.3 Local Real Estate Department (LRED):

The LRED is designed to achieve such objectives as encouraging growth and development in Kuwait by expanding existing built up areas in order to ease the government's burden of providing housing to nationals, thereby creating a wide range of opportunities for young people to buy houses.

However, the responsibility of LRED is to supervise and trade residential and commercial Real Estate for the benefit of KFH and its customers. The department provides various real estate operations represented below:

#### **Real Estate Trading,**

KFH is one of the biggest players in the real estate market. By buying and selling or developing substantial plots of land at a fair price, building new houses and selling them to customers, KFH is the most active player in the market through the use of economy of scale, monopoly and other strategies to take a major share.

This operation helps customers own homes on a flexible Murabaha basis. It also utilises the government's housing grant awarded to nationals, as a down payment. The department operates in the following sides:

1. Real Estate portfolio management by managing local properties owned by KFH and other parties.
2. Purchase, development and sale of land plots into residential areas of various design, and offering them for sale to the public.
3. Partnership (Musharakah). The building of investment-oriented buildings is in ownership with other parties.
4. Real Estate And Plot Evaluation

### 3.5.3.4 Private Banking Services Department (VIPD):

The VIPD deals with a customers with deposit of more than KD200,000 and provides them with a comprehensive range of international banking, investment and financial products and services in a distinguished and private manner.

It has a high quality professional team of experts who perform to the highest standard, eager to provide customers with easy, efficient, and high quality services using a modern communications



network that enables them to update customers with the latest information they need to manage their financial and commercial affairs.

### 3.5.4 Commercial or Trading Sector (CS):

The CS has been established in order to provide customers with products of the best quality. The prices are competitive, and credit facilities are offered for payment by easy instalments.

The SSB of KFH maintains a regular check on CS business transactions to insure legitimacy and compliance with the principles of Islamic Law.

The CS structure includes three departments (Cars, Murabaha, and supporting trading operation departments) and Research and Study Unit. Due to the important and special role of women in Kuwait society, the CS has established independent Sundus services or branches for ladies, this provides them with all their requirements for goods and services, in a private and convenient atmosphere. Moreover, the CS has four main locations (Shuwaikh Trading Centre; Tunis Street Centre; Khalid Ibn Alwalid Centre; and the headquarter at Farwania) and six branches offer these services.

The CS buys its products from a huge number of suppliers and business firms in Kuwaiti market. The volume of this business counts in millions of Kuwait Dinars annually. Hence, it is evident that CS' business supports the different economical sectors in Kuwait.

CS engages in many activities, such as direct trade, selling by Murabaha and commercial participation and different types of products provide to customers. The variety of these products is listed under each respective department.

#### 3.5.4.1 Cars Department:

KFH owns the biggest showroom in Kuwait for new cars and one showroom for used cars. Both rooms cover all types and makes under one roof. A customer can buy a new or used car, sell a used car either direct to KFH or by proxy which means KFH can display the customer car in its used car showroom and sell it on his behalf, or lease a new or used car with the option or promise to own the car after rental period of time. If the leasing contract is for a new car and for more than two years, KFH offers full insurance and maintenance per this period.



### 3.5.4.2 Murabaha (Credit Sales) Department (MD):

The MD is responsible for providing Murabaha services to customers by giving them the basis of easy instalments and this is considered to be one of the main activities offered by KFH.

The operation of Murabaha as discussed in chapter (2) is a sale operation in which the original cost of goods or services is known to both the seller (KFH) and the buyer (the client). Then, the agreed profit is added to the original cost to make up the total cost of the transaction. The number of instalments and the value of each instalment are determined at the time of concluding the Murabaha sales contract.

This is a commercial process whereby KFH buys and gets ownership of the goods purchased from the suppliers, and then sells these goods to the customers. The buyer is referred to as "the person promising to buy" in the stage preceding the conclusion of the Murabaha sales contract between KFH and this buyer.

As far as payment of instalments are concerned, the final price does not increase if the buyer fails to pay a certain number of instalments on time; nor decrease if the buyer wishes to pay all the instalments before maturity. Refusal to give a discount to customer who pays all instalments before maturity has caused some dissatisfaction.

The Department offers a large group of products that meet the customers requirements of commodities. Including: all kinds of cars; either new or used, furniture; either ready made or custom-made, electrical and electronics works, boats, machines, marine equipments, spare parts, construction and building materials and commercial deals. Also it offers the technical engineering matters and advice to customers in choosing the best materials and the best prices for construction and building works.

There is also a special service originally designed to benefit the Egyptian economy. Egyptian nationalists working in Kuwait were able to either purchase a car assembled in Egypt and for use in Egypt; or purchase a car assembled elsewhere and then import it to Egypt. This service has now been extended to all workers in Kuwait who want to either purchase an Egyptian made car or import any make of car to Egypt. The purchasing and paying will take place in Kuwait, while the car will be delivered in Egypt.



## **Murabaha Transaction Processes:**

Based on the case study carried out by the researcher, the procedures of this operation represented below:

The customer who desired to buy a specific commodity from a specific seller (e.g. a car from Alsayer company) brings a quotation of the car's price and documents, (such as salary certificate, account statement and civil ID) to the Clerk of the Murabaha department in any location or branch (e.g. Al-Fahaheel). The Clerk then will check all documents, calculate the instalments and filling promise to buy form. This is signed by the customer. He will fax all these documents to the MD in Al-Shuikh Centre to buy the car from Alsayer and fax or post the car documents back to the Clerk in Al-Fahaheel. On behalf of KFH the Clerk will sell the car to the customer on the bases of Murabaha principles and give him the delivery order to collect his car from the principle seller Alsayer. Finally the Clerk will send all documents to Al-Frawaniah headquarter to keep and to follow up the collections of instalments.

These process may take a short or a long time depending on the location or branch, the clearance of the customer credit, documentation availability, etc. For example, it will take at least two up to twelve hours in Alshouikh Centre to buy a car and two up to seven days in the branches like Al-Fahaheel.

### **3.5.4.3 Commercial Operations Support Department:**

This department renders after sales services for all the customers of the Commercial Sector. These services include collection of debts, customers' services, accounting and finance, administrative, and computer services.

Customers, who conclude their deals with the CS, are served in many aspects. For instance, if you bought a car from the Cars Department or any other commodity from Murabaha Department, you may need to obtain information concerning the instalments, or to transfer the debt to another party, or to obtain certain certificates to whom it may concern. In such cases, this department provides customers with all information and certificates they require.

It issues such certificates as absolution from debt, discharge of debt, debt certificate, letter to traffic department, and cancellation of standing orders. Finally the department has established Telephone Enquiry Centre supported by a staff attendance for 12 hours daily, from 8:00 a.m. to 8:00 p.m. to answer all questions by customers.



#### 3.5.4.4 Sundus Division:

All the products sold by the Cars and Murabaha departments are sold also by the ladies division (Sundus).

#### 3.5.4.5 Research and Study Unit:

This unit acts as a market researcher in the CS and it performs several tasks. The major role of the unit is directed towards the promotion and the integration of the business of the CS. The following are the main tasks performed by the unit:

1. Conducting research and studies, and financial analysis in the commercial fields related to the activities of the CS.
2. Doing economic feasibility studies for the anticipated commercial projects.
3. Follow-up the strategy of the CS.
4. Reporting periodically on the achievements of the CS departments.
5. Search for new products and develop the existing products of the CS.
6. Follow-up the quality issues.
7. Follow-up the contents of CS pages on the Internet.

### 3.6 The Growth and Performance of KFH:

Considering the discussion above, it is easy to understand why KFH works so fiercely to grow as fast as possible in both capital and geographical directions. It is believed by KFH management that the necessity to invest heavily in technology to improve quality and reliability of services is important to compete and survive longer in the market and to keep the machine working with the high utilisation rate.

The growth of KFH is highlighted by financial data pertaining to assets, capital, profits, shareholders equity, reserves, customers' accounts, and share prices in the market. As shown below, KFH has grown and developed steadily in the last decade because of the collective efforts of every individual working at all levels of its structure. Everyone serves a dignified blessed mission and noble target towards offering a distinctive service to customers.



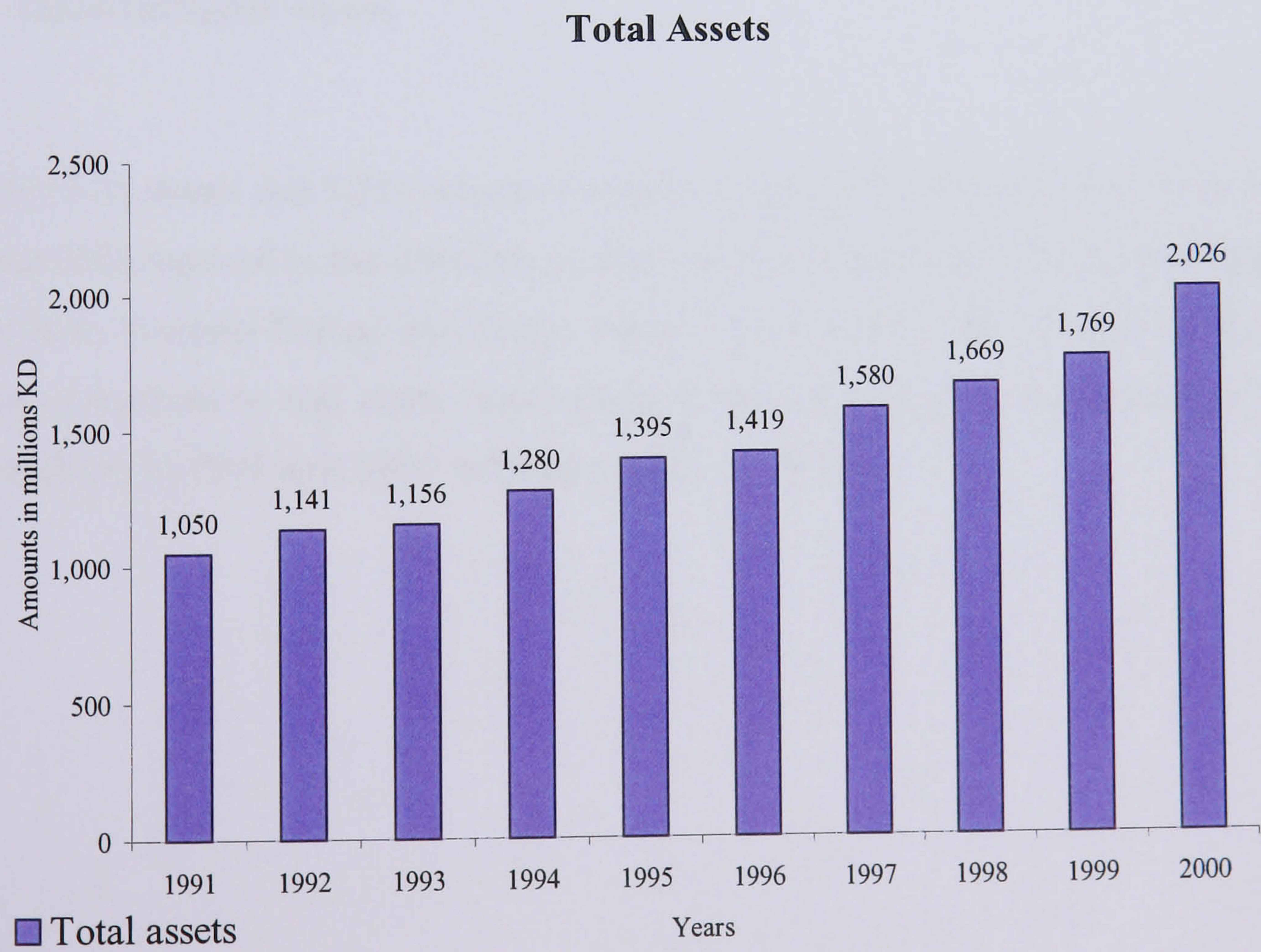
3.6.1 The Growth in Total Assets:

**Table (3-2):** The Growth in Total Assets (amounts in million KD):

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total assets	1,050	1,141	1,156	1,280	1,395	1,419	1,580	1,669	1,769	2,026
Growth	0	9%	1.3%	11%	9%	2%	11.3%	5.6%	6%	14.5%

Sources: - KFH Annual reports  
Capital Intelligence Reports

As shown in table (3-2) and figure (3-8), the total assets has increased in the year 2000 by 257 million Kuwaiti Dinar with an average growth 14.5% over 1999. However, as can be seen from the table, compared to 1991, the total assets in the year 2000 have been nearly doubled with an average growth of 93% in nominal term.



**Figure (3-8)** The Growth in Total Assets: (Amounts in million KD).



The other side to look at is the use and distribution of assets. Most of the assets were allocated and used by the banking sector because the weight of this sector to the total assets ranged between 53.8% in 1993 and 36.9% in 1996. However, this figure decreased to 17% over the year 2000 due to the shift of assets into higher yielding facilities directed at individuals and the real estate sector which increased slightly from 23% in 1996 to 39% in the year 2000. There has also been a slight increase in other loans.

This seems to suggest that, due to the increased demand of Kuwaiti citizens in the last decade, KFH might be trying to increase its market share in retail banking by offering Kuwaiti consumers different facilities, including consumer loans especially for buying cars, houses, furniture, boats, etc. and housing loans to buy construction and building materials.

**Table (3-3):** KFH assets spread to different geographical areas (amounts in KD000):

Region	2000 (KD000)	1999 (KD000)
Kuwait and the rest of Middle East	1,601,447	1,501,884
North America	128,400	85,417
Western Europe	278,512	165,859
Other	17,253	15,649

Sources: - KFH Annual reports  
Capital Intelligence Reports

Also table (3-3) shows that KFH remains basically a regional bank with nearly 79.5% of its assets in the year 2000 exposed to the domestic market and the Middle East. The second largest portfolio exposure is to Western Europe and North America with nearly 20% of total assets where it has important investment in real estate, particularly in the UK and USA. It has been increased from KD108 millions in 1993 to KD407 millions in the year 2000.



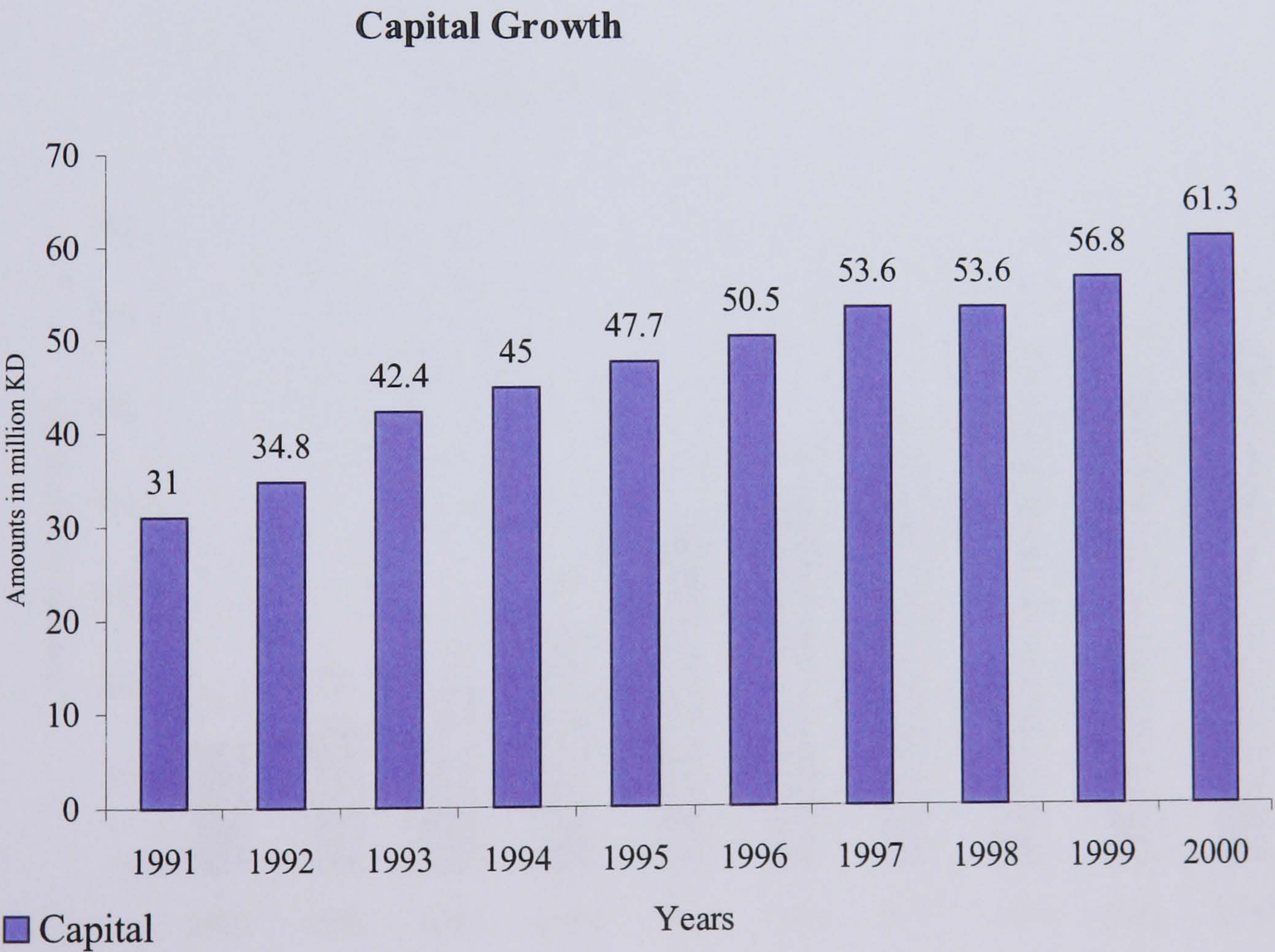
3.6.2 The Growth in Capital:

**Table (3-4):** The Growth in Capital (Amounts in million KD):

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Capital	31	34.8	42.4	45	47.7	50.5	53.6	53.6	56.8	61.3
Growth	0	12%	22%	6%	6%	6%	6%	0%	6%	8%

Sources: - KFH Annual reports  
Capital Intelligence Reports

Table (3-4) and figure (3-9) show the increase of KFH capital during last ten years and the capital increased by 30.3 millions Kuwaiti Dinar, with average growth of 98% in the year 2000 compared to 1991.



**Figure (3-9):** The Growth in Capital (Amounts in million KD).



3.6.3 The Growth in the Profits:

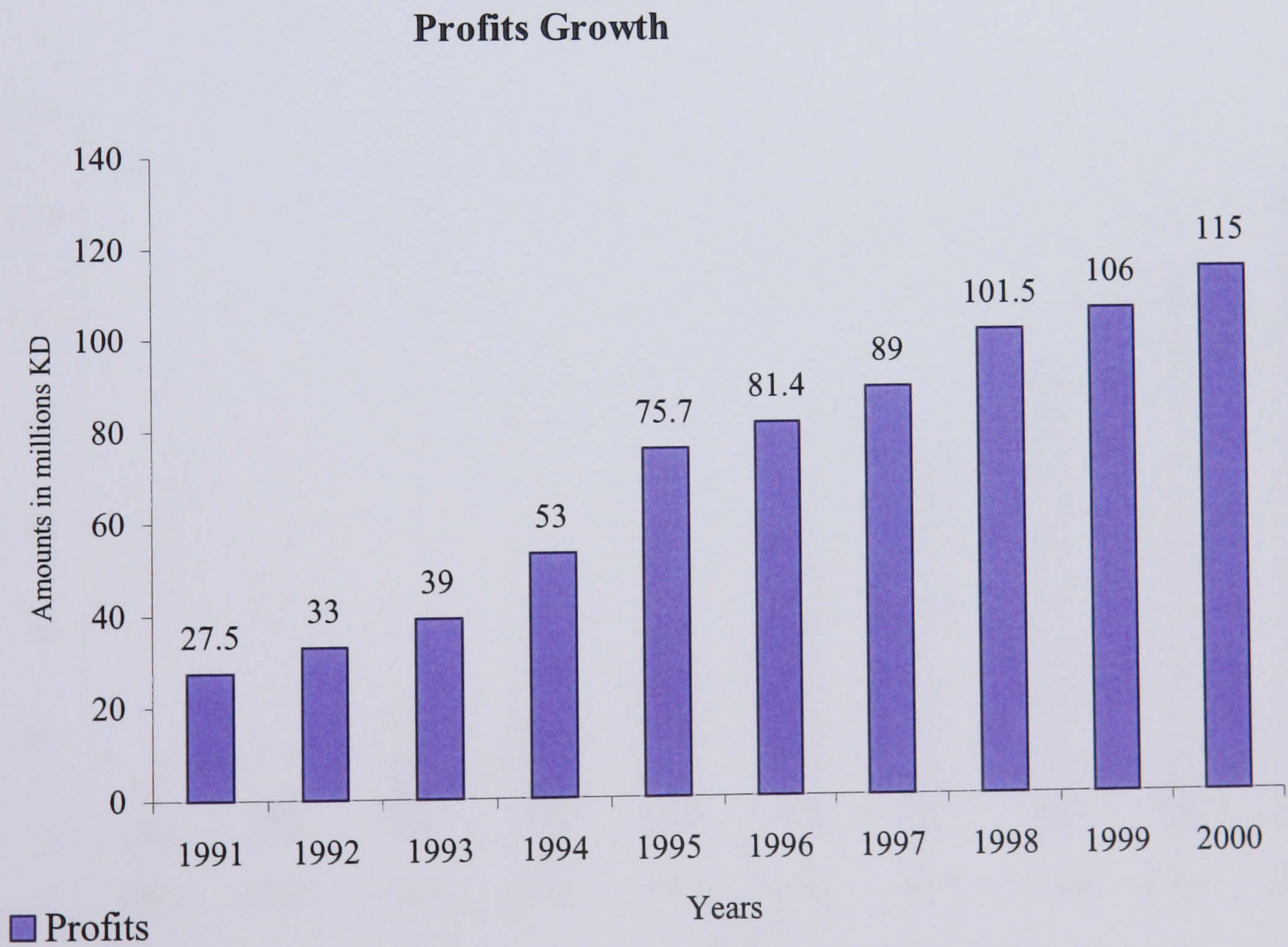
The following table and figure present the profits growth between 1991 and the year 2000.

**Table (4-5):** The Growth in the Profits (Amounts in million KD):

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Profits	27.5	33	39	53	75.7	81.4	89	101.5	106	115
Growth	0	20%	18%	35%	43%	8%	9%	14%	5%	8%

Sources: - KFH Annual reports  
Capital Intelligence Reports

The profits in the year 2000 reached 115 millions Kuwaiti Dinars with an average growth of 318% over 1991; a significant and remarkable increase.



**Figure (3-10):** The Growth in the Profit (Amounts in million KD).



3.6.4 The Growth in the Reserves:

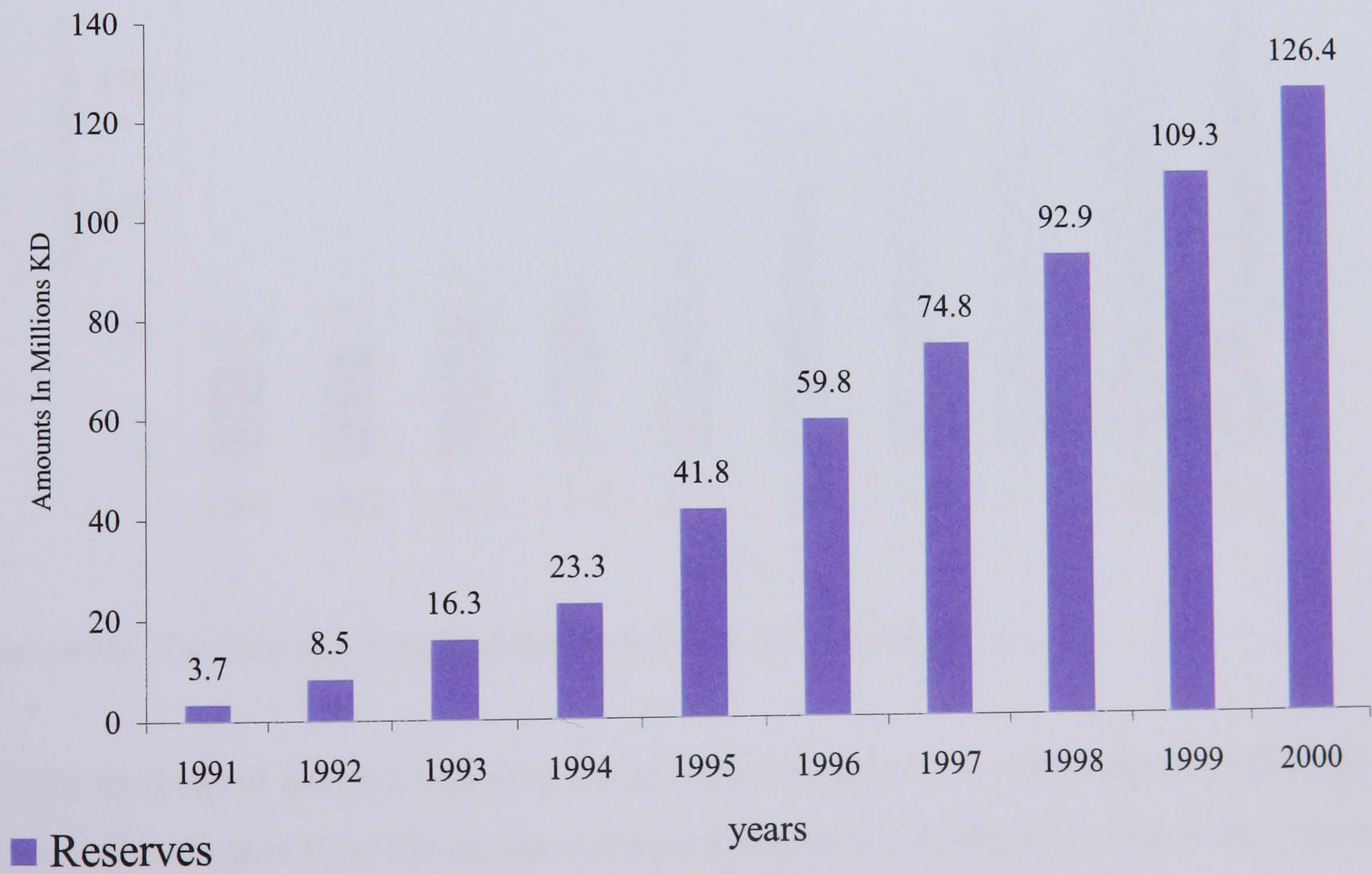
KFH knows the importance of reducing the total risk; therefore a decision has been taken to increase the reserves every year. Table (3-6) and figure (3-11) illustrate a significant growth of reserves between 1991-2000 and the reserves increased by 3316% in the year 2000 over 1991.

**Table (3-6):** The Growth in the Reserves (Amounts in million KD):

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Reserves	3.7	8.5	16.3	23.3	41.8	59.8	74.8	92.9	109.3	126.4
Growth	0	130%	92%	43%	79%	43%	25%	24%	17%	16%

Sources: - KFH Annual reports  
Capital Intelligence Reports

**Reserves Growth**



**Figure (3-11):** The Growth in the Reserves (Amounts in million KD).



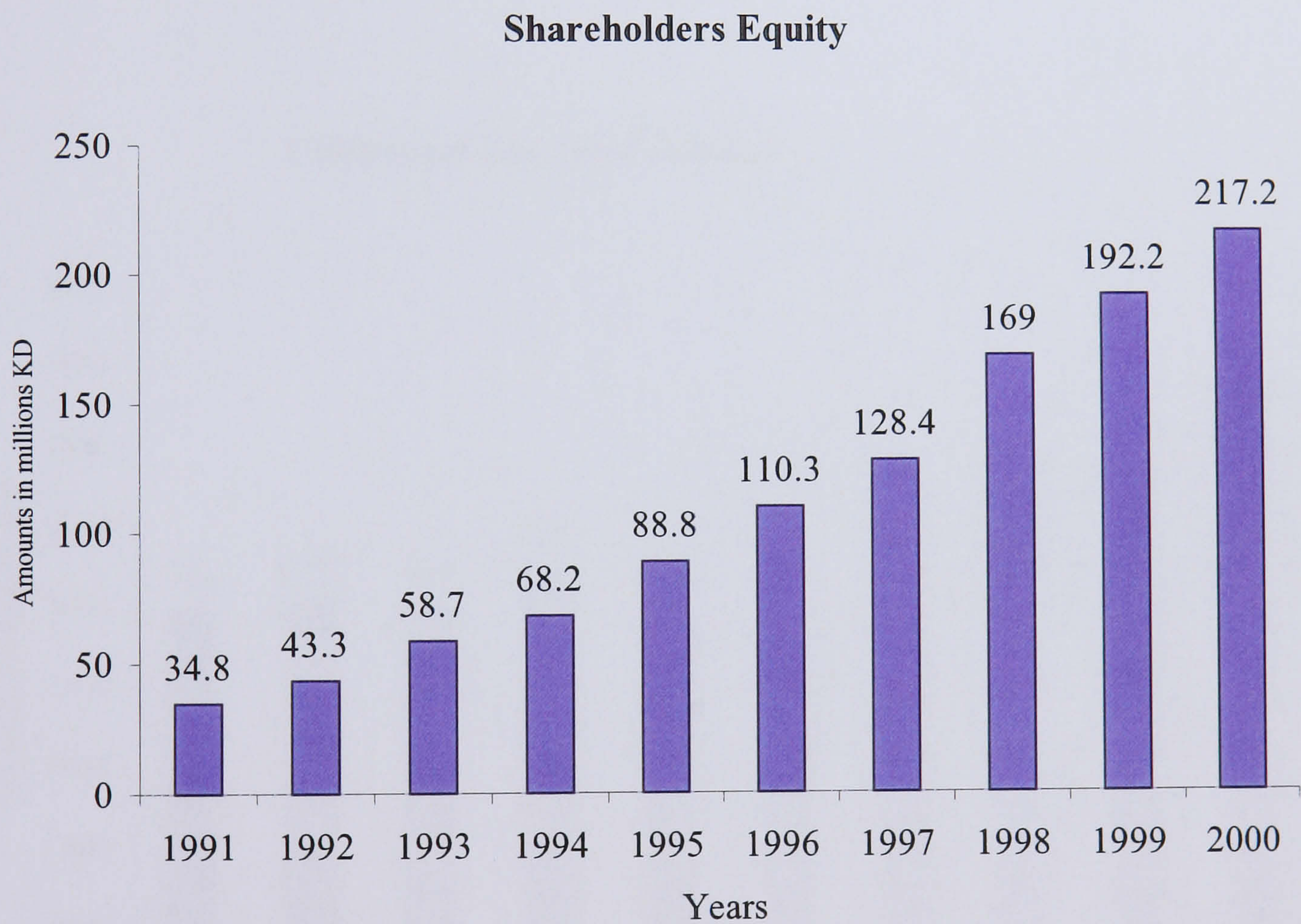
3.6.5 The Growth in Shareholders Equity

As a result of assets, capital, profits and reserves growth, the shareholders equity has been increased in the year 2000 by 25 millions Kuwaiti Dinars with an average growth of 13% over 1999 and 524% over 1991 (see table 3-7 and figure 3-12 below).

**Table (3-7):** The Growth in Shareholders Equity (Amounts in million KD):

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Shar. Equity	34.8	43.3	58.7	68.2	88.8	110.3	128.4	169	192.2	217.2
Growth	0	24%	34%	16%	30%	24%	16%	32%	14%	13%

Sources: - KFH Annual reports  
Capital Intelligence Reports



**Figure (3-12):** The Growth in Shareholders Equity (Amounts in million KD).

All of the increase of paid up capital or the growth of shareholders equity represented in the table and figure above came from the issuance of bonus shares of 100 fills each. The bonus shares were issued by a transfer from profits for the year ended 31<sup>st</sup> December of each year.



### 3.6.6 The Growth in Customers Accounts

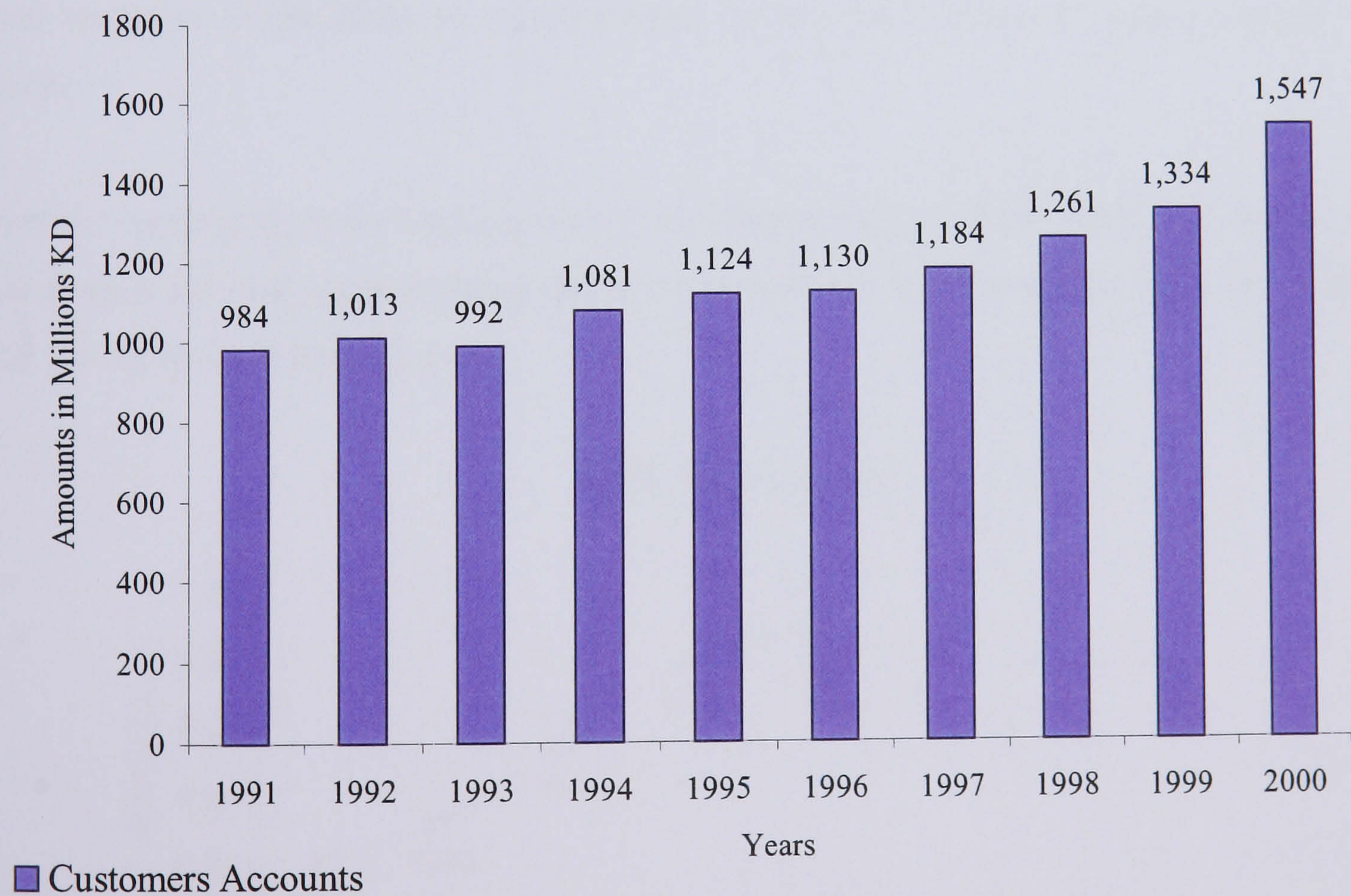
The data represented in table (3-8) and figure (3-13) shows the increase in customers' accounts in the last ten years, which have been growing by 16% in the year 2000 over 1999 and 57% over 1991. That gives an idea about the marketing efforts to attract new customers to deal with KFH.

**Table (3-8):** The Growth in Customers accounts (Amounts in million KD):

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Customers Deposits	984	1013	992	1081	1124	1130	1184	1261	1334	1547
Growth	0	3%	-2%	9%	4%	0.5%	5%	6.5%	6%	16%

Sources: - KFH Annual reports  
Capital Intelligence Reports

**Customers Accounts Growth**



**Figure (3-13):** The Growth in Customers accounts (Amounts in million KD)



3.6.7 The Share Price Performance:

The increase in the KFH share price in market is a consequence of the growth of assets, capital, profits, and reserves as illustrated in table (3-9) and figure (3-14). The share price has been increased from 0.214 Kuwaiti Dinar in 1993 to 0.86 Kuwaiti Dinar in 1997 and decreased to 0.780 Kuwaiti Dinar in the year 2000.

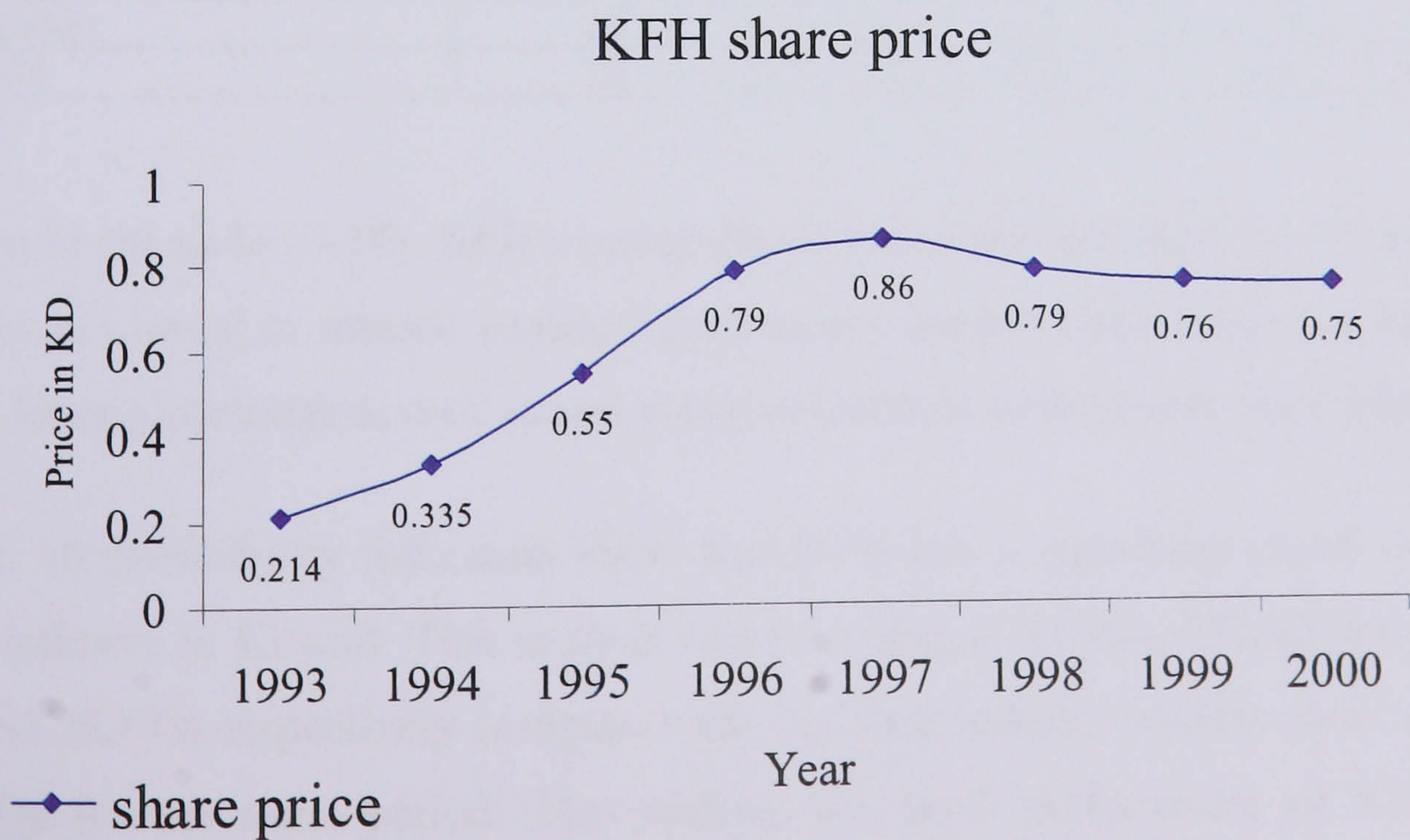
**Table (3-9):** The market share price growth (amounts in KD):

Years	1993	1994	1995	1996	1997	1998	1999	2000
KFH share price	0.214	0.335	0.550	0.790	0.860	0.790	0.760	0.750

Sources: - KFH Annual reports  
Capital Intelligence Reports  
Investor Index Report, 2000

Based on all the above parameters, and the study carried out by the Global Investment House (2001), the Discounted Cash Flow model (DCF) yields a total fair value of KD697 millions in the year 2000, which translates into a fair value per share of KD1.072. All that said, the 0.750 Dinar at which KFH is currently trading represents a 30% discount to the fair value arrived at above, hence investors in the KSE are recommended to buy KFH shares by many analysts and stock brokers.

However, comparing with banking sector performance in the KSE, KFH and National Bank of Kuwait were the best players during the above period and up to now that reflected in their EPS in table (3-10) in the following page.



**Figure (3-14):** the market share price growth between 1993-2000 (amounts in KD).



### 3.6.8 KFH's Performance:

Table (3-10) shows the comparisons between the performance of KFH and the performance of other Kuwaiti banks for the period 1996-1999. This has been done by calculating the average financial indicators for both KFH and for all the other banks in Kuwait.

**Table (3-10): KFH and other Banks Performance:**

Financial indicators	KFH Avrg. (1996-1999)	All Banks Exc.KFH (1996-1999)	Comments (Strengths or Weaknesses)
Liquid ratios			
Current ratio – times	0.7	0.9	W
Liquid assets/assets	53.8%	73.72%	W
Working capital in Mill. KD	-366,475	1.078.896	W
Activity ratios:			
Interest income/total assets	5.67%	2.07%	S
Interest income/total revenue	73.59%	69.01%	S
Operations expense/income	52.25%	68.17%	S
Structure ratios:			
Liabilities to assets	90.66%	88.79%	S
Customers deposits to assets	76.21%	58.62%	S
Liabilities to equity – times	9.7	7.9 times	SW
Loans to equity –times	4.4	3.3 times	W
Customers deposits/ equity – times	8.2	5.2 times	SW
Profitability ratios:			
Net profit margin	32.54%	51.25%	W
ROAA	2.57%	1.48%	S
ROAE	29.70%	13.49%	S
ROCE	26.85%	12.5%	S
EPS (KD)	0.071	0.028	S
Other indicators:			
Operating expenses/Revenue	17%	34.93%	S
Market capitalisation (Mill. KD)	410.82	2,152.75	S
Internal Growth Rate	15.05%	4.25%	S
Price/Earnings – times	11.3	12.3	S
MP/BV times	2.7	1.7	S
No. Of branches	26	123	S
No. Of ATM	70	202	S

As shown in the table (3-10), KFH average liquid ratios are less than the industry ratios because KFH does not invest in interest paying liquid money market instruments but rather in Murabaha services, leasing contracts as well as real estate investment in local and international markets.

However, all profitability indicators show that KFH has a significant stand compared with the banking industry in Kuwait. This is clear when looking at ROAA, ROAE and ROCE at 2.57%, 29.7% and 26.85% respectively compared with banking industry average rates as 1.48%, 13.49% and 12.5% for the same period. That reflects the good performance of KFH earning assets



portfolio, more efficient use of available funds, high level of managerial experience especially in managing its investment portfolio, and keeping acceptable ratios of capital adequacy and liquidity.

On the other side of activity ratios, KFH efforts to cut down operational expenses can be seen in the ratio of average operations expense/income that shows only 52.2% compared with 68.2% for the banking industry.

Nevertheless, KFH will face strong competition in the coming years as the new laws concerning the establishment of new Islamic banks are finalised and the many banks waiting for CBK's approval come into operation.

#### 3.6.8.1 Assessment:

KFH has strong government ownership and is well supported by most government bodies. This however, is reflected in its deposits base, which remains mostly short term in nature. Based on the financial data which is highlighted in this section, the author has concluded the advantages which resulted from answering the question why KFH care about size and its remarkable growing rates. That because KFH understands the advantages of the following concepts:

##### 3.6.8.1a The Economy of Scale:

KFH uses economies of scale in its investments by putting large amount of investment into infrastructure and technology, with the result that pre-unit operational costs decrease proportionally with the growth of the volume of transactions at all sectors in the bank. Moreover, considering that KFH generally operate with excess capacity, it is important to increase the volume of transactions because the marginal cost is nearly zero.

##### 3.6.8.1b The Market Power:

KFH management understands that the diversification and numbers of distribution channels are an important weapon to gain competitive market share. Distribution channels, such as branches, telephone banking, Internet banking and ATM are available for customers and work as natural publicity for the bank. These attract more customers and reinforce the virtuous cycle of growth due the increase of perceived service quality and to better availability of services.



### 3.6.8.1c Building Branding:

The perceived reliability of a bank at the market is proportional to its size and growth rate. This is related to the common subliminal belief: a bank that is large and/or growing must be solid (after all, KFH is seen as a solid brand in Kuwait) and so, that's where customers will put their money.

### 3.6.8.1d Bargain Power:

KFH is one of the big players with large capital and solid financial position. Thus, it is more likely to get more favourable prices/rates on the negotiations with the suppliers, including those in the financial or money market and those in the materials, the technology and real estate markets.

### 3.6.8.1e Strengths and weaknesses:

Based on the above data and discussion and data collected from the bank, KFH has the following strengths and weaknesses:

#### The Strengths:

1. Leading position in deposits or customer base.
2. Because of part ownership by the government's bodies, KFH gains strong governmental support.
3. Solid financial position leads to a high share price in the market.
4. Acceptable share in the local market and innovative Islamic products and service in its overseas assets.
5. Healthy diversified assets in order to minimise investment risk.
6. The bank stays the only Islamic bank in Kuwait, enjoying a market monopoly of providing Islamic banking products and services.
7. The management vision of growth and expansion is clear and effective because the growth in assets, capital, reserves, profits, share price, and deposits accounts was slightly since its establishment till now.
8. Using effective network with significant improvements of the bank information technology, particularly in state-of-the-art decision support systems, because a central customer database was commissioned, and the communications network upgraded. The KFH Internet Web site now provides banking, investment and commercial services online, with consequently greater exposure both locally and worldwide.



## The Weaknesses:

1. KFH has found to be the least liquid among Kuwaiti banks.
2. According to report published by Global Investment House (2001), KFH has significant doubtful debts in the market while provisions against these doubtful debts appear to be insufficient.
3. The average net profit margin found to be less than the industry margin.
4. KFH could face new competition over the medium term from established banks after the launch of new Islamic banking laws currently been debated in parliament (2002). The outcome of these debates will be interesting as current government policy is to bring all Islamic banks under the umbrella of the central bank, some thing that KFH opposes as this will lead to a loss of autonomy.
5. The current competition coming from the new investment companies.

### 3.7 Concluding Remarks:

The aim of this chapter has been to introduce the ideas behind establishing KFH, explaining its current operations in terms of both definitions and processes, underlining its organisational structure development, design and the reasons behind changes in structure in all stages of development and finally emphasising the remarkable growth and performance in the last decade.

The chapter began with the defining of the Kuwaiti financial system and the rule of central bank in that system. It followed by explaining the establishment of KFH in 1977 and organisational structure development since the start of operation. It also discussed in full details operations and activities of KFH's in order to explain how KFH develops its network operations from local to regional and international market, considering the environment in which it operates and the restrictions that it has to face in those different cultures.

The remarkable growth and performance of KFH was analysed and emphasised and expressed that it has grown in assets, capital, profits, reserves, shareholders equity, customers' accounts, and as a result its market share price. KFH has competitive advantages that favour its survival and remarkable growth. Most obvious is its religious appeal to Muslim capital providers and users in and outside Kuwait. Also the greatest familiarity of KFH with Kuwait nation, Muslim-world, Islamic organisations, and with western investment environment, compared with non-Islamic banks is one of its strengths. In addition, the special law of establishment as an Islamic bank that affected the bank's developing, specialising, and sophistication in several lines of businesses, such as banking, finance, investments, real estate, commercials, establishing new companies, and create



new businesses. That proves that interest is not an essential element of banking services and also proves that interest-free banking is more efficient than interest-based banks.

Finally, KFH's growth in the last ten years on the verge of either major transformation, or a period of growing on market and making profits is turning point and was managed successfully and carried on for longer period. Thus, it is time for KFH to enter a new and more successful era of internationalisation and innovative Islamic banking products and services.

The theoretical framework will be continued in the next chapter which will discuss the service quality literature, its dimensions and proposed a model and provide a plan for Islamic banking managements to adopt quality program in their banks.



## Chapter Four:

### Service Quality in Islamic Banking

#### 4.1 Introduction:

Today, the quality of services in banking industry is not an optional competitive strategy which may, or may not, be adopted to differentiate one bank from another but it is essential to corporate profitability and survival for many banks around the world.

Therefore, the focus of this chapter is to analyse and evaluate current knowledge and practices of Service Quality (SQ) activities in the banking industry in general, in order to build a theoretical background to suggest a new model of SQ in Islamic banking management using the data collected from KFH and suggest how it can be measured and implemented in chapter seven.

The chapter also highlights the difference between manufacturing and service organisations in order to define the term of SQ and recognize the need for Islamic banks to provide excellent services. As well as it summarises theories and examines the performance of alternative measures of SQ proposed by different authors, such as Parasuraman, Berry and Zeithaml (1985, 1988, 1990, 1993 and 1994), and Cronin and Taylor (1992 and 1994), in an Islamic banking industry and as a sequences builds a hypothesised measures that might be used by Islamic banks which will be tested in chapter seven to find out whether it is valid or not.

#### 4.2 Manufacturing and Service Organisations:

The historical lack of interest in services can be partly explained by the fact that there was little understanding of the differences between the management of services and the management of manufacturing organisations (Bitran and Lojo, 1993). However, it is true that basic management principles are similar for both types of companies; services have some characteristics that require a different emphasis from management on some of these principles. The characteristics that differentiate services from manufacturing in terms of quality have been described by many writers (e.g. Bitran & Lojo, 1993, Parasuraman, et al. 1993 and Zeithaml, et al., 1996) as follows:

1. Nature of products which are basically intangible in services including a tangible action, so customer satisfaction in services is not only influenced by objective measures of performance but also influenced by intangible aspects during the service performance.
2. Heterogeneity, that creates another challenge for quality management in services, because quality in service is not just ensuring conformity to standards, but taking into account



service diversity of customers while the service delivery is taking place, the behaviour and expectations of the customer being served and to customise the service delivery accordingly.

3. Simultaneity which means most services are produced and consumed in the same time. That represents a difficulty in quality management of services because it is not usually feasible to actively monitor all service deliveries that are taking place and the service can not be inspected before its consumption.
4. The human contact, because services are often characterised by the existence of human contact between employee and the customer.

Thus, the most quality programs have been adopted in manufacturing sectors since quality first became a concern in the 1960s when Japan began to introduce quality circles (McGraw and Dunford, 1986). Quality circles have been successful in Japan as a way of encouraging innovation from the workforce. The members of quality circles develop ideas that allow the organization to improve products, services and processes. This largely involves the simplification of processes and cycle-time analysis (Sohal, et al., 1997).

However, quality circles have not enjoyed the same success in Western countries such as Britain, the United States and Australia, as they have in Japan. This may be due to a lack of management support, a lack of training, inadequate resources (Field and Swift, 1996), or a perception of inadequate empowerment. In Western countries, the members of quality circles were usually not empowered to act on their ideas and were required to report to management before making any changes. Naturally, if their ideas were rejected, morale would be reduced and they would be less motivated to generate ideas in the future (Field and Swift, 1996). Unfortunately, most of these arguments and research work done in quality of good arena has proven inadequate for understanding service quality because of the above fundamental differences in the way of services produced, consumed and evaluated (Parasuraman, Zeithaml and Berry, 1990).

### 4.3 What is Quality?

As a result of the above differences, many concepts of quality have been invented by practitioners and researchers, such as total quality management (TQM), Quality Control, and service quality (SERVQAUL). Despite the fact that the term of quality found to be vague concept in literature but many attempts to define quality, TQM, and finally SQ.



Samuel (1999, p. 382) quoted the International Standards Organisation (ISO) definition of quality as: “the totality of features and characteristics of product or service that bear on its ability to satisfy or imply customers’ needs”.

In order to define TQM, British Standards Institution BSI (1992) described the TQM as a management philosophy and company practices that aim to control the human and material resources of an organisation in the most effective way to achieve the objectives of the organisation. However, if we look at the meaning of each word of TQM as Samuel (1999) noted, Total means that everyone linked with the company is involved in continuous improvement (including its customers and suppliers if feasible); Quality indicates that customers’ expressed and implied requirements are met fully; and finally Management signifies that executives are fully committed.

Additionally, Goetsch and Davis, (1995, p.6) looked at TQM as an approach of doing business through continual improvement of the quality environment in the organisation. They defined it as:

*...an approach to doing business that attempts to maximise the competitiveness of an organisation through the continual improvement of the quality of its products, services, people, processes and environment.*

In terms of SQ, the majority of researchers on SQ, such as Buzzel and Gale (1987: p. 111) support the following definition: quality is “what the customer says it is”, thus, how could Islamic banks know whether they give services which are judged 100% satisfactory by 100% of their customers? They would have to ask, observe, find out from the customers themselves, see whether they recommend the bank to others or not, and so on. Therefore, a focus on the customers is the key to adopt and deliver SQ or total SQ management, total service quality management (TSQM) as John Peters (1999) named it. The Islamic bank must think about quality this way, because by giving customers what they like, and delivering it every time, customers will come back and tell others about bank services and successes.

In contrast to this, Parasuraman, working with Zeithaml and Berry (1985, p. 46), concentrated from the outset on SQ. Their so-called “Gap” school defined SQ as the “degree and direction of discrepancy between customer’s perceptions of service and expectations”.

The other way to think about quality is operation efficiency, that means if the bank can discover the most efficient ways to produce products and services, with out wasting of time and materials, and replace unsatisfactory services, it will also become more successful. In other words, the



quality of bank services may be defined as the measure of success of its operations in providing excellent products and service as viewed by the customer receiving the products and service. So it is an agreed measurement, to a defined standard, of the bank's response to the customer's request for the service that it is delivering.

#### 4.4 The Importance of the SQ:

SQ tends today to play an important role in many service industries, including banking services, because it is extremely important for the bank to know what, when and how to do its operations, provide customers with quality products and services and to know how its customers perceive those products and services. Thus, as mentioned above an excellent SQ is not an optional strategy for the bank to be adopted, but an essential to corporate profitability and survival.

As banks become more "high-tech," their technical services are becoming standardized, reducing the importance of such services as a differentiating factor; hence, consumers will evaluate banks based more on their "high-touch" factors than on their "high-tech" factors (Angur, Nataraajan & Jahera, 1999). However, although many banks have provided financial incentives for consumers to utilize automatic teller machines (ATMs), such as teller fees, etc. the "unique selling proposition" (Kotler, 1997) of a bank still appears to be personal banking services. Furthermore they could use personal banking services as a promotion to their target market (referred to by Urban and Hauser, 1993 as a "core benefit proposition"). In view of this, SQ becomes a key construct in the banking industry.

#### 4.5 Why Islamic Banks Need to be Aware of SQ?

As discussed in chapter two, Islamic banks have been operating for about four decades alongside the non-Islamic banks. Like any other traditional interest-based banks, they do mobilise deposits and produce loans. But their forms of operation, based on Islamic Law (Shariah), are different from the other interest-based banks. Therefore, as mentioned in chapter two, Islamic banking differs from non-Islamic banking in several ways, such as the prohibition of transactions based on interest rates and the requirement that the bank's operations be carried out according to certain procedures through the use of certain financial instruments. The following reasons will answer the question why Islamic banks need to be aware of SQ:

First, Islamic banks' products and services are perceived as high quality by customers because, in Islam, work, and the quality of that work, are considered to be a type of worship. The Prophet



said: “Whoever finds himself at nightfall tired from his work, God will forgive his sins.” Also Abu Hurairah said that the Prophet said:

*Charity (sadaqah) is due upon every joint of a person on every day that the sun rises. Administering justice between two people is an act of charity; and helping a man concerning his riding beast by helping him on to it or lifting his luggage on to it, is an act of charity; a good word is charity; and every step which you take to prayer is charity; and removing that which is harmful from the road is charity.* reported by Bukhari (Abdul Hameed, 2001).

The Prophet also said: “Allah loves to see one's job done at the level of itqan” (Sabeq, 1988). The word itqan means to arrange and dispose of things in a scientific and artistic way in order to obtain the most perfect results or to do something in high quality way with wisdom.

So a Muslim must please others and make sure that whatever he does, does not introduce unbearable pain or suffering to the human in consideration.

Secondly, adopting SQ in Islamic banks has become important because of its apparent relationship to costs (Crosby, 1979), profitability (Buzzell and Gale, 1987; Rust and Zahorik, 1993; Zahorik and Rust, 1992), customer satisfaction (Bolton and Drew, 1991; Boulding et al., 1993), customer retention (Reichheld and Sasser, 1990), and positive word of mouth. The SQ is widely regarded as a driver of corporate marketing and financial performance in banking (Kwon and Lee, 1994 and Wong and Perry, 1991).

In addition, the measuring and evaluation of SQ in banking, including Islamic banking industry, has become very important because of the changes in the banking environment. Banking has become globally integrated, there is high competition and it is however, important for banks to know what, when, where, and how they will provide and how their customers perceive, products and services.

Finally, SQ has become particularly important for Islamic banks in general and KFH in particular because of many reasons. Firstly, there is a lack of knowledge and research on management in general and SQ in particular in this industry, secondly, the industry annually grows between 10%-15%, thirdly, the consequent increase in competition between non-Islamic and Islamic banks has made SQ a key differentiating factor for Islamic banks to improve their market shares and their profits positions. The new entrants to the market in Kuwait, which provide the same Islamic products and services as KFH are increasingly based on the delivery of quality service to customers, such as Investment Dar, which was successfully granted the ISO certificate for International Quality Standards 9001.



4.6 The Review of Literature:

Javier Reynoso et al. (1995) and Angur et al. (1999) noted that the debate on SQ began in 1985 in the marketing literature and significant contributions to the literature have also been made by those working in the field of operation management and organisational behaviour. Also researchers from different management sides, such as operations management, marketing and human resource have dedicated considerable efforts to explore the main determinants of SQ. most of their researches have focused on the following areas:

1. According to various typologies, many researchers have classified services to facilitate their management (Chase, 1981; Lovelock, 1983; Schmenner, 1986).
2. Applying TQM principles developed for manufacturing companies into service settings (Ingle and Ingle, 1983; Rosander, 1989; Drewes, 1991; Wyckoff, 1992).
3. Investigating the impact of human factors in service performance and profitability (Tornow, 1991; Tornow and Wiley, 1991).
4. Explaining customers’ perceptions and expectations of service quality (Gronroos, 1984; Parasuraman, Zeithaml and Berry, 1985; 1988; 1990; 1994).

According to researches done in the area of the SQ in banking industry, the study has found them in many scholarly journals both academic and practitioner papers. Some of these studies on the one hand deal with definitions and overviews of SQ, dimensions and measurements, and others carried out by practitioners or researchers focus on the importance of SQ, functional areas of the banks, assessment and successful implementation of current practice. Table (4-1) below summarises some of these researches on the area of building SQ dimensions in interest-based banking industry:

**Table (4-1):** The summery of SQ literatures in interest-based banking industry:

Author	Methodology	Findings
Mersha, et al. (1992)	Discussion	The findings indicate that consumers have well-conceived ideas about SQ, and that certain quality attributes are considered important for most types of services which were examined including banking.
Ennew, et al. (1993)	Discussion and survey	Explains the problems associated with the measurements of quality of services and presents a set of indices to provide measures of expectations, perceptions, and overall satisfaction. A quality of the UK banks’ services which provided to small firms has been measured. The method was applied to the above example.



Avkiran, (1994)	Discussion and survey	Designs and examine six-dimensions model for SQ in banking industry ( <i>Responsiveness, Empathy, Staff conduct, Access, Communication and Reliability</i> ) with 27 items. The six dimensions with 27 items were empirically reduced to 17 items across four factors. The dimensions to emerge are <i>staff conduct, credibility, communication, and access to teller services</i> . The instrument's reliability, dimensionality and validity have been empirically tested; the results are encouraging both in their own right and when compared with other studies.
Blanchard, et al., (1994)	Survey	Using SERVQUAL (see 4.7) scale and the Gap model to develop an alternative model of greater utility in banking industry.
Lewis, et al. (1994)	Discussion Survey	This research attempts to identify dimensions of loan/overdraft services which banks and building societies provide to students, and also in relation to the trial of a graphic positioning scale to measure students' expectations and perceptions. Even so, the results suggest a number of areas where the banks and building societies might pay attention to improve their "relationships" with students.
Stafford, M (1994)	Discussion case study	Represents a list of characteristics of bank quality as perceived by customers, identifies the underlying dimensions of bank quality and assesses the importance of the characteristics as also perceived by them. Seven factors were found in determining bank quality. They include: employees and employee/customer interactions, the number of accessible and working ATMs, company structure, and four available services. Over 82% of the respondents felt that banks provided quality service.
Johnston, (1995, 1997)	Discussion and survey	These studies classify the determinants of SQ into those that are predominantly satisfiers and others that are predominantly dissatisfiers. The findings indicate that the intangible aspects of the staff-customer interface have significant effects, both negative and positive, on SQ. they also provide managers with a framework to assess the likely impact of any SQ initiative in terms of its effect and importance.
Millson, et al. (1996)	Survey	Midland Bank's quality program has a common weakness that it ran it informally and without clearly defined programs for implementation and measurements. Also, this study indicates that members of quality committees, QCs, were positive in their views towards QCs' effectiveness. A change in actual performance is the most relevant measure.



Royne, (1996)	Survey	Findings from this study provide initial direction in determining the proper SQ attributes to focus on during promotional efforts when banks have a target market at least partially defined by gender and age. Further, gender and age are not the only characteristics on which marketing efforts should be based. Therefore, other segmentation variables, such as psychographics, geographies and benefits sought, must be considered when developing marketing and advertising strategies.
Stafford, (1996)	Discussion and survey	Identifies the distinct elements of bank SQ and ascertains which of those elements are most important to different demographic groups of customers.
Yavas, et al. (1997)	Survey	It concludes that the ultimate success of any SQ program implemented by a bank can only be gauged by creation and retention of satisfied customers.
Angur, et al. (1999)	Discussion and survey	The result supports the multidimensional construct of SQ and suggests that the SERVQUAL (see 4.7) scale provides greater diagnostic information than the SERFPERF scale (see 4.7) .
Anthony, et al. (2000)	Survey and discussion	The findings indicate that credit unions rate significantly higher than banks on 11 of the 14 SQ questions: access; courtesy; communication; credibility; security; empathy; tangibles; basic service; fairness; fixing mistakes; and guarantees. Also they indicate that neither banks nor credit unions do a good job of surveying customer needs or retaining customers.
Kamila, and Nantel, (2000)	Case study and survey	This study has suggested an alternative scale to measure perceived SQ in the banking industry. The authors try to develop a reliable and valid scale for that measurement.
Lassar, et al. 2000	Discussion and survey	Examines the effects of SQ on customer satisfaction by utilizing a sample of international private banking customers where SQ is operationalised via two measures SERVQUAL and Technical/Functional Quality.
Oppewal, et al. (2000)	Discussion and survey	Provides a model for measuring perceived SQ by using integrated conjoint experiments.
Paulin, et al. (2000)	Empirical study	The findings report that changing account managers was negatively associated with the bank's external effectiveness as measured by: the customers' judgments of satisfaction and SQ, their purchase intentions and their willingness to recommend the bank.



## 4.7 The Development of SQ Dimensions:

Many researchers and quality scholars have recognised the need to develop valid and distinct measures of SQ given the rise of service development in the last few decades.

Gronroos (1984) tried to explain in his model of SQ how customers perceived SQ based on three points. First, functional quality or how the service is performed and delivered (concerned with the outcome of the service encounter), second, building the image of the firm during buyer-seller interactions (a reflection of the corporate image of the service organization), and finally the overall perception of quality as a function of the customers' evaluation of the service (concerned with the process of service delivery). In his 1988 work, he developed five key dimensions of SQ: 1- professionalism and skills; 2- reputation and credibility; 3- behaviour and attitudes; 4- accessibility and flexibility; and 5- reliability and trustworthiness.

Le Blanc, et al. (1988) stated that Lethinen identified three dimensions of quality: first, physical quality (equipment, premises, tangibles); second, corporate quality (image and profile organisation); and finally, interactive quality (customer contact with service personnel and other customers).

The study found that among the most popular assessments tools of SQ in the literature was SERVQUAL, which has been designed by the marketing research team of Parasuraman, et al. (1985, 1988, 1990, 1991, 1993, 1994) to measure the quality in service industry. They began their work with qualitative research, which suggested 10 dimensions of SQ (reliability; responsiveness; competence; access; courtesy; communication; credibility; security; understanding/knowing the customer and finally tangibles) and through numerous qualitative researches, they evolved a set of five dimensions (Tangibles, Reliability, Responsiveness, Assurance and Empathy) which have been consistently ranked by customers to be most important for SQ, regardless of service industry.

### 4.7.1 The SERVQUAL Model:

The SERVQUAL dimensions are defined in table (4-2). The team has developed a 22-item (see appendix 2) instrument with which to measure customers' expectations and perceptions (EX and PS) of the five dimensions, see (table 4-2). The measurement is managed by using two different forms one to measure expectation and the other to measure perception.



**Table (4-2):** SQ five dimensions’ description:

<b>Tangibles</b>	is the appearance of physical facilities, equipment, personnel, and communication materials. <ul style="list-style-type: none"><li>• Physical facilities and appearance of personnel;</li><li>• Tools or equipment used to provide the service;</li><li>• Physical representations of the service, such as a plastic credit cards</li></ul>
<b>Reliability</b>	is the ability to perform service dependably and accurately. It includes: <ul style="list-style-type: none"><li>• Accuracy in billing.</li><li>• Performing the service at the designated time.</li></ul>
<b>Responsiveness</b>	is the willingness to help customers and provide prompt service. It may involve: <ul style="list-style-type: none"><li>• Mailing a transaction slip immediately</li><li>• Calling the customer back quickly</li><li>• Giving prompt service (e.g. setting up appointments quickly).</li></ul>
<b>Assurance</b>	is the knowledge and courtesy of employees and their ability to convey trust and confidence. <i>Courtesy</i> (politeness, respect, consideration, and friendliness, also clean and neat appearance of public contact personnel) <i>Competence</i> (knowledge and skill of the contact personnel, knowledge and skill of operational support personnel and research capability of the organization) <i>Communication</i> (explaining the service itself and how much the service will cost, explaining the trade-offs between service and cost and assuring the consumer that a problem will be handled.
<b>Empathy</b>	is the caring, individualized attention the institution provides its customers. <i>Security</i> may involve: <ul style="list-style-type: none"><li>• Physical safety;</li><li>• Financial security and confidentiality</li></ul> <i>Credibility:</i> It involves: <ul style="list-style-type: none"><li>• Company name and reputation;</li><li>• Personal characteristics of the contact personnel;</li><li>• The degree of hard sell involved in interactions with the customer.</li></ul> <i>Access</i> may includes: The service is easily accessible by telephone Waiting time to receive service is not extensive Convenient hours of operation and convenient location of service facility

Source: adapted from Parasuraman, et al. (1985, 1988, 1990, 1991, 1993, 1994).

The basic assumption underlying the SERVQUAL scale is that performance below expectation (obtaining a negative score) leads to a perception of low SQ, while exceeding expectations (obtaining a positive score) leads to a perception of high SQ. Therefore, perceived SQ is the result of the customer’s comparison of expected service with the service received. They identify the



differences between customers' expectations and perceptions using three possible scenarios to define how customer perceives SQ:

1. Expectations of SQ are exceeded (quality exceeds expectations)

$$\mathbf{PS > EX \text{ or } PS - EX > 0}$$

2. Expectations of SQ are met (quality is acceptable)

$$\mathbf{PS = EX \text{ or } PS - EX = 0}$$

3. Expectations of SQ are not met (quality is unacceptable or not less than satisfactory)

$$\mathbf{PS < EX \text{ or } PS - EX < 0}$$

The approach of Parasuraman represents the customer entertaining expectations of performance on the service dimensions, observing performance and later forming performance perceptions. Thus, the SERVQUAL instrument illustrates the core of what SQ may mean, namely a comparison to excellence in service by customers.

#### 4.7.2 The Model's Gaps:

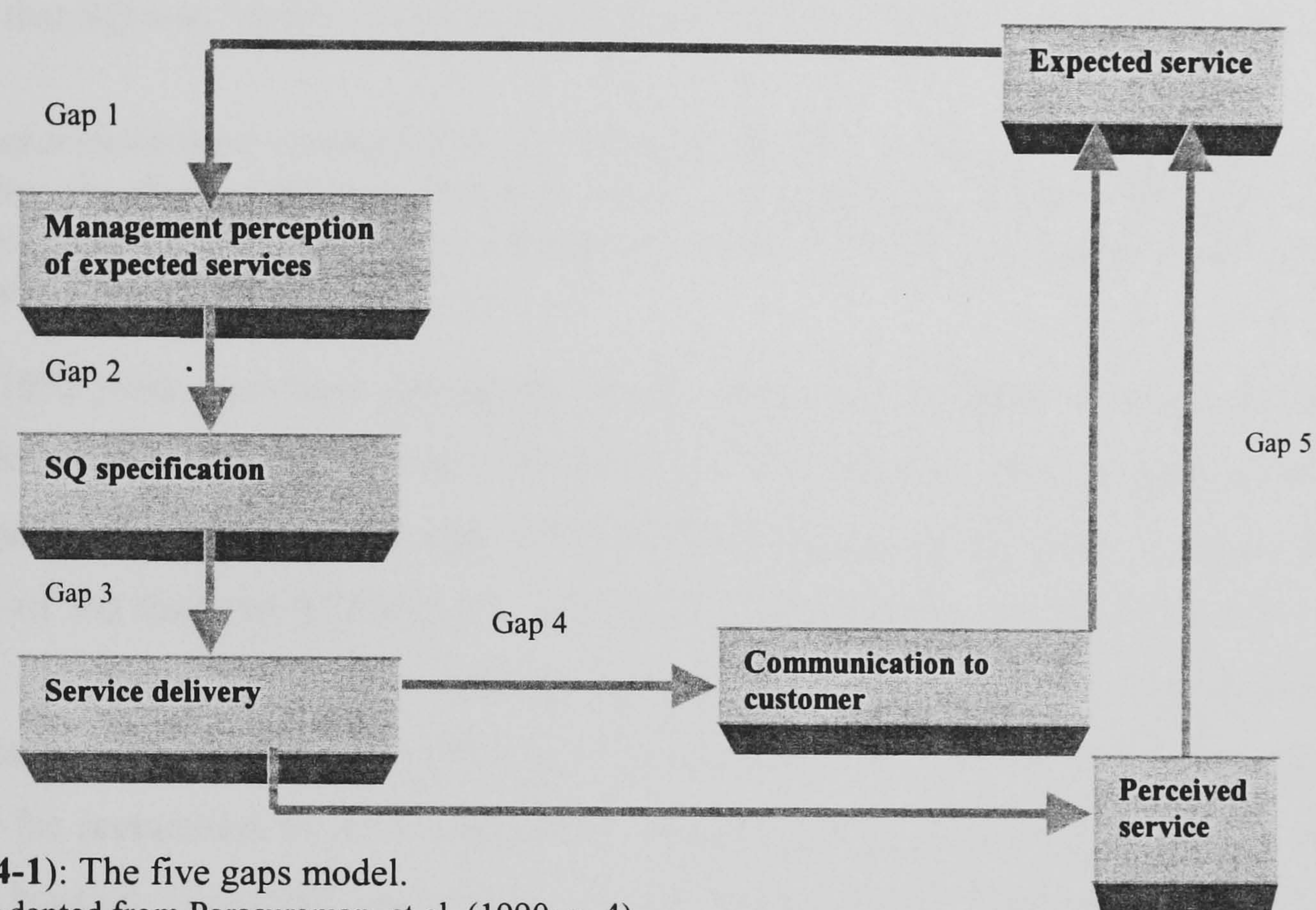
Because of the difficulties emerging from the lack of an objective measure of service quality and the lack of tangible quality metrics which is a shift in the deflections of service quality towards a subjective evaluation based on customer expectation, the SERVQUAL model identifies five opportunities for quality failure, or what are called "Gaps", which can be perceived as a process for the design of a service. Figure (4-1) shows this model and how management can develop an understanding of customer expectations and ensure that the service is designed and operated to meet customer's expectation and quality standards.

The gap model in figure (4-1) highlights the four banking failures (gaps), which contribute to gap five, namely the inconsistency between the external customer's perceptions and expectations. Four gaps stand in the way of delivering a service perceived by customers as being of high quality:

1. Gap one: Customer expectations – management's perceptions.
2. Gap two: Management's perceptions – SQ specifications.
3. Gap three: SQ specifications – service delivery.
4. Gap four: Service delivery – external communications.
5. Gap five: Perceived service gap.



The model shows that customers' perceived quality of bank's products and services is affected by Gaps one to four, which belong to the bank's service side. The bank management can identify causes of service quality problems by examining each Gap.



**Figure (4-1):** The five gaps model.  
Source: Adapted from Parasuraman, et al. (1990: p. 4).

Gap five is an overall measure of SQ from the customer's point of view. It is the difference between perceived and expected levels of service.

4.7.3 The Model's Critics:

The SERVQUAL instrument has been widely used since the mid eighties and the Gap model was designed to be applicable for all industries, but it has also been widely criticized. Researchers, such as Francis Buttle (1996) argued the SERVQUAL has some critics in terms of theories and operations. In terms of theories, he noticed that SERVQUAL fails to draw on established economic, statistical and psychological theory, and there is little evidence that customers assess SQ in terms of PS – EX gaps. He added that SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter. Finally, SERVQUAL's five dimensions are not universals. Whereas the operational critics were in the following areas: first, the term expectation is polymeric because SERVQUAL fails to measure absolute SQ expectations, secondly, item composition because four or five items can not capture the variability within each SQ dimension. Third, moments of truth (MOT): customers' assessments of SQ may vary from



MOT to MOT. Fourth, scale points: the seven-point Likert scale is flawed. Finally, two administrations of the instrument cause boredom and confusion.

Also Cronin and Taylor (1992; 1994) criticised Parasuraman, et al. work for their uncertainty to define perceived SQ in attitudinal terms, even though Parasuraman et al. (1988) had earlier claimed that SQ was “similar in many ways to an attitude”. Cronin and Taylor observe:

*Researchers have attempted to differentiate SQ from consumer satisfaction, even while using the disconfirmation format to measure perceptions of SQ... this approach is not consistent with the differentiation expressed between these constructs in the satisfaction and attitude literatures.*

In their 1992 work, they have developed a measurement model based on performance measure of SQ (SERVPERF). They have tested this model in four industries (banking, dry cleaning and fast food) and the findings showed that SERVPERF explained more of the variance in an overall measure of SQ than did SERVQUAL. However, SERVPERF is composed of the 22 perception items in the SERVQUAL scale, and therefore excludes any consideration of expectations. In a later defence of their argument (1994) for a perceptions-only measure of SQ, they admit that it is possible for researchers to infer consumers’ disconfirmation through arithmetic means (the PS – EX gap) but that “consumer perceptions, not calculations, govern behaviour”.

It was reported by Stewart Robinson (1999) that Quester et al. (1995) performed a similar analysis to Cronin and Taylor and their initial belief was that the SERVQUAL should perform better than SERVPERF because the SERVQUAL measurement scale is a more scientific approach to scale development and is more firmly based on the literature than the SERVPERF scale.

Thus, SERVQUAL has indeed proved to be the most popular instrument for measuring SQ because it affords technology techniques for measuring and managing (SQ) and has been developed to face most critics.

#### 4.8 The Hypothesized Model for Islamic Banks:

Since the purpose of this study is to develop and test a theoretical model for Islamic banks to manage service quality, the difficulties and challenges expressed in the previous section are explicitly accounted for the hypothesized theory below.



#### 4.8.1 A Model's Main Dimensions (CARTER):

According to discussion and the critics above, researchers studying different service categories, such as banking, telephone services, securities brokers, and credit cards companies, have identified SERVQUAL dimensions on the bases of the firm's culture, products and services, technology, etc. Therefore, new studies in SQ which might be based on the original ten or new five dimensions are recommended to be merged and they should be modified to be suitable for each industry by suggesting or examining new dimensions.

That is because of the existence of cultural differences between countries, regions, religions, or ethnic groups which reinforce the importance of building different dimensions, an additional dimension for SQ in the Islamic banking industry is proposed to meet the above requirements. Therefore, the set of quality dimensions defined for our study is based on previous research, Islamic banks' internal and external environment and culture that guide the researcher to add a new dimension called "Compliance with Islamic law" to Parasuraman's five dimensions. This dimension includes such items as Run on Islamic law and principles, no interest paid nor taken on savings and loans, provision of Islamic products and services, provision of free interest loans and provision of profit-sharing investment products.

Hence, the following dimensions (D) compliance, assurance, reliability, tangibles, empathy, and responsiveness (CARTER) were conceptualised as a proposed framework for this study (see table 4-3 for items).

D1: Compliance (1-5 items) which means the ability to comply with Islamic Law and operate under the principles of Islamic banking and economy.

D2: Assurance (items 6-10) is the knowledge and courtesy of employees and their ability to convey trust and confidence. It also includes verbal and written communication between bank staff and customers

D3: Reliability (items 11-14) ability to perform the promised service, dependability and accuracy.

D4: Tangibles (items 15-19) mean the appearance of physical facilities, equipment, personnel, and communication materials.

D5: Empathy (items 20-28) caring, individualised attention which the Islamic bank provides for its customers.

D6: Responsiveness (items 29-33) is the willingness to help customers and provide prompt service.



**Table (4-3): CARTER 34-items:**

<b>Compliance</b>	
1.	Run on Islamic law and principles
2.	No interest paid nor taken on savings and loans
3.	Provision of Islamic products and services
4.	Provision of free interest loans
5.	Provision of profit-sharing investment products
<b>Assurance</b>	
6.	Politeness and friendly staff
7.	Provide of financial advice
8.	Interior comfort of KFH
9.	Ease of access to account information
10.	Knowledgeable and experienced management team
<b>Reliability</b>	
11.	Convenience (short time for service anywhere).
12.	Wide range of products and services provided
13.	Security of transactions
14.	More tills open at peak time.
<b>Tangible</b>	
15.	External appearance
16.	Speed and efficiency of transactions
17.	Opening hours of operations
18.	Counter partitions in Bank and its branches
19.	Overdraft privileges on current account
<b>Empathy</b>	
20.	Bank location (easy to getting to the bank).
21.	Well known bank
22.	Bank size in assets and capital
23.	Parking available
24.	Confidentiality of Bank
25.	Confidence in Bank's management
26.	Products and service profitability
27.	Lower service charge
28.	Provision of financial advices
<b>Responsiveness</b>	
29.	Knowledge of customer's business or willing to help
30.	Way staff treat customers
31.	Availability of credit on favourable terms
32.	Branching
33.	Fast and efficient counter services



#### 4.8.2 CARTER Supporting Factors:

As discussed above, service quality is multidimensional, i.e. it is perceived by customers in Islamic banks along the CARTER dimensions. However in order to achieve customer satisfaction, it is not enough for Islamic banks to deliver high quality service but they should successfully shape the customers' expectations as well. In other words they should establish quality culture inside the bank. The following will discuss the customer satisfaction and service encounter because of their positive relationship with the service quality.

##### 4.8.2a Customer Satisfaction:

Oliver, (1993) noted that satisfaction loosely means “enough” or “enough to excess”. Thus, customer satisfaction can be defined as the customer's fulfilment response. It has also been described by (Rust, et al., 1994) as a process and the most widely adopted of process theories is that of expectancy disconfirmation in which satisfaction is viewed as largely based on meeting or exceeding expectations.

Researchers, such as Oliver and Swan (1989); Cronin and Taylor (1992) and Bitner and Hubbert, (1994) recognised that customer service satisfaction occurs at various levels in the organisation, including satisfaction with contact person or front office staff (service encounter), satisfaction with the core service experienced by him and overall satisfaction with the organisation. Thus, overall satisfaction is viewed as customer satisfaction with a multiple experiences or encounters with the organisation (see Oliva et al, 1992).

##### 4.8.2b Customer Contact Employees:

In the banking industry including Islamic banks, most personal contacts between the customer and the bank occur through employees at a low level in the hierarchy, such as bank tellers. No matter how low these employees are in the hierarchy, it is usually their performance that will determine the customers' perception of quality of the service provided (Lovelock, 1992). Therefore, satisfied employees have a positive outlook and can take a pride in their work. This has a potential to result in their being able to deal positively with the customers. And well-treated customers are more likely to stay customers for the bank and not move to another. In other words, when employees understand and regard the customers as the reason for their jobs, they will treat customers with dignity and serve them quickly. Thus, the employees should have a working environment in which they feel highly motivated, and a quality training program to provide highly quality services.



#### 4.8.2c The Service Encounter:

The service encounter is defined as the period of time in which the consumer and service firm interact in different ways including the telephone and media (Bitner and Hubbert, 1994). It is the interaction that takes place where the service is delivered to the customer and during this interaction most of the customers' perception of the bank service is shaped. Therefore, the service encounter is considered to be the most critical moment for the success of the bank, the moment of truth.

As can be seen from the literature, few surveys have been carried out to measure the relationship between the customer's evaluation of service and service encounter (Oliver and Swan, 1989; Bitner, 1990; Bitner and Hubbert, 1994). The study by Bitner, (1990) showed that there is a positive correlation between a service encounter evaluation and measuring of service quality. Hence, in order to manage the quality of the service being provided by the Islamic bank, six phases of service encounter are presented below:

1. Customer access: there are a number of ways which customer can gain access to the bank service (e.g. telephone, walk in, ATM, making appointment, internet, etc.).
2. Customer check-in: this where the customer identifies himself/herself, it can be through name, opening an account by filling application form, etc. it is important at this stage for the bank to make the customer feel welcome and that he/she is important to the bank.
3. Diagnosis: the bank here identifies the needs of the customer, and the reason why the customer has come. This phase is also important because the bank has the opportunity to sense the customer overall expectations of its service and his individuality toward the bank and decide the best way to serve him/her.
4. Service delivery: this is critical for overall satisfaction because the customer's needs and perceptions are met and shaped during this period or in this phase.
5. Disengagement phase to make sure that all customer's needs have been fulfilled during the service encounter. It is the assessment phase to correct eventual mistakes that might be made during service delivery and obtain feedback from the customer about the service he/she received.
6. Follow-up: this is important because improved service quality follows from customer complains and suggestion to improve service quality in the bank.

Thus, elements of the service encounter are waiting time, personal interaction, customer's expectations and perceptions.



## 4.9 SQ Standards:

Quality does not improve unless there are concrete and objective measures to see whether the Islamic bank is improving its quality level or not. Thus, customers' expectations should be translated into clear and measurable standards for services provided by Islamic banks. The establishment of such standards has the power to bring a customer focus into the employee's day-to-day service delivery.

In order to be effective, standards must be clear and meaningful to the bank staff that will have to pursue them. They also must be easily measurable in order to provide continued feedback into the bank. Moreover, as customers' expectations evolve over time, it is important to continue to monitor this evolution and align the standards accordingly.

## 4.10 Concluding Remarks:

The main objective of this chapter was to examine the possibility of adopting proposed SQ model in an Islamic banking industry with reference to SQ models and measures mentioned in the literature studied by different authors. As a sequence, the proposed model or hypothesised measures might be used by Islamic banks. The validity of the model will be tested in chapter seven.

Also the chapter pointed out that most of quality programs have been carried out in the manufacturing industry since 1960 and in the mid eighties the first quality program for service industry has been interdicted due to the main characteristics that differentiate services from manufacturing in terms of quality and delivery. The chapter argued that the concept of quality is vague and provided definitions for the quality, the TQM and the SQ.

In addition, the importance of service quality and reasons regarding the awareness of service quality in Islamic banking are expressed. The concept of doing work in Islam reveals that Islamic bank's products and services are expected by customers to be in highly quality.

Moreover, the chapter summarised the SQ literature and studied which have carried out in interest-based banking industry in particular.

Furthermore, the description of theoretical development of SQ dimensions and the application of SERVQUAL model as an instrument to measure the SQ in service industry, the model five Gaps and the critics were highlighted. Also the definition of the five dimensions namely (Tangibles,



Reliability, Responsiveness, Assurance and Empathy) was mentioned. The crucial assumption underlying this model is the measurement of customer's expectations of service quality and compares them with his/her perceptions. The model's Gaps, challenges and critics were also highlighted in section seven.

The chapter presented the proposed quality measure for the Islamic banking industry which includes six main dimensions called CARTER and supported parameters (customers' satisfaction and service encounter). However, in order to measure the SQ, the Islamic bank should set measurable standards or goals for its services.

Finally, the chapter expressed the positive correlation between the SQ, customer satisfaction and service encounter that indicates the importance of the quality of services that provided in the front offices in satisfying the bank's customers.

Chapter five will define and present theories and approaches of business process reengineering and discuss the possibility of reengineer Islamic banking operations.



## Chapter Five:

### Banking Process Reengineering

#### 5.1 Introduction:

The traditional assumptions, on which many businesses have been built, are changing significantly. Employees are becoming more independent, technology pervades almost all areas of the business, social and individual lives, power is shifting among company as markets become more competitive and knowledge is becoming more of a commodity. Thus, there is a need not only to re-examine a wide range of issues which may broadly be referred to as corporate culture but also to re-examine organisational approaches to the management of knowledge. The concept of business process reengineering (BPR) appears to be the medicine that will allow organisations to bring about the necessary changes (Champy, 1995). It represents a new way of thinking about almost any business.

BPR represents one of the most recent developments in management theory, and refers to attempts to achieve degree of improvements in organisational performance by redesigning the processes by which an organisation delivers its products and services to its customers.

The main aim of this chapter to develop the concept of BPR further by looking to different works conducted by both academic researchers and practitioners and to achieve the following objectives:

1. To provide key definitions of BPR, its principles and introduce related literature to this study.
2. To highlight and analyse the main approaches of BPR and expand them to build a hybrid approach for the banking industry.
3. To analyse, model and redesign the core value-adding business processes of Islamic banking that take place at branch level, in order to assist their proper redesign, with an emphasis on customer focus.
4. To examine factors affecting the implementation of BPR and develop a business model of reengineered bank's processes that satisfies the emerging banking requirements for increased business and organisational flexibility, customer perceived quality and satisfaction as well as market differentiation.
5. To guarantee the consistency and applicability of the business model, so that it could support the future development of Islamic banking information systems



## 5.2 A Brief History of BPR:

BPR is a term now firmly established in the management vocabulary and was originally introduced by Hammer (1990) in the article “Reengineering work – don’t automate, obliterate”. Some writers argue that reengineering is a new concept and others from Industrial Engineering say that reengineering has been around in excess of forty years (Randall, 1993). Also there are few writers claim that reengineering started in 1980s when car companies in USA, battered by Japanese rivals, began to integrate their operations, such as car design with assembly line automation (Edosomwan, 1996).

They may be traced back to the turn of the twenty-century to Fredrick Taylor who developed concepts of industrial engineering into the quality or continuous process improvement literature, from which the idea of managing and improving business processes was developed (Davenport, 1995a). Both arguments can be considered valid because many of the components of BPR existed prior to 1990; however, they had never been integrated and used as a management concept, so BPR is new only as a mixture of existing ideas (Davenport, 1995a). The most popular components generally agreed upon by both practitioners and academic researchers are IT, process redesign, organisational restructure, and organisational change (Rigby, 1993).

The origin of BPR was in information technology, but today reengineering has been extended to every facet of business, and often does not involve computers (Dixon et al., 1994; Hammer and Champy, 1993). BPR is about fundamentally changing the way firms conduct business.

## 5.3 What is BPR?

Definitions of the term BPR vary, but most researchers suggest that it comprises a number of interrelated activities that cut across functional boundaries in the delivery of an output (Davenport and Short, 1990 and Thomas, 1994). The looseness of this type of definition has led to significant variations in establishing the number of processes in a business. For example, Thomas (1994) cites the case of one large bank which estimated that it had three core processes while another estimated it had seventeen. The study highlights different definitions by researchers and practitioners as follows:

Hammer and Champy (1993, p. 32) in their book, *Reengineering the Corporation*, define BPR as:

*... the fundamental rethinking and radical design of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as quality, service, cost, and speed.*



However, understanding this definition is an important point to discuss and plan how business should be reengineered.

1. The “fundamental” nature of reengineering relates to assumptions of challenging the appropriateness and existence of every aspect of business organization and operation. This means, the processes that the company uses to conduct the business and why the process is structured as it is currently.
2. “Radical redesign” depicts the root of the change; it refers to transforming even the most enduring, stable, and central aspects of a process design configuration, and envisioning or reinventing new redesigns or alternatives without limitations or constraints associated with a current design.
3. “Dramatic” implies that the level of performance can increase by several folds as opposed to marginal improvements. To measure the effectiveness of any reengineering program, one must apply these subjective metrics (Hammer and Champy, 1993).
4. “Process(es)” are defined by Hammer and Champy (1993; p.35) as “a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer.” From this definition, activities, outputs, customers, and measures represent key concepts associated with processes which serve an important role in business science as routines provide consistent, stable environments. The focus on “process” is the most important feature of BPR.

Davenport (1993, p. 2) defines the term BPR by looking at “process innovation” and combines the adoption of process view of business by Hammer with the application of innovation to key processes; his definition is:

*Reengineering is only part of what is necessary in the radical change of processes; it refers explicitly to the design of the new process. The term process innovation encompasses the envisioning of new work strategies, the actual process design activity, and the implementation of the change in all its complex technological, human, and organisational dimensions.*

In addition, Andrews and Stalick (1994, p. xiii) highlight the importance of the organisational integration aspects of BPR, defining it as:

*radically changing how people work - changing business policies and controls, systems and technology, organizational relationships and business practices, and reward programs.*



Finally, Michael Glenn (1998, p. 5) quoted some definitions by leading practitioners.

*Overhauling of business processes and organisation structures that limit the competitiveness, effectiveness and efficiency of the organisation.*

*A methodological process that uses information technology to radically overhaul business process and thereby attain major business goals.*

*The analysis and design of workflows and processes within and between organisations.*

From the above definitions, six critical issues arise when researchers and practitioners define BPR.

1. BPR consists of radical or at least significant change (Grover and Malhotra, 1997) or radical ways of how a company undertakes its activities;
2. All parts of the company will be affected because of the new ways cut right across the company, and even outside it that are seen as revolutionary with high level of innovation;
3. BPR tries to achieve major goals or dramatic performance improvements;
4. BPR's unit of analysis is the business process which represents the central unit of analysis, not the department or function area;
5. IT is one of the critical enabler of BPR; while,
6. Organisational changes are another critical enabler and must be managed accordingly.

## 5.4 Who Should Reengineer?

The answer to the above question requires knowledge of the industry, the company, the process, technology and people. Research carried out by Steven Wheelwright and others (1992; p. 134) suggested that for:

*...some companies the process is so poorly understood that almost everything is implicit and subject to change within a project; there is, in effect, no process. In other companies there are so many detailed procedures and rules (many of which were devised to fix a long-forgotten problem) that no one understands or can keep track of them all. The process that exists on paper is so bureaucratic that those who follow it proceed slowly, if at all. Others regularly ignore the system, leading to confusion, rework and delay.*

The above view may apply only to large companies rather than small, however this does not mean that small companies do not have opportunities for improvement rather that the large companies may be have more bureaucracy. The underlying assumption behind this view is the generalisation that larger companies can more easily afford, and therefore often accept, a certain degree of redundancy and inefficiency.



Hammer and Champy (1993; p. 34) suggested that reengineering is undertaken by three kinds of organisations. The first category includes companies which are in “deep trouble” and require large, radical performance improvement for survival. Reengineering may be the best method to transfer those organisations to successful performance. Clearly companies in this category need to manage a successfully and completed reengineering program to achieve the greatest relative gains in performance. The second category includes those that have the foresight to “see trouble coming”, such as changing environmental factors, customers’ requirements or new competitors threats. These companies can begin reengineering prior to crisis. The third category comprises those “in peak condition”. These companies want to continue to put distance between themselves and the competition by erecting barriers.

Within the last two categories there may be processes with considerable room for improvement. These processes may either be in the operation or customer service side, such as delivering products and services, developing new products and services, etc.

The categories listed above cover the spectrum, indicating that every company is a candidate for reengineering. However, when answering the question why a particular company should reengineer its processes, it will be up to the senior managers to agree to the need for a reengineering program and to select the right processes to do it.

## 5.5 Why Reengineer Processes?

The reasons for banks to reengineer their processes are various, however it is not necessarily to do with how successful you are today, but rather with where you want to be tomorrow. The following section highlights those causes:

Hammer and Champy (1993) describe three forces that are driving companies to reengineer organizational processes: customers demand, competition intensifying globally, and financial performance.

Also in a UK survey of financial services companies found that those organisations that were investing in BPR were doing so because of the need for continuous improvement, implementing cultural change, meeting increased customer expectations, achieving corporate strategic vision, to combat increased competition and to meet changing market needs (Skinner, and Pearson, 1993).

In addition to competitive pressures, which are not the only force major within those organisations subject to change, rapid technological change, as well as shifting patterns of international trade



and competition, have also put an intense strain on many organisations. Thus, banks, which want to achieve or sustain a leading position within the banking industry, will need to make quantum improvements in terms of quality, time and cost.

Davenport (1993), points out that financial indicators could be another powerful drivers for change here, the process cost reduction also motivates organisations including banks to reengineer their processes because process objectives, such as time reduction and improved quality and customer service, are assumed to translate into higher sales or less expensive production. Even process objectives that involve worker learning and empowerment are ultimately oriented towards improving financial performance, the assumption being that fulfilled workers will be more productive. A reengineering process can be more effective than many other alternatives, (such as business unit sales and early retirement programs which result in a company's most employable people leaving to find other jobs), at removing unnecessary costs.

Furthermore, process reengineering can also respond to the need for the better co-ordination and management of functional interdependencies (Al-Mashari and Zairi, 1999). Better co-ordination of operating with marketing and sales, it is reasoned, will allow a company to make only what its customers will buy.

Finally, in reengineering an organisation, it is precisely that the changing of traditional divisions is targeted and changed to be more customer oriented. Obeng and Crainer (1996; pp.20-21) pointed out that:

*Reengineering seeks to solve the problems created by functional orientation. It replaces the vertical axis of hierarchy...looks on organisations as a collection of horizontal processes. Traditional hierarchies fall away under the burden of self-examination....the goal of reengineering is not to flatten structure. Talk of flat or horizontal structure still assumes the existence of hierarchy. Instead, reengineering produces a fist-full of dynamic processes more akin to writhing snakes.*

## 5.6 Reengineering Approaches:

The BPR approaches in different industries have been developed by academic researchers, practitioners and consultants, (e.g. Hammer, 1990; Davenport and Short, 1990; Hammer and Champy, 1993; Evans 1993, Andrews and Stalick, 1994; Zinser, et al., 1998). However, independently of the one that is followed, a BPR initiative is a risky undertaking and several factors have to be considered for a successful effort. The most important success factor is top management sponsorship. The BPR program usually requires several resources such as money, people, leadership, technology and knowledge, which can be assured only by a strong and reliable



top management sponsorship. In addition to the above, the selection of the right methodology that meets the objectives and needs of the programs and is understood and supported by program's team is very important. Furthermore, the accurate selection of the type of model and the computer assisted tool that will support the modelling, analysis and redesign of the processes are crucial factors for the success of a BPR program. Hammer in his 1990 Harvard Business Review article and his book with Champy in (1993) suggests the following seven principles in order to embark a successful reengineering program:

1. "Organise around outcomes, not tasks" (Ibid; p. 111); i.e. design job or process around an objective or outcome instead of single task,
2. "Have those who use the output of the process perform the process" (Ibid; p. 115),
3. "Subsume information-processing work into the real work that produces the information",
4. "Treat geographically dispersed resources as though they were centralised" (Ibid; p. 120),
5. "Link parallel activities instead of integrating their results" (Ibid; p. 122),
6. "Put the decision point where the work is performed, and build control into the process" (Ibid; p. 123) and
7. "Capture information once and at the source" (Ibid; p. 123).

Despite the fact that many researchers disagree to some extent with Hammer's radical approach to reengineering, the above principles seem to apply in general in that they reflect information age requirements, customer centred and competitive organisations.

The most popular approach consists of developing a business vision, identifying existing processes and the underlying assumptions, challenging the assumptions, redesigning the processes, implementation and follow-up. The majority of BPR methodologies share these common features and steps and guides, handbooks and models for handling the reengineering program are based on this approach.

This section identifies requirements set on the BPR approach which provides a comparative presentation of representative methodologies and describe the differences of these methodologies and the value and the importance of each special step in a BPR program.

#### 5.6.1 The Hammer and Champy Approach:

Hammer and Champy (1993) have used Hammer's 1990 ideas of reengineering which is recognised as the first approach for BPR methodology and developed their approach. The approach was refined by Champer's Consultant Company. It includes six stages presented below.



## **1. Introduction to Reengineering:**

One of the most important tasks in the BPR program is to create an organisation's vision, since it gives it boundaries and a direction to continue in. It is a difficult task because it should give, as an output, a clear statement of an organisation's future state. In order to create effective visions, a learning process prior to creating a vision step is needed. Therefore, the company is recommended at this stage to organise and communicate the "case for action" and the "vision statement". The "case for action" is a description of the current situation of the company including its problems. It presents the reasons and benefits for changes. The "vision statement" answers the question of how the organisation is going to operate and outlines the kind of results it must achieve. This qualitative and quantitative statement can be used during a BPR program, as a reminder of reengineering objectives, as a metric for measuring the progress of the program, and as a prod to keep the reengineering action going.

The leader or general manager of the organisation is responsible for communication and informing the senior management and the rest of managers and employees regarding this stage.

## **2. Identifying and Defining Processes:**

In this stage the important processes should be recognised and identified and described from both a global and local perspective using a set of process maps. The process map mirrors the workflows through the organisation's operations and illustrate high-level processes that may be decomposed into sub-processes on separate sub-process maps.

## **3. Selecting Processes:**

The third stage is to select processes because it is impractical to reengineer all processes of the company in the same time. Thus, the company should choose the processes to be redesigned from those with greatest impact to customers, more chances to be successfully reengineered and processes that contribute to the company's objectives. The common criteria that could help the company to select process are a contribution of this process to the company's strategic direction and its impact on customer's satisfaction.

## **4. Understanding the Selected Processes:**

The team responsible for reengineering needs to gain a better understanding of the existing selected processes, what they are used for, how well or poorly they perform, and the critical issues that govern their performance, in order to create, superior design in the next stage.



## 5. Redesign:

Redesign the selected process is the most innovative stage of the methodology, because new regulations and new ways of work should be invented.

## 6. Implementation:

The final stage is to implement the redesigned process. Hammer and Champy did not discuss implementation as much as program planning because they argued that the success of the implementation based on the accuracy and efficiency of performing the five preliminary stages.

The above approach considers poor management and unclear objectives as the main problems to BPR success, but initially it failed to give adequate consideration to the human factor. Recently, however both authors acknowledge people's resistance as a major obstacle to a successful BPR undertaking.

### 5.6.2 Evans' Approach:

Evans adopts his approach in 1993 as a broad framework for BPR program (see figure 5-1). As can be seen from the figure, Evans proposes four general stages as follows:

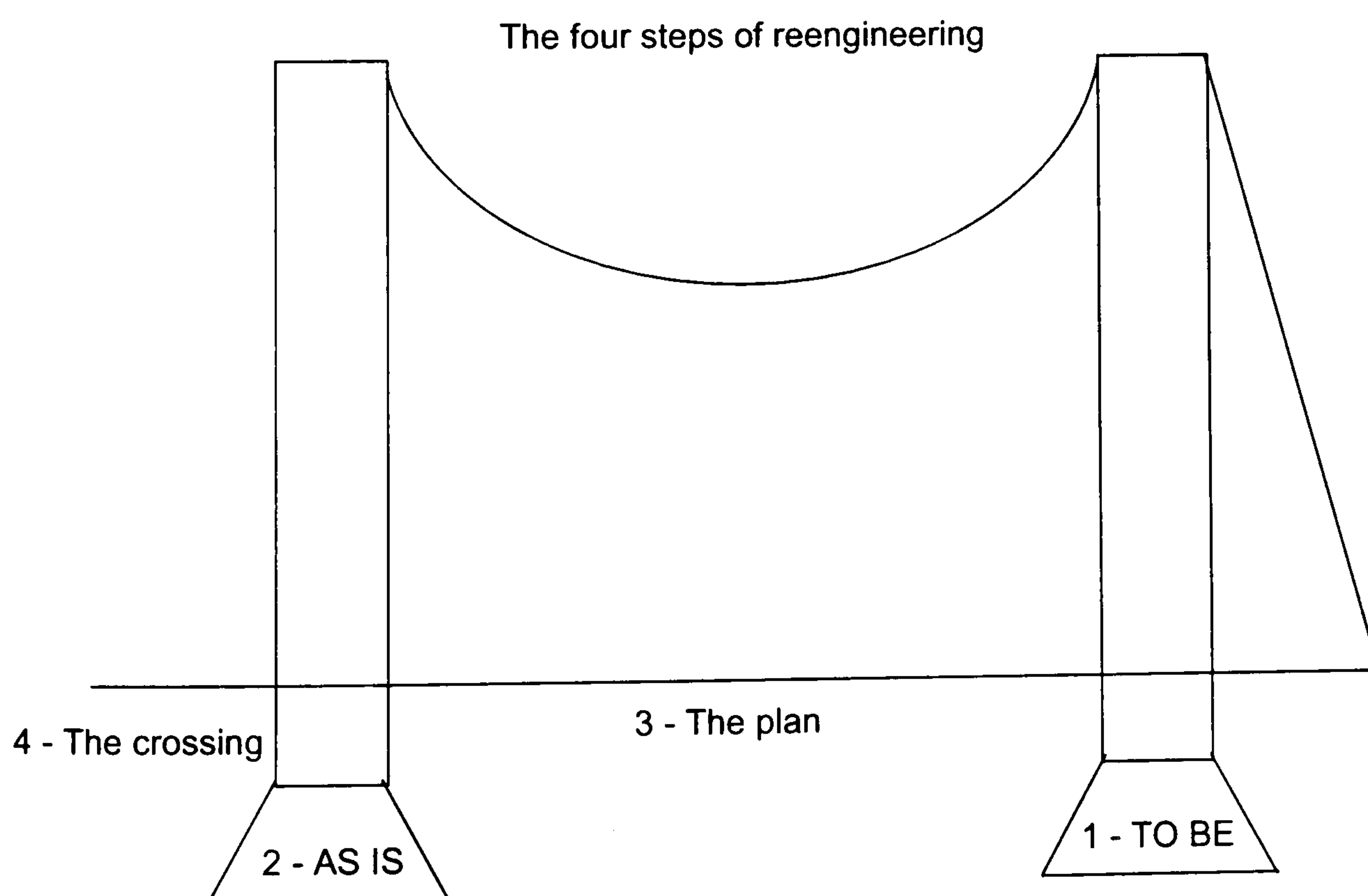


Figure (5-1): Evans' Approach for BPR adapted from Evans (1993)



1. **To Be Stage:** this stage is concerned with defining the vision of where the organisation wants to be and what it requires of its business processes as a consequence.
2. **As Is Stage:** this stage is concerned with defining the current business processes.
3. **The Plan Stage:** this stage involves making a plan to accomplish the move from the 'as is' stage to the 'to be' stage.
4. **The Crossing Stage:** This stage is concerned with implementing the plan.

The above general approach has its advantages but there was an agreement that it had a number of weaknesses, such as trying to build a vision of the future process before understanding the current process and it is too general to be useful for specific projects.

### 5.6.3 Davenport and Short Approach:

Davenport and Short (1990) placed IT in the heart of BPR program and stated that the IT should be considered in terms of how it supports the redesigned processes. Despite their emphasis on innovation and technology, they recognise the importance of human resource issues to change management, and suggest the use of traditional management approaches, such as planning, decision-making and communicating to solve people problems. They suggest that the reengineering program involves five major stages. The first three stages are very similar to those in Hammer’s and Champy’s approach.

**Table (5-1):** The summery of IT capabilities and their organisational impact adapted from Davenport and Short (1990).

Capability	Organisational Impact and Benefit
Transactional	IT can transform unstructured processes into routinised transactions
Geographical	IT can transfer information with rapidity and ease across large distances, making processes independent of geography
Automational	IT can replace or reduce human labour in a process
Analytical	IT can bring complex analytical methods to bear on a process
Informational	IT can bring vast amounts or detailed information into a process
Sequential	IT can enable changes in the sequence of tasks in a process, often allowing multiple tasks to be worked on simultaneously
Knowledge management	IT allows the capture and dissemination of knowledge and expertise to improve the process
Tracking	IT allows the detailed tracking of task status, inputs, and outputs
Disintermediation	IT can be used to connect two parties within a process that would otherwise communicate through an intermediary (internal or external)

1. The company should develop its vision and process objectives,
2. Then reengineering team must identify processes to be redesigned,
3. The team also should understand and measure the existing processes,



4. Identify IT tools for supporting and creating new processes. They suggest nine ways to think about IT capabilities which are summarised in table (5-1)
5. The final stage is to redesign new processes. Three key factors and tactics are considered to successful process design namely, using IT as a design tool, understanding generic design criteria and creating organizational prototypes.

#### 5.6.4 Informatics Process Group (IPG) Approach:

The IPG is a study and research group which was established in 1991 at Manchester University to advance the application of process modelling in the framework of the organisation. It has introduced a new approach for reengineering called Process Analysis and Design Methodology (PADM). This is a collection of techniques, which can be used for business process reengineering (Bruynooghe, et al., 1994) and are found in the Process Modelling Cookbook (Kawalek, 1992; Wastell, et al., 1994) which comprises two phases:

1. “Representation”, which is an activity for developing knowledge and understanding of a process,
2. “Refinement”, during which the knowledge gained during the representation, is used in order to consider change and to respond to problems, inconsistencies, concerns etc.

An important feature of this Cookbook is that it provides a framework for continuous process improvement and PADM inherits this feature because its activities may repeat again for continuous process improvement.

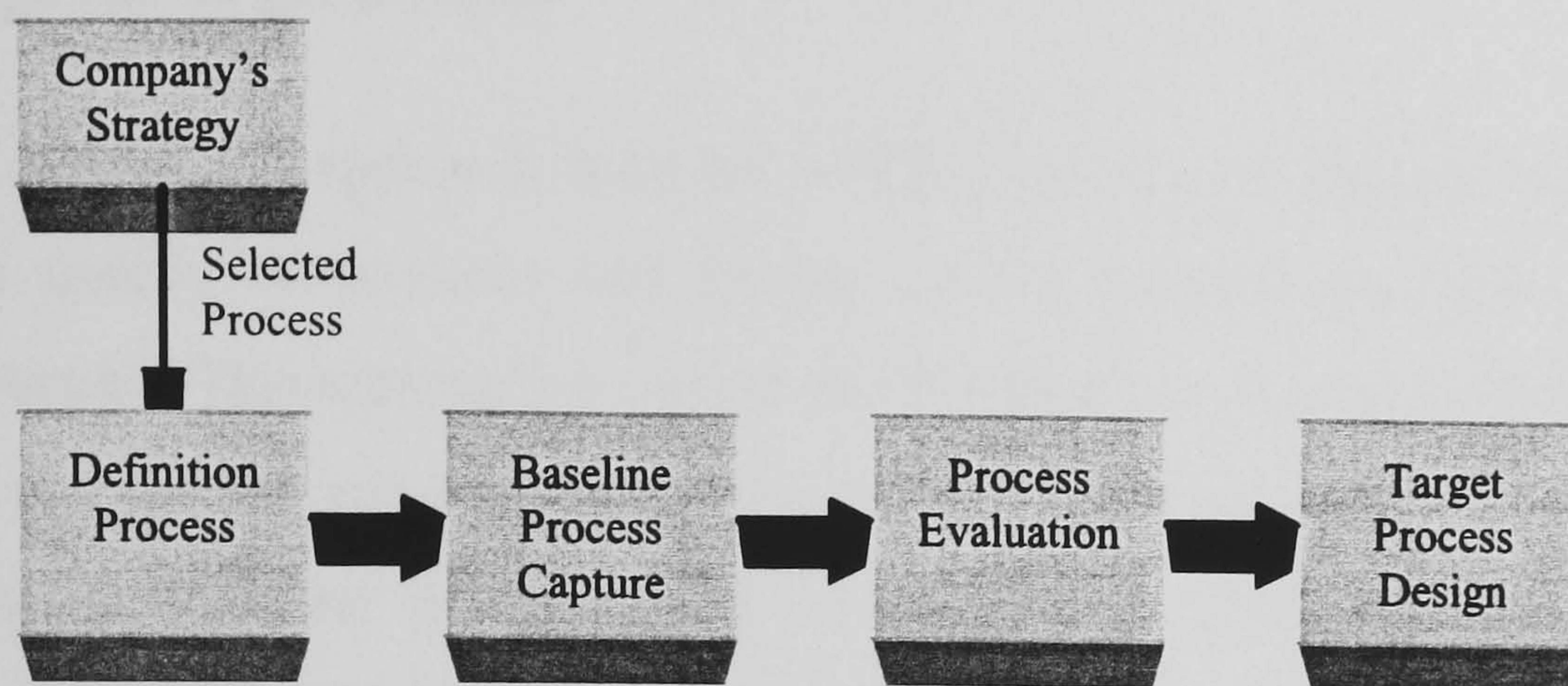
Several techniques and philosophies influence the methodology, mainly the *Soft Systems Methodology* (SSM) and *Sociotechnical Systems Design* (SSD).

At the heart of PADM, there is an effort to manage the relationship between the support technology and the organisation (Bruynooghe, et al., 1994). This comes from the fact that the method recognises a recursive relationship between technology and processes. The introduction of new technology in an organisation affects its processes, and in order to change a process some alterations to the support technology may be required.

Figure (5-2) illustrates the broad structure of PADM. There are four major stages and the BPR effort takes place within a strategic business context.



The four stages are not performed in strict sequential order. A short description is presented below for these stages:



**Figure (5-2):** The PADM framework

### **1. Process Definition:**

A clear definition of the selected processes and their objectives, boundaries and their interfaces is required as a first stage for PADM which recommends using the SSM system in order to assist this effort and process categorisation.

### **2. Baseline Process Capture:**

The identifying, developing and mapping of current processes, elements and activities are involved in the baseline process capture and representation stage which also define sources of bottlenecks and inefficiencies. PADM recommends the use of different modelling techniques, such as *Person Model* which is a simple method used to codify job descriptions in terms of task, tools, resources and products. It mainly answers different questions (e.g. what activities does the person perform?; What objects do these activities involve?; How do activities map to roles?; How can the objects be classified?; etc.). The use of Object Flow Diagrams (OFD) and Activity Diagrams (AD) are also used by PADM. The OFD is used to track the passage of objects through a process, whereas the AD is built up from observed activities to define the interactions between persons and activity attributes, in terms of time required, duration and resources used.

### **3. Evaluation:**

Evaluating the process using performance indicators, such as accuracy: “the degree to which the process output matches the intended result”, precision: “the detail in which the process is



prescribed", fidelity: "the faithfulness with which a defined process is followed" and scalability: "the size of the workload that the process can accommodate".

4. Design the target process

As we can see this approach does not address the issue of process selection in its current form. It focuses mainly on analysis and design once a process has been identified and selected for improvement. This approach is considered to operate in a strategic business context, meaning that it does not involve either a phase of creating a business vision or a phase of learning how other organisations' similar processes are performed. Its main emphasis is a process modelling by selecting the appropriate modelling notation according to its role in BPR.

5.6.5 Object Oriented Approach (OO):

The object oriented approach was developed by James Rumbaugh, and Micheal Blaha et al (1991) in their book "Object-oriented modelling and design" and Jacobson and others (1992; 1995) advanced this approach to be more practical for many industries. It has been in use for over 11 years. It has been also successfully applied both in the BPR and the IT domains and it can be applied for large and small companies alike.

Giving emphasis to business, Jacobson et al. (1992, 1995) defines an object as an occurrence containing information and behaviour that is meaningful to the company and has to be described in its environment. Examples of such objects are customer, invoice, opining account, etc. The object's behaviour and information can be used by other objects, too.

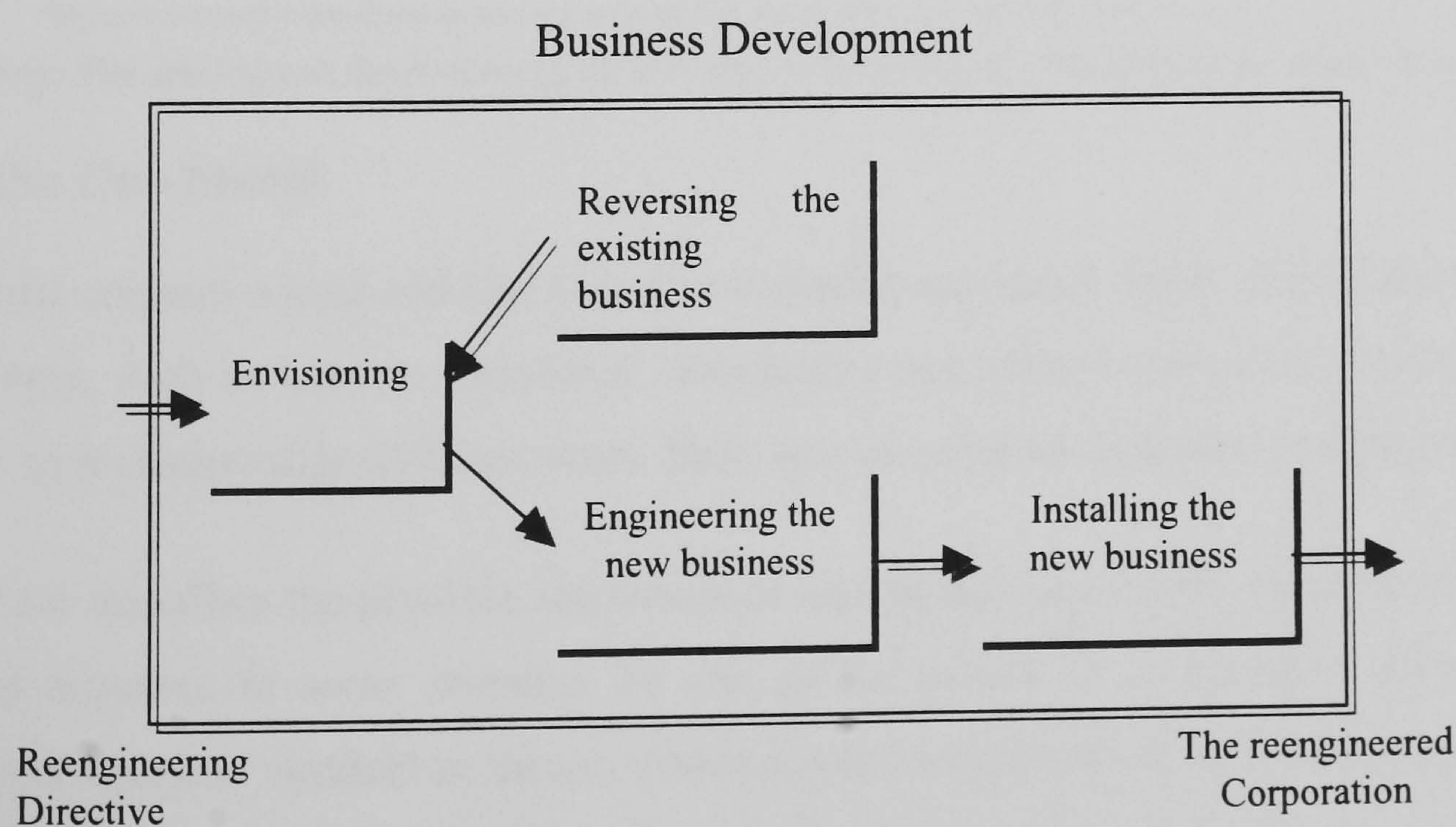


Figure (5-3): Jacobson methodology to BPR adapted from Jacobson et al. (1992, 1995).



The OO approach consists mainly of two steps: “reverse-engineering” the existing organisation, where an abstract model of the business and the process under study are constructed and “forward-engineering” the new company, where the new process is designed (see figure 5-3).

Both steps could be grouped into four different levels of formalization namely: Use Case Model, Object Model, Object Interaction Model (OIM) and Ideal Model (STDs).

According to Jacobson et al. (1992, 1995), a reengineering effort starts in response to a reengineering directive, which describes in an abstract way current problems, the need for change and the expected results and which then triggers an envisioning activity that produces a vision of the new organisation in terms of an objective specification.

The reverse engineering phase describes the business environment, the internal functional and hierarchical structure as well as the processes and the resources used. Therefore, during this phase two activities are used respectively (see figure 5-4).

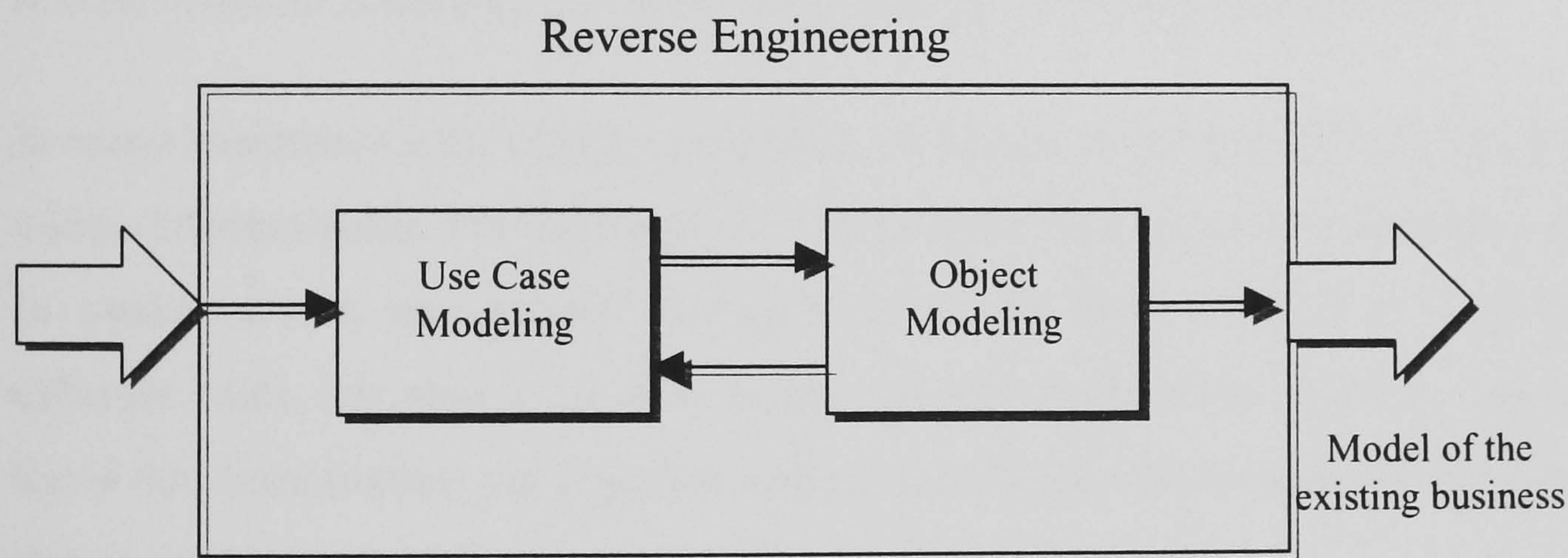


Figure (5-4): The activities of the *Reversing the existing business* phase adapted from Jacobson et al. (1992, 1995).

1. The Use Case Model:

This model contains actors and Use Cases. An actor is an outside entity that interacts directly with the business, such as humans, machines, computers, and other businesses. An actor can use the business in fundamentally different ways. Each way of using the business is called a Use Case.

A Use Case describes the possible sequences of interactions among the business and one or more actors in response to some stimulus by one of the actors. It is aimed to group together all transactions that are "similar" in nature, which a user would think of as being variants on a theme. A typical Use Case will include a main case, with alternates taken in various combinations, including all possible exceptions that can arise in handling them.



## **2. Object Model:**

This view captures the roles people perform and their associated business responsibilities (or duties). Staff performing particular roles and existing IT infrastructure are represented as objects. It also captures the relationship between different objects, mapped as associations.

In any business, many individuals may be performing the same role, for example in a large organization there will be a number of people responsible for product technical support. Rather than modelling each individual, we abstract to create a template for the role, called a “class”. Each instance of this class (i.e. each individual performing that specific role) is called an object. The class defines the business responsibilities that all individuals undertaking this role must fulfil.

The most difficult task when creating the object model is determining what are “good” classes, i.e. how we decide where the boundary of a role lies. A helpful technique, that is complementary to Jacobson’s work, is that of CRC (Class, Responsibility, Collaborators) (Wilkinson, 1995). This technique has already been successfully applied to operational modeling (Coplien, 1993). The major problems lie in the terminology used, and that the same name (e.g. technician) can have several different meanings and hence significantly different responsibilities.

In many businesses a set of responsibilities, or duties, may be fulfilled by people acting apparently under different roles. For example, in a large store there is a store manager and a stock manager. In smaller stores, one general manager must fulfil both roles. It is important to separate the different roles, but also to be able to capture the combination of roles. The object diagram can show this combination via a feature called inheritance. Inheritance, as the name suggests, shows that one role may inherit the responsibilities of another role.

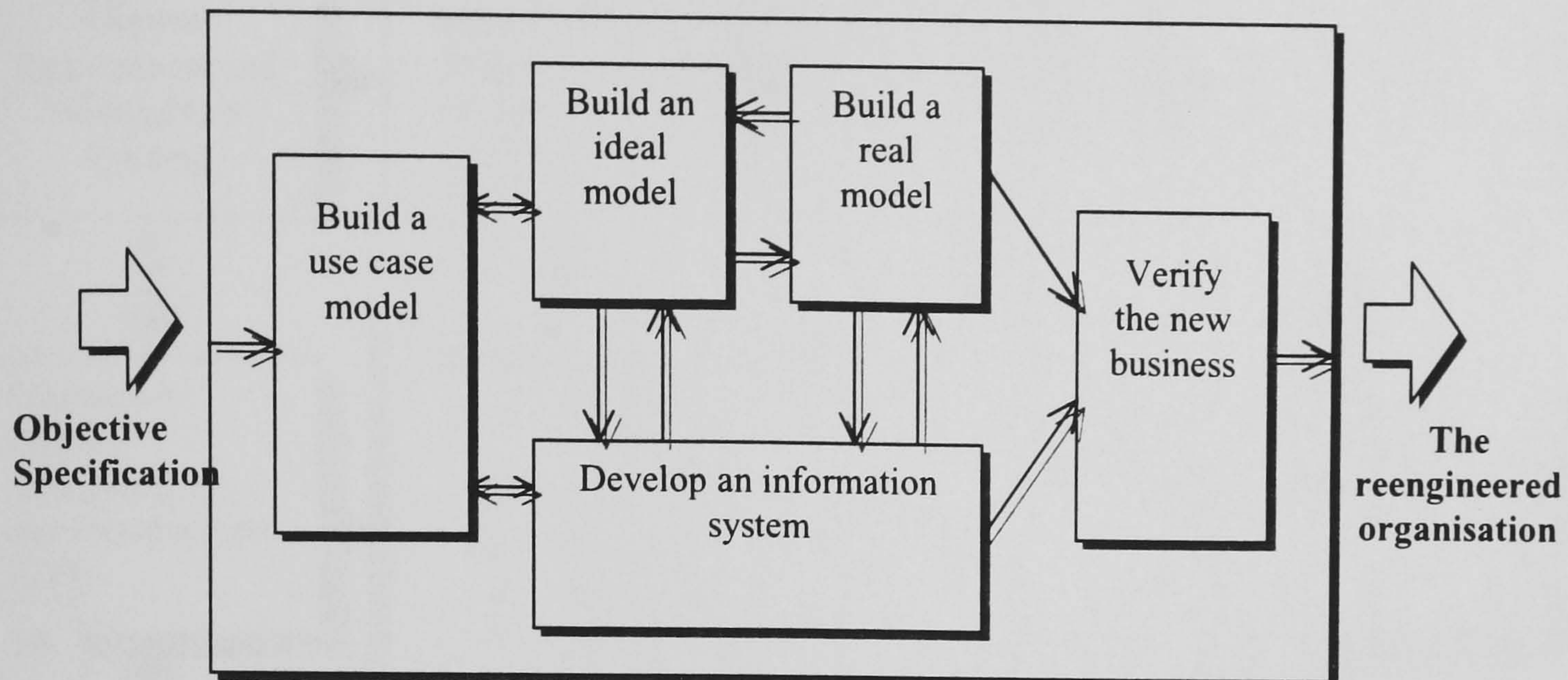
On the other hand, the forward engineering phase aims to produce a new model for the business which can be achieved by number of activities (figure 5-5 depicts those various activities) using different models that will be described below:

### **1. Object Interaction Model:**

Dynamic behaviour as captured in a Use Case description above, can be formalised by using an Object Interaction Diagram. An OID describes the interactions among (usually) object instances. An interaction diagram can describe different paths the transaction will follow. Thus there are constructs to describe iteration, repetition, branching and parallelism.



## Engineering the new business



**Figure (5-5):** The activities of the Engineering the new business phase adapted from Jacobson et al. (1992, 1995).

### 2. The Ideal Model:

Build the Ideal Model which captures the necessary object interactions for the realization of the use cases, however, there are many alternative forms for capturing this model, e.g. the most popular technique is a modified version of Harel's hierarchical state diagrams (Harel, 1987). This technique is particularly valuable when describing complex Use Cases with several transactions going on in parallel. The Ideal Model describes in detail the operation blocks shown at an abstract level on the Interaction diagrams.

### 3. IT support required for the processes in the new business.

### 4. The implementation of the proposed changes.

#### 5.6.6 Endosomwan's Approach:

Johnson Endosomwan (1996) represented different models of reengineering process improvement using the step-by-step approach for implementing those models. His ten-phases approach (see figure 5-6 in the next page) has been implemented in many organizations and seems to be comprehensive to be implemented in different industries.

He stated that the assessment of the current environment should be comprehensive and provides a baseline for human resource, operations and products and services. It should also focus on organizational culture, environment, structure and leadership, information utilization and analysis, customers' and employees' satisfaction, communication and technology level, etc.



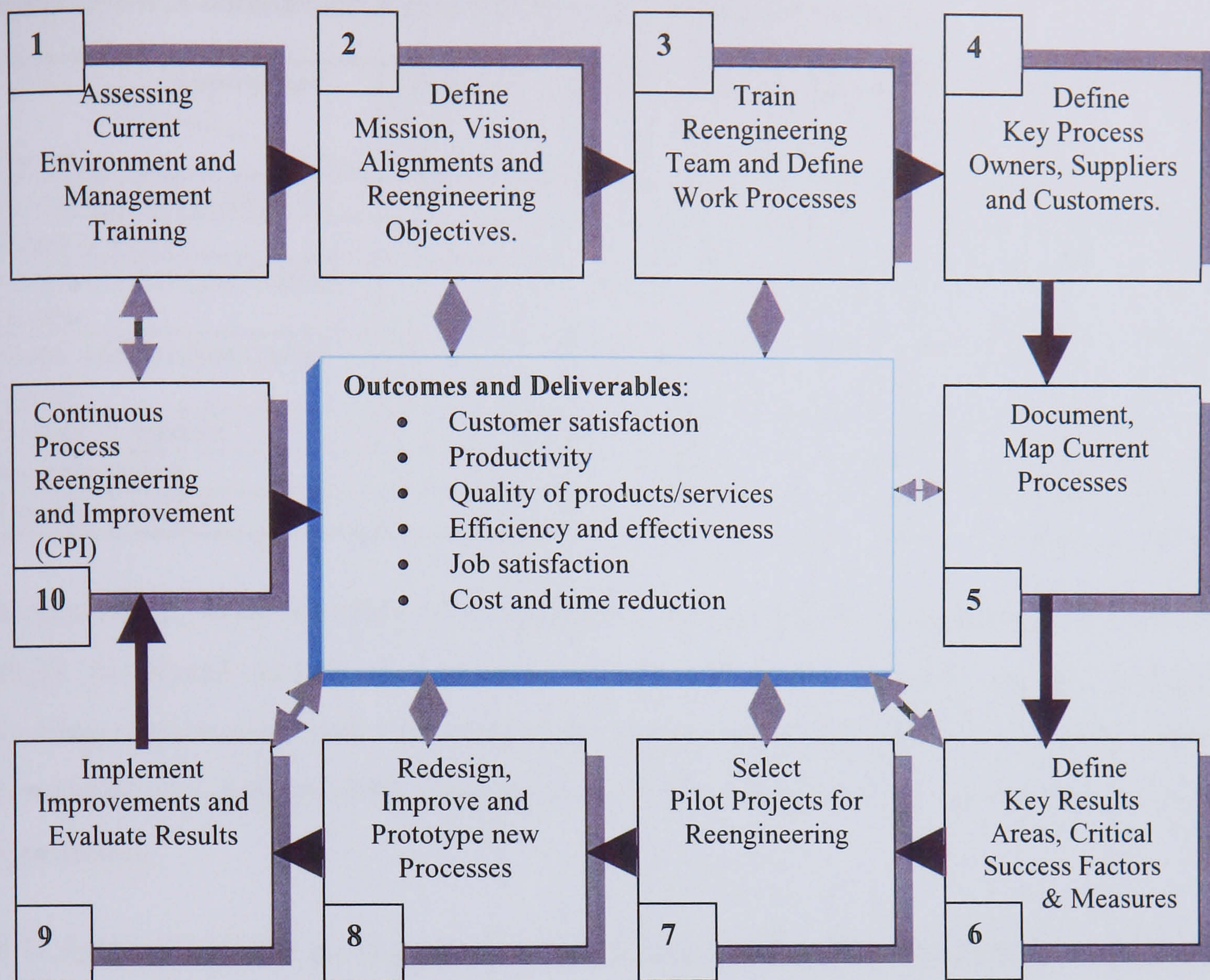


Figure (5-6) Endosomwan's approach for reengineering process adapted from (Endosomwan, 1996, p. 27)

## 5.7 Comparison Framework:

As can be seen from the above six popular BPR approaches (Hammer and Champy, Evans', Davenport's, IPG's or PADM's, OO's and Endosomwan approaches), they share many common phases and features, but they also differ in the way they approach reengineering. Their main differences appear to be whether or not they recommend detail modelling and analysis of a current situation; whether they support incremental or radical changes to business processes and whether they suggest the study of successful organisations before embarking on a BPR program.

As can be seen from table (5-2), BPR comparison framework comprises seven major phases and there were differences between approaches in priorities to cover those phases but Endosomwan's approach covers most of them.



**Table (5-2):** A comparison framework between BPRa approaches:

Approaches Phases	Hammer and Champy	Evans	Davenport	IPG or PADM	OO'	Endosomwan
Assessing current situation	☺				☺	☺
Business Vision	☺	☺	☺		☺	☺
Model and Analyse Current Process		☺	☺	☺	☺	☺
Model and Analyse “to-be” Process	☺	☺	☺	☺	☺	☺
Identify IT enabler		☺				
Implementation					☺	☺
Transition to CPI				☺		☺

In conclusion, today the study of reengineering strategies and the suggestion of its methodologies might be placed around the concepts of knowledge management, change management, the learning organisation and the employee empowerment. In this context BPR should not be considered as a panacea with rigid phases. BPR is only one of the several process improvement approaches.

It is fundamental that an organisation determines whether it is appropriate to undertake a BPR effort bearing in mind the risk and the high rate of failure that comes with it. Generally, small problems can be faced with less drastic means of achieving improved performance. If the organisation faces serious problems then a well organised and managed BPR project can bring the radical changes needed to overcome these problems and gain a competitive advantage.

5.8 BPR Enablers:

As discussed above, main productivity improvements are gained by reengineering processes cross-functional boundaries (Grover and Malhortra, 1997). Therefore, the implementation of a BPR program is influenced by different enablers including IT and organisational enablers. This study will attempt to identify the managerial and organisational issues and structure associated with the success of implementing BPR. Therefore, to facilitate the implementation of a BPR program, the following enablers should be managed when adopting the program.

5.8.1 IT Enablers:

Compared with previous management innovation programs, such as TQM, Lean Management, Just In Time (JIT), etc., BPR differs in its reliance on IT as the key enabler (Davenport and Short, 1990; Davenport 1993; Grover, et al., 1993; Grover, et al., 1995; Al-Mashari and Zairi 1999).



From the process perspective, the key to improving business performance is to revivify operational and administrative processes and IT is seen as a vital ingredient of this restorative function. Hammer comments “we should reengineer our businesses, using the power of modern IT to radically redesign our businesses in order to achieve dramatic improvements in their performance” but IT should support BPR rather than designing processes around it (Davenport and Short, 1990). However, research indicates that the IT industry, together with information management consultants, have played a significant role in promoting the technical side of reengineering (Earl, 1995; 1996; 1997). Also, in a majority of reengineering programs, it has been regarded as one of many variables necessary for the implementation of BPR (Motwani, et al., 1998).

Traditionally, Hammer argues that IT has been used to mechanise and accelerate old ways of doing business. But if IT is to yield significant benefits, then the processes themselves must be carefully scrutinised and subjected to fundamental overhaul (Wastell, et al., 1994).

The company can develop applications for BPR programs using different tools, such as reengineering software, Internet technology (Fairchild, 1998), computer hardware and software, local area network technology (LAN) (Teng, et al., 1994), database, customer-servers (Teng, et al., 1992), etc. In other words, IT facilitates the BPR program by providing the tools necessary to analyse, communicate and redesign processes.

Today, IT enablers are permitting changes in businesses processes, such as information empowerment, networked companies, delivering business values, any time and any where workplace, transformational justification and measurement. The time can shrink toward zero and organisational memory can be maintained overtime (Parker, 1996).

IT enablers can be grouped into communication and shared resource technologies (networking) (Grover, et al., 1995), which must be assessed before adopting the program, and decide the strengths and weaknesses in the current systems.

### 5.8.2 Organisational Enablers:

For a better understanding of the issues contributing to BPR success, researchers and consultants are studying organisational issues related to BPR implementation (Grover, et al., 1995; Al-Mashari and Zairi 1999). As IT enables organisations to reengineer their processes and improve their performances, they will undergo fundamental transformations from traditional shapes to a



knowledge age (Teng, et al., 1994). The following organisational enablers should be managed during reengineering implementation.

### **Organisational Culture:**

Organisational culture is an organisation's methods of conducting business that differentiates itself from all other organisations, creates commitment to its goals and objectives, and promotes or impedes innovation (Tunstall, 1986). The importance of organisational culture on BPR cannot be overstated (Grover, et al., 1995; Marchand and Stanford, 1995), because it provides the mental filters that influence how information is used in the organisation.

Corporate culture decides who receives information, how information is used and the formal and informal channels of communication. Also it dictates how information is used to support the organisation's strategy. Thus, BPR cannot deliver sustainable performance improvements unless it addresses the changes required of corporate culture. These include employees' roles and responsibilities, shared values and skills, and how the organisation deploys its human, technological and information resources (Hammer and Champy, 1993; Marchand and Stanford, 1995).

Because BPR creates organisational culture where hierarchy may diminished, employees are more skilled and structures are more flexible, so learning to manage this issues is a critical requirement to obtain the benefits of BPR.

### **Management Style:**

The management style refers to the degree of centralisation, participation of employees in the organisation in decision-making process or team building strategy. To succeed, BPR must be based on a long-range commitment from senior management whose personal behaviour should support the BPR effort (Davenport, 1993; Hammer and Stanton, 1995) and working as a team to achieve its goals.

### **Organisational Structure:**

Organisational structure should be changed to maximise the benefits of BPR because both IT (Parker, 1996) and BPR can have an effect on organisational structure (Grover, et al., 1995). A BPR program must take into account the structural changes necessary to match their technological and organisational enablers (Grover, et al., 1995). Management has the challenge task of changing the organisational structure to keep it competitive in an ever-changing world (Scot Morton, 1991).



Typical organisational changes that occur during BPR are: (1) work units change from functional departments to process teams; (2) jobs change from simple tasks to multi-dimensional work; (3) organisational structures change from hierarchical to flat; and (4) reorganisation along process lines (Davenport and Short, 1990; Hammer and Champy, 1993). Also the IT selected during BPR can also change internal organisational structures as well as business network linkages, such as distribution channels (Parker, 1996).

The flatter structure allows an organisation to become knowledge based (Drucker, 1988), and as a consequence will create more new business opportunities (Stenge, 1990) and the organisation will be better able to respond to them.

### **Reward System:**

The reward systems are significant to a successful BPR program (Grover, et al., 1995). They are based on performance monitoring and employee appraisals and allow advancement criteria to be changed from performance to ability (Hammer and Champy, 1993).

They are used in conjunction with BPR requirement because employees will no longer be paid in the old way. Instead they must be paid for the value they add to the business. BPR also insists that payment practices should be used experimentally, fearlessly and subtly, as a management tool for change and the reinforcement of change (Champy, 1995), however these changes should be for the benefits of individuals, teams and the organisation.

### **Training:**

Training is also critical to the success of BPR and researchers such as Hammer and Champy (1993) stated that training and education would change employees' roles from controlled to empowered.

Because BPR insists on the bottom line rationale of self-management and teamwork, which increase the circulation and bearers of knowledge from the bottom up, training acts a corporate mechanism for providing employees with opportunities that would otherwise be unavailable (Champy, 1995).

### **Change Management:**

Hammer and Stanton (1995) state that change management is the most important issue for successful BPR because one of the primary reasons for reengineering implementation failure is



the resistance to change by the people affected by a BPR program (Stanton, et al., 1992; 1993). It is not surprising that resistance to change has been identified as a major barrier to reengineering success (Jeans 1994; Kennedy, 1994; Willcocks and Smith, 1995). Jeans (1994) believes that resistance to change is natural; people do not like change, they find it difficult and an implicit criticism of their own performance and behaviour.

Researchers, such as (Morris and Brandon, 1993; Hall, et al., 1993; Stanton, et al., 1992; 1993; Hammer, 1996) suggest that the ability to understand and manage change may involve (1) coordinating management for all affecting business functions; (2) assessing, planning and implementing change on continuing basis; (3) analysing the full impact of proposed changes; (4) modelling and simulating the proposed changes; (5) understanding the process and work flow of the company; (6) identifying the interrelationships among departments; (7) understanding the corporate strategy, goals and objectives; and (8) understanding the responsibilities of each departments.

Thus, any BPR program should take into account the needs for employees that will affect it and must offer some benefits to them.

### **Customer Focus:**

The focus on customers is not new. What is changing here is how an organisation thinks about them. Successful organisations view customers as their most important asset to be invested in, nurtured and developed. Every customer contact is an opportunity to exceed expectations and increase the value of the relationship by building loyalty, ensuring retention, increasing sales and boosting profitability. So focusing on customer relationship management can help them achieve real, sustainable and competitive advantage.

The use of the systematic approach to seek out, understand and satisfy both internal and external customers is one of the critical success factors of implementing a BPR program. Mayer, et al. (1995) and Roth, et al., (1995) argued that customer involvement may include: (1) gathering requirements from customers before BPR being implementing; (2) information gathered from customers drives the BPR program; (3) customers being involved throughout the BPR program; and (4) the program should aim to satisfy customers' needs.



## **Resource Management:**

Organisations may use resource management to develop an innovative organisational environment for successful BPR implementation. Studies, such as (Morris and Brandon, 1993; Hammer and Champy, 1993; Marchand and Stanford, 1995) point out that resource management may involve the following four resources: (1) financial resources; (2) technical resources; (3) human resource; and (4) time resources.

### **5.9 The Reengineering Structure (Main Players):**

In the reengineering program, people involved are found in all level of the organisation. Ultimately, their involvement will have the greatest influence over the eventual design of the process and competitive advantage of the organisation.

Because the team plays such an important role in the success or failure of the program, it places some emphasis on the structure, roles and responsibilities of the team that must bring this effort to a successful end.

Reengineering has a structure and set of steps to better ensure there is consistency and that nothing is overlooked. Regardless of the specific reengineering approach or methodology, most have a common structure with a champion or at the top of the company, a steering committee comprised of top leadership, a core or reengineering team who will ensure the reengineering effort is completed and process owner.

Thus, reengineering scholars, consultants, practitioners and researchers have suggested and outlined the management structure of BPR as highlighted below:

#### **5.9.1 Champion:**

As discussed above, reengineering is driven from the top of the organisation and therefore the involvement of the top executives is significant factor for successful program.

Hammer and Champy (1993, p. 102) state that the leader is “a senior executive who authorizes and motivates the reengineering effort”. He or she has the power to make it happen, to turn the company inside out and upside down if need be, setting the standard and ensuring that it is met. He/she is the “leader who appoints senior managers as owners of business processes and charge them with achieving breakthroughs in performance” (Ibid, p 104).



The responsibility of the leader is to create the vision, build a sense of excitement and bring the team together to implement the program.

### 5.9.2 Steering Committee:

The second group responsible for achievement of the reengineering program is the steering committee, a “policy-making body of senior managers who develop the organisation’s overall reengineering strategy and monitor its progress” (Ibid, p. 102).

Its members should represent all key functions of the organisation. Chaired by the leader, the committee is usually composed of the process owners and other senior managers charged with planning the company’s overall reengineering campaign.

The committee is responsible of defining the key processes of the company and support the core team and redesign effort.

### 5.9.3 Core Team:

The core team is essential for the success of reengineering. The team will lead the effort during assessment, redesign and implementation stages. This core team is “a group of individuals dedicated to the reengineering of process, who diagnose existing processes and oversee their redesign and implementation” (Ibid, p. 102).

Hence, the success and failure of a reengineering effort may rely heavily on the personal attributes and characteristics of these group members. Successfully implementing the reengineering program requires this group to embody the vision of the senior executive driving the effort and maintain a clear and cohesive image of why the company must change and how the company will operate after the change.

### 5.9.4 Process Owner:

The process owner is responsible for

*...empowering the reengineering teams to make radical changes in processes that cross functional lines. Since most companies do not have executives in charges of cross functional processes, champions most likely will come from the ranks of the major functional areas in the business process* (Stanton, et al., 1993, p. 35).

The process owner involvement should start in the first phase of the reengineering program and continue among all phases because he may offer the most assistance and provide resources and expertise to other parties.



### 5.9.5 Core Team Leader:

The core team leader is responsible to plan, coordinate and control the daily reengineering activities. He should seek guidance and assistance from the leader, process owner and the core team. So the selection of this person is very important to traverse each stage and bring the effort to a successful conclusion.

### 5.9.6 Consultants:

The organisation that seeks to begin reengineering program is recommended to select a reengineering consultant to guide its effort of planning and implementing the program.

Consultants provide a service beyond their transfer of methodology. They allow the core team and senior management to try different ideas by leveraging the knowledge consultants have gained during previous reengineering projects.

## 5.10 Banking Process Reengineering:

The unique character of banks in general and Islamic banks in particular requires a unique approach to bank reengineering. To achieve the study objectives, the discussion will focus in this section on banking reengineering.

### 5.10.1 Why Reengineering the Bank?

In addition to the discussion in section (5.5), there is a need to redesign the retail banking industry including Islamic banking, because they are both experiencing significant changes in market competition, economic setting and consumer needs. Although it is hard to forecast the details of such an evolution, it is clear that it will demand an emphasis on increased flexibility in marketing of different product mixes, greater branch autonomy and shortening of 'time-to-market' new products.

Today, IT plays a central part in the provision of products and services in the banking industry and investments in IT are one of the well-recognised keys of competition in this sector. On the other hand, the investments already made in existing systems cannot be discarded and constitute a typical legacy drag. For instance, a significant issue in banking products is the need to manage 'customer-oriented' rather than 'accounts-oriented' systems. Contrary to the emerging business needs for customer-orientation, the majority of current banking IT systems, including ones in Islamic banks, adopt an account-oriented approach, thus limiting the flexibility of banks either to



create strong links with existing customers, or to attract new ones with increased marketing efforts (Allen, 1997).

Thus, in addition to the complexity of costs and prices in the banking industry (see section 5.10.2), three directions may define the need for looking at the future of banking in different way:

#### **Distribution:**

The major challenge facing retail banks may be found in distribution channels. Today, there are a number of ways in which this will change, including the use of non-branch ATMs, fully automated branches, telephone banking, smart phones, Internet and home banking.

#### **Automation:**

There are several developments in the area of automation in banking industry which aim to both increase productivity and reduce costs, such as cheque reading by OCR, self-selling machines, fully automated branches, workflow management, internet banking and telephone banking.

#### **Information:**

Information systems are designed to improve productivity and bank profitability by providing staff with more relevant information in an efficient manner. The main areas where information systems present major improvement possibilities for banking include: customer relational databases, target marketing systems, expert systems for risk analysis and anti-fraud, and executive information systems.

### **5.10.2 Banking Reengineering Principles:**

Before starting and during a reengineering program, the bank's board of directors and general manager should bear in mind the following principles:

1. They should understand the complexities of reengineering:

Because there are interdependencies within the bank, both among the infrastructure forces of cost (functional, process, physical plant and system cost) and cross strategic and organisational management forces (customer, product and geography). Reengineering individual processes or functions do not work in banks which means the situation in banks is more complex than the situations Hammer and Champy (1993) have described for manufacturing organizations.

As discussed by Allen (1997), banking has inherently more complex cost structures than most businesses, because costs can not be linked to specific products bought by specific customers in a



specific geographic location but the direct and identifiable costs are associated with any of these three forces. However, the credit card business is clearly an exception to this rule. Rather, most infrastructure forces are common to multiple segment, product and geographic management forces.

In addition to the historical costs, the cost might be created to serve external customers for retail distribution, retail credit (Murabaha), wholesales, trading businesses, etc. or to serve internal customers for system and operations or administrative support.

Paul Allen (1997) suggested that a possible reengineering of small functions in the bank might involve decentralisation of responsibility to expert teams in regional branch centres. This change has considerable cascading effects on the infrastructure and management forces of the bank, e.g. creating new systems for data processing which simplify automated credit products, control systems for paper flows, etc.

## 2. Take a comprehensive and wide approach:

It is significant to look at a bank as a whole in order to reengineer it effectively and capitalise on the cross-bank synergies from redesign of individual processes. A comprehensive approach should be taken to create the opportunity for a fundamental leap in the design of processes, practices, systems and business approaches (Hammer, 1996).

## 3. Combine top-down and bottom-up thinking:

Effective reengineering has to combine leadership from senior management to radical new approaches to the bank's direction with a mandate for the redesign of basic practices, workflows and responsibilities from the bottom-up.

## 4. Set a fixed, inviolable timetable for change to reassure employees that the reengineering program will be completed within reasonable time frame.

### 5.10.3 The Hybrid Approach for Banking Reengineering:

Based on the discussion above, the proposed approach for Islamic banking reengineering may contain the following phases:



### 5.10.3.1 Creating a Culture for Change:

To reengineer the bank is as much about the management of change and being a vehicle for cultural change as it is about process, system and structural redesign. However, to understand the change process before introducing it is required to know what, how, whom, why, when and where to change (Prasad, 1999).

The creation of change culture is important (Campbell and Kleiner, 2001) for the bank looking to reengineer its processes. However, the next step is establishing the organisational context for reengineering which is an important move because an organisational reengineering involves employees from all levels within the bank. The bank should layer the team structure (the main players) as represented below:

#### **Management Committee**

The management committee is led by the general manager or chief executive officer (CEO). It comprises the bank's senior executives and one of the SSB members. The role of this committee throughout the reengineering is to set the tone for the program and lead it within the organisation. This requires that senior managers participate actively in establishing the big "themes" for change to be investigated and understand every detail of what the organisation will undergo, both logistically and emotionally, during the course of the reengineering.

To reveal the bank's commitment, the committee's focus should be very visible to all levels of staff. Its members should participate in an internal communications program presented generally to all employees and an external communications plan aimed at winning the support of the media and the investment community alike.

#### **Reengineering Team:**

The management committee selects a number of individuals to serve as full-time members of this team, depending on the size of the bank. The team should represent a mix of people from all parts of the bank, including retail banking, Murabaha, operations, commercial sector, the SSB, and administration, because the team will examine all areas of the bank. The team should have unique characters, such as its members should be senior level managers who lead by example rather than by command and who can create an environment that is conducive to change. Also they should be top performers that the bank cannot spare, with analytical skills and who can work well as a team in the reengineering process.



**Reengineering Team Leader:**

He is a member of the management committee and his/her responsibility is devoted to ensuring the success of the program by setting a tone of creative thinking and radical change for the overall effort.

**Reengineering Groups and their Leaders:**

A group represent the basic unit of the reengineering effort that will analyse current processes and tasks and generate ideas for change. Groups do not have to reflect either the existing or the future organisational structure of the bank, rather they are formed from “responsibility centres” on the basis of the fact that their members serve similar processes, functions or markets (Allen, 1997). Every group should have a leader who must spend most of his/her time on the reengineering processes. He/she is responsible for gathering, analysing, inputting, improving upon and presenting the data required for reengineering and for leading his/her unit in developing creative redesign approach to business operations. He/she is also responsible for implementing the decisions reached by the management committee and is held accountable for the process impact of each idea.

**Implementation Coordinators:**

The reengineering team should name one or two of its members to be involved in setting up the program before it commences and also to be responsible for facilitating and tracking the results of the reengineering during implementation.

**Technology Team:**

This team acts as a resource to the group leaders and reengineering team, for instance, it brings ideas to them about automation opportunities within and across all groups and helps to build a new technology within a group.

**5.10.3.2 Assessment:**

In order to analyse the bank current situation and assess its internal and external environment, reengineering team should take into account the following issues:

1. Business trends, i.e. the trends concerning Islamic banking products, customers, etc.; such as a globalisation of markets; a shift from product to customer focus; an increased need for



product innovation; pressures for the development of mature banking products; customer sophistication, techno-literacy and diversity; and sharp pressures for capital efficiency.

2. Operations trends, i.e. the trends already developed from within the main operations of banking institutions, such as increasingly sophisticated operating arrangements; better control of risk management issues, in order to meet credit and currency risks; continued complexity of the regulatory environment; increased demand for timely and consistent management information; increased need for standards and their integration on world-wide basis.
3. Technology trends, i.e. mainly the IT trends that may affect the banking business, such as an increase in the platform capabilities and a smooth parallel decrease in the unit costs of IT; increased diffusion and commercial maturity of customer server and network computing products, but also reluctance to adopt open systems approaches; use of development tools and languages (mainly with the gradual - yet slow - adoption of case tools and object-oriented languages); little interest in customer server applications, apart from complex trading, negotiations phases, or downsized deposit applications; availability of high power analytic tools and visualisation aids; and availability and commercial maturity of imaging and multimedia tools.
4. Barriers came from infrastructure that may constrain the evolution of the Islamic banking business, such as high costs and inflexibility of support due to the duplication of operations functions and applications across locations and products; insufficient data quality and timeliness of information due to the complexity of data flows and the lack of focus on data management; severe information gaps due to the inability of current systems to provide important management information; and ageing legacy systems, with pressures for re-engineering practices.

The above future trends and assessment requirements reveal the practical need for banking processes reengineering. Hence, the study proposed assessment includes the examination of customer satisfaction about service quality, products and service delivery, service encounter, etc. and employees' views regarding job satisfaction, understanding the bank's mission and objectives, work environment, decision making policy, management styles, work scheduling and activity measurement, knowledge in Islamic finance and management skills, support sector analysis, recognition, communication and bank's network, organisational structure, co-operation and co-ordination among departments and divisions, work procedures and processes, responsiveness to customers' needs, the importance of products and services and finally distribution of bank's resources.



In the end of this stage and as a result of the assessment, an Islamic bank should define its Mission, Vision, Alignments and Reengineering Objectives and train its employees for the change.

### 5.10.3.3 Understanding and Defining Existing Processes:

#### **Understanding Costs:**

It is important to understand the objectives and tasks of each group and the proportion of the bank's resources that they consume. During this phase, each group decides what to analyse and dissects it in minute detail, allocating personal and non-personal costs to each activity performed by the group. Questions, such as why this process is performed, what its objectives are, how these objectives are achieved, how the employee spends his/her time in the bank, etc. When this data is compiled, a total definition of the existing processes in terms of cost, objectives and employee time spend in operations is produced.

#### **Understanding Prices Contribution:**

The groups' leaders and reengineering team members should build up their understanding of the bank's existing pricing approach for its products and services by breaking down the full range of products and services offered by each business area into the products' components parts, including revenues, unit costs, and comparing a unit cost of the product as a whole with the price per unit that is being charged of each product.

#### **Understanding Customer Relations:**

Moreover, one of the important point regarding understanding costs and prices is to identify the customers' contribution to the costs and profits. Group leaders may estimate the revenue associated with a specific customer segment and compare them to costs to detect any imbalance between the level of services provided to this segment and the revenues obtained from them.

Hayley Carter (1998) stated that it is necessary to define the products or services; identify customers and their needs; determine how to satisfy these customers; identify the process(es) for creating the products or services; eliminate waste, defects and duplication from the processes



**Product Workflow Analysis:**

Products work flow analysis by mapping the processes of each product (see figure 5-7 which illustrates how one bank represented the work flow of its ATM services). The diagrams depict the various cost components of each product and service.

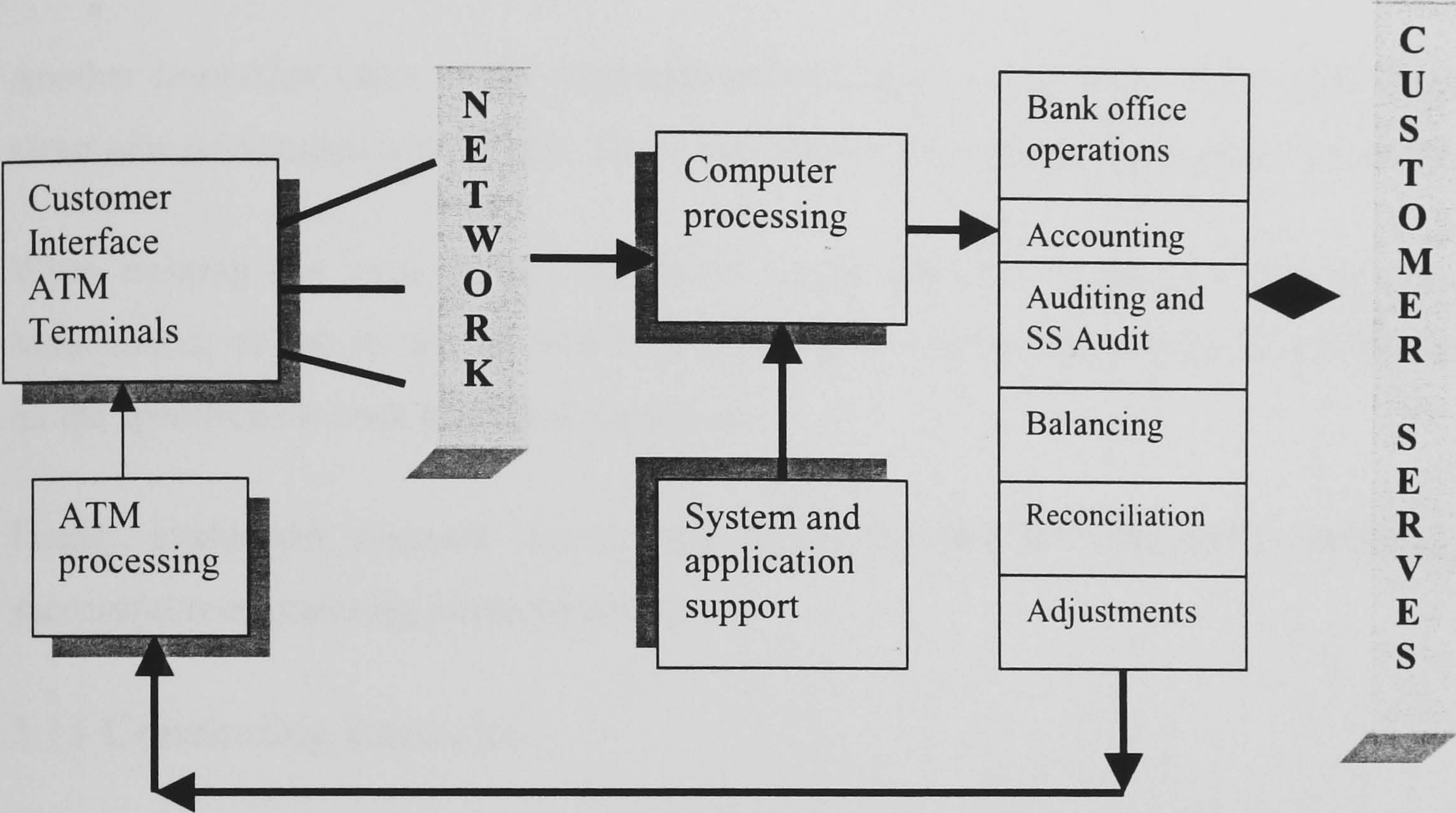


Figure 5-7: ATM workflow chart, adapted from Allen, 1997, p. 125

**5.10.3.4 Redesign:**

The redesign effort should take into account a multitude of factors, such as structure (i.e. the trend towards decentralised profit centres and value-adding hierarchical levels); systems (i.e. the need for integrated management tools and management information); staff (i.e. the empowerment of staff and the creation of competitive employer advantages); and culture (i.e. the need to develop enhanced business cultures and support the creation of learning institutions).

The process redesign efforts should focus on the strategic redirection of banking business; the design of core process/operations; the management of change; the redesign of organisational structures (e.g. issues of centralisation/geographical); and the redesign of the branch network.

**5.10.3.5 Implementation:**

This phase is the actual development and implementation of new solutions or new design processes. It involves choosing specific elements for the process and developing systems to support the specification process in various places.



An essential factor for having success in this phase is that people in the bank that will be affected by the new process participate in the analysis of the task and in setting up the vision. A specification task and a vision created without deep commitment from the bank's employees will only have little value, so the reengineering structure discussed above may help to achieve high commitment.

Another important issue in the implementation phase is education of the staff and information about new or changed procedures. These activities help to ensure the workers' motivation.

When training has been set up, the actual implementation of the new system can commence. Maintenance of the results is done through performance measurements, and follow-up activities on the specification task and the critical goals.

Finally, evaluation, measure success and apply what has been learned is important factor for successful reengineering implementation.

### 5.11 Concluding Remarks:

This chapter has presented and discussed the concept of BPR in terms of answering questions, such as what is reengineering, who should reengineer, why reengineering and how reengineering can be carried out. It started by highlighting a historical background about the concept and found that BPR is new management concept only as a mixture of previous existing ideas. Different definitions of the concept have been introduced.

The reengineering literature shows that every company is a candidate for reengineering based on its vision for the future and top management's view of change.

Also this chapter listed different reasons for reengineering in general and bank reengineering in particular, e.g. cost/benefit forces, competition, automation and information forces.

In addition, the chapter has reviewed the various reengineering approaches which emerged in the literature in the 1990s and have been implemented by many companies and used by various reengineering consultants, including Hammer and Champy, Evans', Davenport's, IPG's or PADM's, the OO's and Endosomwan approaches. As argued above, these approaches share common phases and features among them, but they differ in the way they approach reengineering. However, BPR should not be considered as a rigid concept with fixed phases and a panacea to solve all organisation problems.



Moreover, BPR enablers, such as IT and organisational enablers have been discussed in this chapter. The literature showed that IT is the key enabler for BPR, which is also influenced, by different organisational enablers including organisational culture, management style, organisational structure, reward system, training, change management, customers' focus and resource management.

Furthermore, the chapter highlighted the reengineering main players, namely the leader, steering committee, core or reengineering team, process owner, core team leader and consultants.

Finally, the chapter focused on banking reengineering in particular and proved that a unique approach for bank reengineering is required due to the unique banking characters. Four principles should be in mind before starting banking reengineering program. Its complexity should be understood, a comprehensive approach must be provided, combine top-down and bottom-up thinking and create fixed timetable. The study suggests a hybrid approach for banking reengineering which starts by creating a culture for change, assessing the current situation, understand and define the existing processes, redesign processes and finally implement new solutions or new design processes.

After this journey of understanding the concepts of Islamic banking, service quality and BPR, the methodology used to examine the study variables and hypotheses will be discussed in the next chapter.



## Chapter Six:

### The Study Methodology

#### 6.1 Introduction:

This chapter discusses the methods which are used to measure the importance of adopting Service Quality and diagnoses the current situation of KFH to examine the need for adopting BPR in an Islamic banking management.

The importance of adopting Service Quality will be examined through a customer survey which includes several variables, such as CARTER dimensions (compliance, assurance, reliability, tangible, empathy and responsiveness), customer satisfaction, service encounter, customer expectation and influence and product and service uses and need variables.

The employees' survey was used to diagnose the bank current situation that includes different variables, such as employees' satisfaction, work environment, understandable mission statement and objectives, organisational culture, management style, working as a team, decision making style, effective leadership, planning responsibility, working scheduling, recognition, and knowledge in Islamic finance, managerial skills, and computing skills. Also it examines the effectiveness of support sector activities, such as human resource department, recruitment and promotion system, training programs and compensation and reward programs. Furthermore, the survey will look at communication and banking network, information availability and used, organisational structure and hierarchy, and the co-operation and co-ordination between sectors and departments. Moreover, the responsiveness to customers' needs and the importance of products and services will be examined by this survey. Furthermore, work procedures; rotation, policy, responsibility, flexibility and processes will be studied by this research. Finally, the extent to which the bank allocates resources to the management of its outputs will be examined by this study.

This chapter highlights several issues related to the investigation of the study, the main ones being study populations and samples, variables definitions, measurements, hypotheses, statistical analysis, pilot study and psychometric properties of the study measures.



Since the scope of each research is determined by its own situation and other factors, such as context, sample variables, the last part of the chapter discusses the major problems and limitations of this study.

## 6.2 Data Collection Methods:

Two kinds of data collection methods are used in this study, namely: primary and secondary sources. Both sources are discussed below:

### 6.2.1 Primary Source:

The primary data of this research was collected using a case study methodology which includes self-administrated questionnaires distributed to KFH customers and employees and interviews with managers.

With great assistant from an expert who is fluent in both languages, the questionnaire was originally prepared in English, it was then translated into Arabic and into English using the back-translation method.

The customer questionnaire (appendix 3) contained six parts, the first of which included 14 questions. This was used to measure customer overall satisfaction and some dimensions of service quality using Likert's 5-point scale. The second section comprised 20 statements, measuring the bank features also using Likert's 5-point scale. The third part was used to collect some information about what influences the customer to use the bank. The fourth part investigated the use and need of KFH products and services, while the performance of KFH is evaluated by customers in part five. The last part was used to collect some information about customer demographic backgrounds, namely gender, age, education, level of income, marital status, nationality, occupation, and place of work.

The employee questionnaire (appendix 4) contained three sections, the first divided into three parts to measure over all employee satisfaction with the bank as a place to work, its management, performance and products and services came in the first part, with variables, such as work environment, comprehensible and understandable of its mission and objectives, organisational culture, managerial style, etc. in the second part. The third part was used to measure the employees' ability to use the bank network.



Section two included several questions to measure the extent of co-operation and co-ordination between sectors and departments, the effectiveness of communication and bank network, the organisational structure and hierarchy, the level of integration between departments and sectors, the importance of products and services, responsiveness to customers' needs and finally, the effectiveness of work procedures, rotation, policies, processes, responsibilities and flexibilities.

The final section included several variables to measure employee demographic backgrounds, namely age, gender, education, level of income, organisational tenure, division or department of work and job level.

The managers' interviews contained open questions as shown in appendix (5) and covered the use of management theories in the bank.

Considering the aims of this study, as well as high reliability of its scales provided by the pilot study results, the questionnaire was found to be the best methods of collecting primary data. According to Sekaran (1992, p. 200) "a questionnaire is an efficient data-collection mechanism when the researcher knows exactly what is required and how to measure the variables of interests".

KFH allowed the internal mailing system to be used to distribute the questionnaires to randomly selected employees and managers from different locations in the bank. On behave of the general manager, the Information Centre sent a letter of encouragement to all departments and branches to help the researcher (see appendix 7).

### 6.2.2 Secondary Sources:

Secondary data was collected from the UK, USA, Kuwait, Saudi Arabia and internet sites. Both English and Arabic was used in the data collection and seven major sources of data were used:

1. Books and periodicals
2. Databases, such as BIDS, UMI, Emerald Library, IBF Network, etc.
3. The word wide web (www).
4. Conferences.
5. Training courses.
6. Newspapers
7. Governmental and Islamic Development Bank reports.



### 6.3 Population of the Study:

The study comprises KFH customers and employees populations. Out of a total of more than 50,000 customers and 1,300 employees, 500 customers and 260 employees were randomly selected and interviewed for this study.

### 6.4 Why KFH?

As discussed in chapter three, KFH was one of the first Islamic banks, and is backed by 23 years of experience and expertise. It aims to apply Islamic principles in its transactions both locally and internationally. It has a clear corporate strategy to fulfil its mission as a global Islamic financial institution, providing financial products and banking services according to Islamic law and principles, using the most contemporary techniques and systems.

The main reason for selecting KFH is because it provides an interesting case study for Islamic banks. It is the second largest Islamic bank in the world and according to report by the Institute of Banking Studies (IBS) in Kuwait (1999), KFH is ranked the 14<sup>th</sup> among all Arabic banks in terms of assets. Also it has the most successful, efficient and competitive banking, investment, trade finance, commercial and real estate financing products and services, using all available distribution channels in the market including 23 branches, internet technology, telephone banking, etc. with more than 1,300 employees in all sectors and departments that makes KFH a good model of a new dimension in the banking industry.

### 6.5 The Pilot Study:

The purpose of the pilot study was to test the study instruments; more specifically the questionnaires phrases, clarity length, layout and items relevance to the investigation of the study.

It was conducted with the co-operation of five randomly selected customers, six employees and two managers working for KFH. All customers, employees and managers answered the study questionnaires related in the presence of the researcher, and whenever they asked for any help to understand a word, answering system, or a question, the researcher clarified it. After listening to their comments and suggestions, the results from this pilot test revealed the following:

1. The need for simplifying the notion and phrases of some of the questionnaires items.
2. The 2-point scale in some parts of the study needed to be changed to 3-point scale because the answering options were too limited.



## 6.6 Sample of the Study:

The Systematic Random Sampling (SRS) system was used to select the study samples for customers and employees. Compared with other sampling methods, such as Simple Random Sampling and Stratified Random Sampling, SRS is viewed as the best sampling system in this study because:

1. The list of the population elements is available. According to Sekaran (1992, p. 241) if “the listing of the population elements is conveniently available in one place, then Systematic Sampling procedures will offer the advantages of the ease and quickness in developing the sample”.
2. Systematic sampling is easier to draw without or with fewer mistakes.
3. It is more precise than Simple Random Sampling (best fitted when generalisability of finding to the whole population is the objective of the study), because SRS is more evenly spread over the population.

Nevertheless, to avoid systematic biases as periodic or job level arrangement, which is the only disadvantages of the SRS reported in the literature (Swift, 2001), the questionnaires have been distributed to all locations, which all population elements were found. Moreover, to maximise the generalisation of findings to the whole populations, all branches were included in the sample as shown in tables (6-1) and (6-2).

Considering the average number of employees and customers in each location (obtained from the Information Centre in the bank), the study has used the following equation to distribute the study questionnaires to employees and customers as represented in tables (6-1) and (6-2).

$$X = \frac{Xn}{N} \times \text{Total number of questionnaires}$$

Where:

$X$  = total number of questionnaires per location or branch

$Xn$  = the average total number of employees or customer in that location.

$N$  = total number of employees or customers in the study sample.

Tables 6-1 and 6-2 represent the total number of distributing questionnaires to every location in the bank and total number of collected questionnaires from each location and the returned questionnaires were 380 from customers and 175 from employees as shown in tables (6-1) and (6-2).



**Table (6-1):** The distribution of the customers' questionnaires among the KFH locations:

No.	Location	Average No. of Customers	Total No. of Distributed Questionnaires	Total No. of Collected Questionnaires.
1.	The Head Office	14,000	146	120
2.	Al-Jahra Branch	2900	26	15
3.	Al-Raqa Branch	1500	18	11
4.	Al-Fihihiel Branch	1500	18	12
5.	Al-Showikh Branch	1200	15	10
6.	Al-Rawda Branch	700	7	5
7.	Al-Rihab Branch	1050	11	8
8.	Al-Nasim Branch	1800	16	10
9.	Al-Arediah Branch	590	5	5
10.	Al-Fintas Branch	850	8	5
11.	Al-Khalidiah Branch	800	7	5
12.	Byan Branch	950	9	7
13.	Khytan Branch	1600	15	12
14.	Sabah Alsalim Branch	2200	20	15
15.	Sebhan Branch	1450	13	10
16.	Hawaly Branch	2900	26	19
17.	Al-Salimiah Branch	2700	20	18
18.	Al-Wizarat Branch	950	9	5
19.	Al-Muthana Branch	700	6	6
20.	Al-Shuaib Branch	980	10	8
21.	Al- Ferwaniah Branch	860	8	5
22.	Al-Fihaa Branch	2800	23	20
23.	Trading Sector branches	7100	64	49
Total		51810	500	380

**Table (6-2):** The distribution of the employees' questionnaire among the KFH locations:

No.	Location	Average No. of Employees	Total No. of Distributed Questionnaires	Total No. of Collected Questionnaires.
1.	The Head Office	509	97	80
2.	Al-Jahra Branch	25	5	2
3.	Al-Raqa Branch	20	4	2
4.	Al-Fihihiel Branch	40	7	4
5.	Al-Showikh Branch	43	8	7
6.	Al-Rawda Branch	9	2	2
7.	Al-Rihab Branch	35	6	4
8.	Al-Nasim Branch	30	6	5
9.	Al-Arediah Branch	25	5	2
10.	Al-Fintas Branch	15	3	2
11.	Al-Khalidiah Branch	33	6	6
12.	Byan Branch	30	6	6
13.	Khytan Branch	35	6	4
14.	Sabah Alsalim Branch	25	5	5
15.	Sebhan Branch	15	3	2
16.	Hawaly Branch	39	7	7
17.	Al-Salimiah Branch	45	9	9
18.	Al-Wizarat Branch	15	3	1
19.	Al-Muthana Branch	17	4	3
20.	Al-Shuaib Branch	27	6	5
21.	Al-Ferwaniah Branch	16	5	5
22.	Al-Fihaa Branch	55	10	9
23.	Trading Sector branches	198	37	18
Total		1301	250	175



6.7 Distribution of the Study Sample:

Five hundreds customers in KFH and two hundreds and fifty employees were co-opted in this study. However, only 360 responses from customers and 160 responses from employees were found to be suitable for statistical analysis, as will be explained later in this chapter.

Table (6-3) describes the study samples, using seven demographic variables (Sex, Age, Education, Martial Status, Nationality, Place of Work) for KFH customers.

**Table (6-3):** The description of the customers’ study sample:

	Sex	Age	Education	Income	Martial Status	Nationality.	Place of work
Male	297						
Female	63						
20-29		91					
30-39 years		116					
40-49 years		124					
50 or more		29					
Below secondary school			26				
Secondary school			75				
University degree			175				
Above degree			84				
Less than KD 200				6			
KD150-300				35			
KD301-600				45			
KD601-1000				102			
More than KD 1,000				172			
Married					295		
Single					65		
Kuwaiti						242	
Others						118	
Public sector							134
Private sector							152
Self employed							46
Semi-government agency							12
Others							16
Total	360	360	360	360	360	360	360

As can be seen from the table 6-3:

1. The total number of male customers co-opted in the study was 297 (82.5%) and the total number of female customers was only 63 (17.5%). Thus, there is a wide discrepancy between male and female numbers because the culture of Kuwait makes it difficult to meet female customers in the bank or somewhere else. However, one of female branch managers helped the researcher to complete the study because of the recommendation of the general manager.



2. It shows that 101 customers were of high school level or less, while 259 customers held university degree and above. So, 72% of customers responding to the survey were highly educated.
3. The table reported that 57.5% of respondents were less than 40 years old; 34% of them were between 40-49 years old and only 29 (8%) customers were 50 years old and above.
4. Frequencies of customers' income show that 76% (274) had a high monthly income (more than KD 600) and only 6 customers had less than KD200, which suggests that small significant segment of KFH customers are people with a low income level.
5. 295 of the respondents were married and only 65 were single and the study shows that 242 (67%) of respondents were Kuwaiti nationality and only 33% were non Kuwaiti which included 31% Arabs and only 2% Asian and others.
6. The distribution of study samples between sectors were fair, because 37% of customers work in public sector; 42% work in the private sector; 13% of them are self employed and 7% of them work in semi-government agencies and other jobs.

The analysis of the study sample using six demographic variables for KFH employees (Sex, Age, Education, Income, Organisation Tenure, Supervisory Level) is illustrated in table (6-4).

**Table (6-4):** The description of the Employees' study sample:

	Sex	Age	Educa-tion	Income	Organ- isation tenure	Supervisory level
Male	120					
Female	40					
Less than 20 years		24				
20-39 years		95				
40-49 years		31				
50 or more		10				
Below secondary school			4			
Secondary school			44			
University degree			106			
Above degree			6			
Less than KD 200				0		
KD200-300				32		
KD301-600				67		
KD601-1000				50		
More than KD 1,000				11		
Less than one year					17	
One year up to 2 years					12	
2-5 years					33	
6-10 years					43	
More than 10 years					55	
Supervisory level						72
Working level						88
	160	160	160	160	160	160



As shown in table 6-4:

1. The total number of male employees co-opted in the study was 120 (75%) and the total number of female employees was 40 (25%). Thus, there is also a wide discrepancy between male and female numbers who work in KFH.
2. The table is reported that 119 (74%) employees were less than 40 years of age; 19% of them were between 40-49 years old and only 10 (6%) employees were 50 years and above. This reveals that most of the employees might be served longer in KFH and the bank can invest in training and education with low turnover.
3. Regarding the employees education, the table suggested that the majority of employees are highly educated because 70% of them were a university degree holders or above, whereas 30% of them were at high school level or less.
4. The study shows that the majority of employees' level of income (62%) was in the mid-category between KD200 and KD600, but the study shows that there were zero employees with less than KD200.
5. Frequencies of the bank tenure show that the majority (61%) of employees had been with KFH for 6 years and more, however only 17 employees had been with the bank for less than one year.
6. The distribution of employees' questionnaires between sectors, departments and branches was fair, because 35% of employees work in branching department which includes all branches and; 26% work in commercial sector and murabaha department and other distributed to all other departments.

## 6.8 The Study Questionnaires:

As discussed above, customer questionnaires were distributed to 500 customers in the front offices of KFH Headquarter and its 22 branches, whereas employee questionnaires were distributed to 250 employees in all of its sectors, departments and geographical locations. The surveyed customers were randomly selected from all community levels, while the surveyed employees were selected from all managerial levels in all branches in the bank.

1. The total number of usable customers' questionnaires returned were 380, i.e. 76% of total number of questionnaires (500).
2. The total number of usable employees' questionnaires returned were 175, i.e. 70% of total number of questionnaires (250).
3. After processing the returned questionnaires, the researcher resolved to proceed with only 360 customers' questionnaires and 160 employees' questionnaires to the analysis stage.



4. The total number of discarded customers' questionnaires after the filtering process was 20 (4%). Six questionnaires were completely empty; five questionnaires missed more than 25% of the questions (i.e. more than 25% of the instrument questions were unanswered); four questionnaires contained critical errors; and five questionnaires were arbitrarily completed, such as ticking more than one box for a single question in the Likert's 5-point scale. However, nine blank responses were found in questionnaires and because of the number of missing values was small (two blank responses in each four questionnaires, and only one in the remaining questionnaire) these nine questionnaires were included in the data analysis.
5. The total number of discarded employees' questionnaires after the filtering process was 15 (6%). Two were completely empty questionnaires; there were four questionnaires missed more than 25% of the questions (i.e. more than 25% of the instrument questions were unanswered); six questionnaires contained critical omissions; and three questionnaires were arbitrarily completed, such as ticking more than one box for a single question in the Likert's 5-point scale. However, 13 blank responses were found in questionnaires and because the number of missing values was small (two blank responses in each five questionnaires, and only one in the remaining 3 questionnaires) these 13 questionnaires were included in the data analysis.
6. The total number of un-returned customers' and employees' questionnaires was 120 and 57, representing 24% and 30% respectively. Considering these numbers of non-returned questionnaires, the responses rate of study subjects (76% for customer and 70% for employees) can be said to be high.
7. As mention above, some of the study subjects left some questions unanswered. According to Kervin (1992, p. 508) "missing data can be a serious problem in multivariate analysis". To avoid data analysis problems that may occur because of blank responses among of the defined data, the mid-point in the scale was assigned for each blank response (Sekaran, 1992). This method is commonly used in social studies, especially when the scale is interval as in this study.

## 6.9 Variables of the Study:

There are three kinds of variables in this study:

1. The independent variables: the one that influences the dependent and mediating variables in either a positive or negative way. Independent variables in this study include demographics variables, SERVQUAL and BPR.



2. The mediating variables: the one that influences both dependent and independent variables in either positive or negative way. Their existence has strong contingent effects on their relationship. They include for example the customer satisfaction variables, which are influenced by CARTER variables.
3. The dependent variables: these are the main variables in this study. The variability is predicted or explained for the purpose of better management. They include all CARTER variables and the variables used to diagnose the current situation of KFH.

### 6.10 Operational Definitions of the Study Variables:

The study variables were grouped into demographic variables (see table 6-5) for both customers and employee and Quality variables based on the customer survey and internal diagnosis variables based on the employee survey (see table 6-6).

#### 6.10.1 Demographic Variables:

**Table (6-5):** the study demographic variables for customer and employee surveys:

	Variables	Customers	Employees
1	Gender	☺	☺
2	Age	☺	☺
3	Education	☺	☺
4	Level of income	☺	☺
5	Marital status	☺	☺
6	Organisational tenure	-	☺
7	Supervisory level	-	☺
8	Place of work	☺	☺

Both customer and employee surveys consist some of the following demographic variables as shown in table 6-5 below:

1. Gender: the respondents’ sex, defined as male or female.
2. Age: the respondents’ age group, given in years range, e.g. between 20-29 years.
3. Education: the education level that the respondent has attained, e.g. less than secondary school, high school, and university degree and above.
4. Level of income: the respondents’ monthly income range e.g. between KD200 and KD400, KD401-600, KD601-1000, and more than KD1000.
5. Marital status: the social status of respondent, given as married or single.
6. Organisational tenure: the number of years that the respondent has spent in his/her organisation.



7. Supervisory level: the employee’s work level in KFH. Two levels are given, i.e. supervisor other employees or not.
8. Place of work: the division or department in KFH where the employee works. For customers, the sector or organisation that he/she works for, e.g. public or private sector, self-employed and semi-movement agency.

**Table (6-6):** The quality and internal diagnosis variables:

Service Quality Variables (Customer Survey)	Internal Diagnosis Variables (Employee Survey)		
<b>CARTER Variables:</b>	1.	Employees’ Satisfaction	ES
1. Compliance	2.	Work Environment	WE
2. Assurance	3.	Understandable Mission and Objectives	UCMO
3. Reliability	4.	Organisational Culture	OC
4. Tangibles	5.	Supervisory or Management Style	SMS
5. Empathy	6.	Decision Making Policy	DMP
6. Responsiveness	7.	Work Scheduling and Activity Measurement	WSAM
<b>Supported Variables:</b>	8.	Knowledge in Islamic Finance	KIF
1. Front office performance	9.	Knowledge in Managerial Skills	KMS
2. Product and service uses	10.	Support Sector Diagnosis’ Variables	SSD
3. Product and service needs	11.	Recognition	REC
4. Customer influences	12.	Communication and Banking Network	CBN
5. Customer behaviour	13.	Organisational Structure	OS
6. Customer satisfaction	14.	Co-operation and Co-ordination between Departments and Sectors within the bank	CCDS
	15.	Work Procedures, Processes and Responsibilities	WPPR
	16.	Responsiveness to Customers’ Needs and Wants	RCNW
	17.	The Importance of Products and Services	IPS
	18.	The Administrative Intensity	AI

### 6.10.2 Service Quality Variables (Customer Survey):

As discussed in chapter four and shown in table 6-6, a proposed framework for service quality in Islamic banks may use the following dimensions or CARTER variables (compliance, assurance, reliability, tangibles, empathy, and responsiveness) and supported variables to identify the level of service quality in the bank. Therefore, the variables of service quality which will be examined by this study are divided into two groups as presented below:

#### CARTER Variables:

1. Compliance which means the ability to comply with Islamic Law and operate under the principles of Islamic banking and economy.



2. Assurance which includes employees knowledge, courtesy and their ability to convey trust and confidence. It also includes verbal and written communication between bank staff and customers.
3. Reliability is the ability to perform the promised service, dependability and accuracy.
4. Tangibles, the appearance of physical facilities, equipment, personnel, and communication materials.
5. Empathy means caring, individualised attention that the Islamic bank provides for its customers.
6. Responsiveness is the willingness to help customers and provide prompt service.

### Supported Quality Variables:

1. Front office performance and customers' expectation: the degree of the front offices staff performance and customer expectation toward this performance.
2. Product and service uses: the degree to which KFH customers use its products and services.
3. Product and service needs: the degree to which KFH customers need its products and services.
4. Customer influences: the degree to which KFH customers have been influenced by such factors or criteria to use its products and services.
5. Customer behaviour in KFH: the degree to which KFH customer is keeping another accounts in other interest-based banks.
6. Customer satisfaction: the degree of customer overall satisfaction in KFH.

### 6.10.3 Internal Diagnosis' Variables (Employee Survey):

#### Employee Satisfaction (ES):

1. Place to work and current positions: the degree to which KFH employees are satisfied with the bank as a place to work, workspaces and with their current positions.
2. The Organizational Loyalty (proud to work for KFH), the degree to which KFH employees are proud to work for KFH.
3. Satisfaction with Management: the degree to which KFH employees are satisfied with the bank's management.
4. Satisfaction with performance and products and services, the degree of employees' satisfaction with the bank's performance, products and services.



5. Satisfaction with number of working hours per week, the degree to which KFH employees are satisfied with the number of weekly working hours.
6. Work schedules, the degree to which KFH employees are satisfied with work scheduling and their abilities to balance that and their personal life.
7. The interaction between satisfaction variables: the degree of interaction between employee satisfaction with the bank as a place to work and their satisfaction with the bank's management, and between satisfaction with the performance and the bank's management.

#### Work Environment (WE):

1. Ethical, supporting, creative, innovative and challenging work environment: the degree to which the employee perceives the work environment as an ethical, supporting, creativity, challenging and innovative in KFH.
2. Contribute to community: the degree to which the employee receives an encouragement to be a good citizen and contribute positively to his society.
3. Working Atmosphere "Diverse-friendly": the degree to which the employee evaluates working atmosphere in KFH as a "diverse-friendly".
4. The Rules and Procedures: the degree to which employees believes that rules and procedures affect their ways of doing work in KFH.

#### Understandable and Comprehensive Mission and Objectives (UCMO):

1. Understandable mission and objectives: the degree that KFH mission and objectives are clear and easily understood by managers and employees.
2. Mission and objectives responsibilities: the degree of understanding the responsibility to set the mission and strategic goals by KFH employees.
3. Achievable and measurable objectives: the degree of setting achievable and measurable objectives in KFH.
4. Paying attention to the mission and objectives: the degree to which the employee takes in minds the mission and objectives when doing such activity.

#### Organisational Culture and its Contribution to Society (OC):

1. Excellent services: the degree to which the employee perceives excellent services in KFH.
2. Interest-free loans to people who need: the degree of contribution to solve community problems by providing interest-free loans.



3. Short interest-free loans to businessmen: the degree that KFH provides short interest-free loans to businessmen and entrepreneurs.
4. Domestic saving: the degree of KFH contribution in raising domestic saving in Kuwait.
5. Feedback: the degree to which the employee receives a feedback and suggestions with an open mind and positive attitude.
6. Organisation system: the degree to which the employee describes KFH organisation system.

#### Supervisory or Management Style (SMS):

1. Senior managers: the degree to which the senior managers are open, supportive and considerate.
2. Degree of explanation: the degree to which the senior managers explain the reasons for necessary changes.
3. Supervisors: the degree to which the supervisors are open, supportive and considerate.
4. Encouraging team working: the degree of developing team working in KFH.

#### Decision Making Policy (DMP):

1. Employees participation: the degree to which employees take part in decision making processes, specially that related to their own jobs.
2. Problems-solving skills: the degree to which employees have good problems-solving skills.
3. Supervisors' encouragements: the degree to which the supervisor encourages the independent thoughts and actions done by his/her employees.
4. Planning responsibility: the degree to which the employee involves in planning activities.

#### Work Scheduling and Activity Measurement (WSAM):

1. Work scheduling existence: the degree to which the employee has work schedule hours for operations he/she performed.
2. Activity measurement: the degree of measuring the time for one activity taken or performed compared with the overall employee's time in the bank.

#### Knowledge in Islamic Finance (KIF):

1. Follow up Islamic principles: the extent to which employees remember all Islamic principles when dealing with customers.



2. Knowledge of Islamic products and services: the degree to which the employee knows all techniques of Islamic banking products and services.
3. Islamic principles: the degree to which the employee believes that there are differences between riba and interest.
4. Degree of practice: the degree to which the employee believes that KFH does not receive interest nor pay it in all of its transactions.
5. Follow SSB's fatwa and advices: the degree of KFH employee concerns regarding a follow of all the SSB Fatwas and advices.
6. The SSB and transactions: the extent to which SSB follows up all transaction in KFH.
7. SSB and BODs: the degree to which employees think there is confusion between what SSB publishes and the BODs command.

#### Knowledge in Managerial Skills (KMS):

1. Managerial skills: the degree to which KFH employees have good ideas on managerial skills.
2. Setting performance goals: the degree to which KFH employees set performance goals at least annually.
3. Work evaluation: the degree to which KFH employees understand how their jobs are evaluated.
4. Planning and scheduling: the extent to which the employee involved in planning and scheduling his/her job.
5. Knowledge in PC skills: the degree to which employees have good skills on computer.
6. Understanding of work responsibility: the degree to which the employee understands his job responsibility.

#### Support Sector Diagnosis' Variables (SSD):

1. Corporate support functions: the extent to which corporate support functions meet the employees' job-related needs.
2. HR department: the degree to which the HR department is knowledgeable about employee personal issues.
3. HR and training: the degree to which the HR department does an effective job with employee development and training.
4. HR and employees awareness: the degree to which the HR department makes employees aware of career opportunities available within KHF.



5. Training: the degree to which employees receive adequate, effective and appropriate training and development programs that meet their needs.
6. Recruitment: the degree to which KFH does an effective job to recruit and hire new employees.
7. Posting available positions: the degree to which KFH employees are satisfied with the degree of fairness of posting available positions in the bank.
8. Compensation: the degree to which the compensation system is fair for the work that the employee does for KFH.
9. Bonus: the degree to which the bonus is fair for the work that the employee does for KFH.
10. Salaries payments: the degree to which KFH employees believe that they are paid fairly for the work they have done.
11. Financial rewards: the degree of employee expectations regarding financial rewards in KFH.

#### Recognition (REC):

1. Respect treatment: the degree to which the employee is treated with respect at KFH.
2. Recognition: the degree to which employees believe that the recognition they receive is fair.
3. Recognition and doing a good job: the degree to which the employee who does a good job is recognised for it.
4. Recognition and accomplishment: the degree to which recognition is based on a level of accomplishment.
5. Recognition and teamwork: the extent to which the recognition program encourages teamwork, co-operation and collaboration.

#### Communication and Banking Network (CBN):

1. Communication structure: the degree to which employees believe that KFH has a well-structured communication network.
2. Network instructions: the degree to which the employee is able to follow the network instructions that KFH used.
3. Technology level: the extent to which employees are satisfied with the technology tools used in the KFH network compared with other competitors.
4. Automation: the degree of automated communication methods in KFH.



5. The network and spread of information: the extent to which the employee is satisfied with the KFH network and the spread of information between departments and sectors on one hand and to outside the bank in the other.
6. Information reliability: the degree to which the employee is sure about information reliable or it's up to date.
7. Corporate communication: the degree of effective corporate-wide communications to keep employees informed.
8. Division communication: the degree of effective division-wide communications to keep employees informed.
9. Access with SSB: the degree to which the employee has an access to see and take advice from the SSB.
10. Feedback: the degree to which the employee receives a quick answer or reply to a letter sent to his/her manager.
11. Written communication: the degree to which employees believe that written communications are clear and informative.
12. Effective communication system: the degree to which the employee is able to utilise and find all information at the time it is needed.
13. Open-two-way channels: the degree to which the employee has an open-two-way channel with any one else in the bank using the communication system.
14. Policies communication: the extent to which KFH has understandable policies that are communicated clearly.

### Organisational Structure (OS):

1. Authority and responsibility: the degree to which the employee believes that the authority he has been given is equivalent to his job responsibilities.
2. Conflict between departments: the degree to which employees think that there is confusion between departments in understanding job responsibilities.
3. The need for redesigning: the extent to which the employees think that KFH organisational structure needs to be improved and redesigned to get better results.
4. Awareness of other things: the degree of employee's awareness of other things in other parts of the bank that might be affect their jobs.
5. Understanding structural lines: the extent of employees' understanding of KFH structural lines.



6. Clearness of organisational structure: the degree to which the employee understands the organisational structure.
7. The contribution in organisational structure: the degree of employee contributions in carrying out organisational structure or restructure of their departments during the last two years.
8. Integration: the degree of integration of departmental organisational structure and other parts in the bank.

#### Co-operation and Co-ordination between Departments and Sectors within the bank (CCDS):

1. Co-operation receivable: the degree to which the employee receives co-operation from other departments to accomplish such activity.
2. Cross-functional co-ordination: the extent to which employees think that there is cross-functional co-ordinations and co-operations on important projects.
3. Department unity: the degree to which the employee thinks that his department structure is a unit in its own under the bank structure.
4. Integration: the extent of the integration between departments within the bank.
5. Importance of the integration: the degree of integration importance between department within KFH.

#### Work Procedures, Processes and Responsibilities (WPPR):

1. Standardisation of task performance: the degree to which KFH has standardised its task performance.
2. Way of work performance: the degree to which the work in KFH should be performed in the same way in every time.
3. Work processes effectiveness: the extent of effective work processes in KFH
4. Work processes improvement: the degree to which the work processes have been improved compared to a year ago.
5. Employee accountability (work responsibility): the degree to which the employee is held accountable for doing his job.
6. Change job (work flexibility): the extent to which the employee is able to change jobs at KFH to further his/her career.



## Responsiveness to Customers' Needs and Wants (RCNW):

1. Dealing with outside customers: the degree to which the employee deals with outside customers.
2. KFH commitment: the degree to which KFH is committed to make its customers successful.
3. Increase business opportunities: the degree to which KFH seeks to identify potential areas of growth and new opportunities.
4. Keeping promises: the degree to which KFH keeps its promises to customers.
5. Meeting customer needs: the degree to which KFH products and services meet customer needs.
6. Branching and the use of products and services: the extent of KFH contribution in encouraging internal and external customers to use KFH products and services.

## The Importance of Products and Services (IPS):

The degree of KFH employee opinions regarding the importance of its products and services.

## The Administrative Intensity or Distribution of Bank Resources (AI):

The degree to which, the employee judges the distribution of resources within all parts in the bank.

### 6.11 Variables Measurement:

Except for the demographic variables and some other variables, Likert 5-point scales are used in the questionnaire. The nominal scale is also used with all demographic variables and some other variables as represented below:

#### 6.11.1 Demographic Variables:

1. Gender: is measured by assigning respondents to two categories: (a) male and (b) female.
2. Age: is measured by asking the respondent to select their age group from among five age categories (see appendix 3 and 5). This age scale was found to be the most suitable, because it takes into account the indicators of age for the Kuwaiti labour force produced by the Statistical and Information Sector (1999), Ministry of Planning, Kuwait ([www.mop.gov.kw](http://www.mop.gov.kw)). Since age is a sensitive issue to some customers and employees, especially females, a wide age interval is selected (i.e. 10 years).



3. Education: is measured by asking the co-opted customers and employees to select their educational level from among five groups namely: no formal education, below high school, high school, university degree and above university degree. The reason behind selecting this scale was to provide a chance for all selected subjects to respond to this question without asking them to write down their education level, which might not be acceptable to some employees and customers. Also this is selected after considering the Statistical and Information Sector results of the 1999 that related to the education and labour forces statistics in Kuwait.
4. Level of income is measured by asking the co-opted customers and employees to select their income level from among five groups: below KD200, KD200-400, KD401-600, KD601-1000 and more than KD1000. The reason behind selecting monthly income categories is because all payroll systems in Kuwait are based on monthly payment not annually salaries.
5. Marital status is measured by categorising subjects into two groups: (a) married and (b) single.
6. Organisational tenure is measured using five tenure groups: less than one year, 1-2 years, 2-5 years, 6-10 years and more than 10 years.
7. Supervisory level is measured by asking the employee whether he supervises other employees or not.
8. Place of work: is measured by asking the employee to choose the department currently worked in and customer to choose the sector or organisation that she/he works for, (e.g. public or private sector, self-employed and semi-movement agency).

#### 6.11.2 Service Quality Variables:

The multidimensional instrument developed by different researchers, such as (Parasuraman, et al., 1985; 1988; 1990; 1991; 1993; 1994; Lasser, et al, 2000) is used as a guide to develop the measurement of service quality variables. Tables (4-3) and (6-6) presented the items used in developing the variables, presented below, together with the questions numbers as shown in the customers' survey (appendix 3).

#### CARTER Variables:

1. Compliance is measured using five items (see appendix 3) and six questions (56, 58, 63, 64, 65 and 66).
2. Assurance is measured using five items with five questions (21, 22, 45, 54 and 60).



3. Reliability is measured using four items with five questions (18, 48, 50, 51 and 53).
4. Tangibles are measured using five items with five questions (46, 47, 49, 55 and 62).
5. Empathy is measured using nine items with nine questions (35, 36, 37, 39, 40, 43, 44, 52 and 54).
6. Responsiveness is measured using five items with seven questions (19, 20, 38, 41, 57, 61, and 129).

### Supported Variables:

1. Front office performance and customer expectation are measured using ten questions (123 to 132).
2. Product and service uses are measured using questions (67-94).
3. Product and service need is measured using questions (95-122).
4. Customers' influences are measured using questions (35-66).
5. Customers' behaviours are measured using three questions (134, 135 and 136).
6. Customer satisfaction is measured using questions (1-14).

### 6.11.3 Internal Diagnosis Variables:

Appendix (4) illustrates more than 187 variables that have been developed by the researcher to diagnose the organisation's current situation in order to start a reengineering program, with reference to different reengineering studies, such as (Skinner, and Pearson, 1993; Andrews and Stalick, 1994; Hatch, 1994; Hammer and Stanton, 1995; Endosomwan, 1996; Glenn, 1998). These variables have been grouped into 18 items or variables, which are presented below, together with the questions numbers as shown in the employee survey (appendix 4).

1. Employee Satisfaction (ES) is measured using 12 questions (1, 2, 3, 5, 6, 9, 13, 15, 16, 17, 23 and 24).
2. Work Environment (WE) is measured using 11 questions (10, 11, 12, 14, 25, 26, 27, 40, 46, 73 and 77).
3. Understandable and Comprehensive Mission and Objectives (UCMO) are measured using 5 questions (80, 81, 82, 83 and 84).
4. Organisational Culture and the bank contribution to society (OC) are measured using 8 questions (117, 120, 121, 122, 132, 140, 141 and 142).
5. Supervisory and Management Style (SMS) is measured using 16 questions (33, 34, 35, 36, 37, 38, 39, 64, 65, 67, 68, 71, 75, 76, 78 and 169).



6. Decision Making Policy (DMP) is measured using 9 questions (43, 59, 60, 62, 63, 66, 98, 99 and 100).
7. Work Scheduling and Activity Measurement (WSAM) are measured using 4 questions (70, 83, 166 and 170).
8. Knowledge in Islamic Finance (KIF) is measured using 13 questions (101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 153 and 154).
9. Knowledge in Managerial Skills (KMS) is measured using 6 questions (48, 49, 85, 86, 92 and 98).
10. Support Sector variables (SSD) are measured using 21 questions (28, 29, 30, 31, 32, 41, 44, 45, 47, 50, 51, 52, 53, 54, 55, 56, 57, 58, 79, 87 and 155).
11. Recognition (REC) is measured using 6 questions (18, 19, 20, 21, 22 and 69).
12. Communication and Banking Network (CBN) is measured using 24 questions (42, 61, 110, 123, 124, 125, 126, 127, 128, 129, 130, 131, 133, 134, 135, 136, 138, 143, 144, 145, 146, 147 and 148).
13. Organisational Structure (OS) is measured using 8 questions (93, 94, 150, 151, 152, 159, 160 and 161).
14. Co-operation and Co-ordination between Departments and Sectors (CCDS) within the bank are measured using 6 questions (139, 149, 151, 162, 163 and 164).
15. Work Procedures, Processes and Responsibility (WPPR) are measured using 7 questions (90, 91, 95, 96, 97, 157 and 158).
16. Responsiveness to Customers' Needs and Wants (RCNW) is measured using 10 questions (88, 112, 113, 114, 115, 116, 118, 119, 167 and 168).
17. The Importance of Products and Services (IPS) is measured using question number 165.
18. The Administrative Intensity (AI) is measured using questions number 74 and 156.

## 6.12 The Study Hypotheses:

A hypothesis is an educated guess about a problem solution. The hypotheses of this study are defined as a translation of the problem (variable that the study wants to diagnose or evaluate) into a statement involving a statistical measure. "H1" represents the alternative hypothesis, which is the statement that the researcher believes to be true. "H0" is the opposite, the null hypothesis that represents what the researcher doubts to be true. According to the definition of the variables, the study hypotheses can be stated using "H1" definition as follows:



### 6.12.1 Service Quality Hypotheses:

1. H1: There is a significant need for Islamic banking managements to adopt service quality programs in their banks.
2. H1: There is a significant difference between male and female customers in KFH when rating the importance of CARTER dimensions.
3. H1: There is a significant difference between front office performance in KFH and customer expectation.
4. H1: There are significant differences between products and services in KFH in terms of customer use and needs.
5. H1: KFH customers significantly use ATMs over 8 times a month.
6. H1: There are significant differences between KFH customers when choosing factors or criteria which influence them to use KFH.
7. H1: There is a significant number of KFH customers keep another account in interest-based banks.
8. H1: There are a significant number of KFH customers satisfied with its products and services.
9. H1: There are a significant number of KFH customers satisfied with the ways that staff operate or implement processes.
10. H1: There is a significant number of KFH customers satisfied with its profits.

### 6.12.2 Internal Diagnosis Variables:

#### Employees' Satisfaction (ES) Hypotheses:

1. H1: KFH employees are significantly satisfied with the bank as a place to work.
2. H1: KFH employees are significantly loyal to KFH.
3. H1: KFH employees are significantly satisfied with the bank management.
4. H1: KFH employees are significantly satisfied with the bank performance, products and services.
5. H1: KFH employees are significantly satisfied with the numbers of working hours per week in KFH.
6. H1: KFH employees are significantly satisfied with their work schedules and their ability to balance work and personal life.
7. H1: There is a significant difference between KFH employee satisfaction with the bank as a place to work and their satisfaction with the bank management.



8. H1: There is a significant difference between KFH employee satisfaction with the bank performance, products and services and their satisfaction with the bank management.

#### Work Environment (WE):

1. H1: The KFH working environment is significantly described as an ethical, supporting, creative and innovative environment.
2. H1: KFH employees receive a significant encouragement to be a good citizen and to contribute to their community positively.
3. H1: KFH working atmosphere is significantly described as “diverse-friendly” atmosphere
4. H1: There is a significant effect of rules and procedures on the ways of doing work in KFH.

#### Understandable and Comprehensive Mission and Objectives (UCMO):

1. H1: There are significant positive responses from KFH employees describing its mission statement and objectives as a clear and easy to understand by both managers and employees.
2. H1: There are significant positive responses from KFH employees regarding their understanding the responsibility to set mission statement and strategic goals.
3. H1: There are significant positive responses from KFH employees regarding their understanding of setting achievable and measurable strategic goals and objectives.
4. H1: KFH employees are significantly taken in mind the bank’s mission and objective when doing such activity or dealing with customers.

#### Organisational Culture (OC):

1. H1: KFH employees receive a significant excellent service from the bank.
2. H1: There are significant positive responses from KFH employees regarding the contribution of free-interest loans to solve some of its community problems.
3. H1: There are significant positive responses from KFH employees regarding the importance of providing short-term free-interest loans to businessmen and entrepreneurs.
4. H1: There are significant positive responses from KFH employees regarding their opinions about its contribution of raising domestic savings.
5. H1: KFH employees receive a feedback and suggestions with an open mind and significant positive attitudes.
6. H1: There are significant positive responses from KFH employees regarding the definition of the bank organisational system.



## Supervisory and Management Style (SMS):

1. H1: There are significant positive responses by KFH employees describing their senior managers as open, supportive and considerate.
2. H1: A significant number of employees believe that senior managers explain the reasons for necessary change in the bank before doing it.
3. H1: There are significant positive responses by KFH employees describing their supervisors as open, supportive and considerate.
4. H1: KFH has a significant development to encourage team working to achieve most processes.

## Decision Making Policy (DMP):

1. H1: KFH employees are significantly involved in the decision-making process, especially those related to their own jobs.
2. H1: KFH employees have a significant positive degree of problem-solving skills.
3. H1: There is a significant positive encouragement by supervisors for their employees to have an independent thoughts and actions.
4. H1: There is a significant positive degree of KFH employee involvement in planning processes.

## Work Scheduling and Activity Measurement (WSAM):

1. H1: There are significant positive employee responses regarding the existence of work and operations scheduling in KFH.
2. H1: There is a significant degree of measuring the time of operations carried out by one employee in KFH compared to his/her overall time in the bank.

## Knowledge in Islamic Finance (KIF):

1. H1: There are significant positive employee responses regarding following the Islamic principles when dealing and serving customers.
2. H1: KFH employees have a significant knowledge about all Islamic products and services and their techniques.
3. H1: There are significant positive employee responses regarding alike between riba in the Islamic law and the interest in today banking industry.
4. H1: There are significant positive employee responses about believing that KFH does not receive nor pay interest on all of its transactions and activities.



5. H1: There are significant positive employee responses as to whether they follow SSB's fatwa and advices or not.
6. H1: There are significant positive employee responses concerning whether the SSB follows up all transactions and activities in the bank or not.
7. H1: There are significant positive employee responses regarding their opinions on the existence of confusion between SSB's publications and orders and the BOD's commands.

#### Knowledge in Managerial Skills (KMS):

1. H1: A significant number of KFH employees think that they have good ideas on managerial skills.
2. H1: A significant number of KFH employees set goals for their performance at least once annually.
3. H1: A significant numbers of KFH employees understand how their jobs are evaluated.
4. H1: A significant number of KFH employees are involved in planning and scheduling their jobs.
5. H1: A significant number of KFH employees have excellent skills on computer.
6. H1: A significant number of KFH employees understand their work responsibilities.

#### Support Sector Diagnosis' (SSD) Hypotheses:

1. H1: A significant number of KFH employees believe that corporate support functions meet their job-related needs.
2. H1: The HRD in KFH is significantly knowledgeable on the employees' personal issues.
3. H1: A significant number of KFH employees believe that HRD did an effective job in terms of training and development.
4. H1: A significant number of KFH employees believe that HRD always makes them aware of the career opportunities available within the bank.
5. H1: A significant number of KFH employees believe that they receive an adequate, appropriate and effective training programs which meet their needs.
6. H1: KFH has a significant and effective system to recruit new employees.
7. H1: KFH employees are significantly satisfied with the fairness of posting available positions in the bank.
8. H1: KFH employees are significantly receiving a fair compensation for the work they do.
9. H1: KFH employees are significantly receiving a fair bonus for the work they do.



10. H1: A significant number of KFH employees believe that they are paid fairly for the work they do.
11. H1: KFH employees are significantly receiving the expected financial rewards from the bank.

#### Recognition (REC):

1. H1: A significant number of KFH employees believe that they are treated with respect in the bank.
2. H1: KFH employees are significantly received a fair recognition form the bank.
3. H1: There is a significant positive relationship between the recognition which employees received and the jobs they have done.
4. H1: There is a significant positive relationship between the recognition which employees receive and the level of accomplishment.
5. H1: There is a significant link between recognition programs and encouraging the team working, co-operation and collaboration in the bank.

#### Communication and Banking Network (CBN):

1. H1: There are significant employee responses regarding their positive opinions about the communication structure network.
2. H1: A significant number of KFH employees are able to follow instructions and guides which describe how to use the network.
3. H1: KFH employees are significantly satisfied with the level of technology currently used by KFH compared to its competitors.
4. H1: There is a significant degree of automated communications in KFH.
5. H1: KFH employees are significantly satisfied with KFH network and the spread of information between divisions, departments and to outside the bank.
6. H1: There are significant employee responses regarding the reliable and up to date information in KFH.
7. H1: KFH employees are significantly satisfied with corporate-communications and division and department-communications which keep them informed.
8. H1: KFH employees have a significant and an open access to see members of the SSB and to take advises from them.



9. H1: A significant number of KFH employees believe that they receive a quick answers or replays from their managers when they send letters using the communication system in the bank.
10. H1: A significant number of KFH employees believe that written communication in the bank is clear and informative.
11. H1: A significant number of KFH employees are able to utilise and find information at the same time when needed.

### Organisational Structure (OS):

1. H1: The authority, which has been given to KFH employee, is significantly alike to his/her job responsibilities.
2. H1: There are significant positive employee responses regarding their opinions about confusion between departments in understanding their responsibilities.
3. H1: A significant number of KFH employees believe that the KFH organisational structure should be improved and redesigned to get better results.
4. H1: There is a significant awareness by KFH employees of things in other parts of the bank that might affect their jobs and implementation of activities.
5. H1: There is a significant basic understanding of the organisational structural lines in KFH by the employees.
6. H1: The ambiguity of organisational structure in KFH is insignificant.
7. H1: There is a significant degree of employee contribution in carrying out organisational structure or re-structure for their departments during the last two years.
8. H1: There is a significant degree of integration within KFH departments and divisions.

### Co-operation and Co-ordination between Departments and Sectors within the Bank (CCDS):

1. H1: There is a significant degree of co-operation a KFH employee receives from other departments.
2. H1: A significant number of KFH employees believe that there is cross-functional co-ordination and co-operation on important projects.
3. H1: There are significant positive employee responses regarding their beliefs that any department in KFH works as a unit in its own under the bank structure.
4. H1: There is a significant degree of integration between departments within KFH.



5. H1: There are significant differences between those degrees of integration among KFH departments
6. H1: A significant number of KFH employees believe that it is important for KFH departments and divisions to be integrated.

#### Work Procedures, Processes and Responsibility (WPPR):

1. H1: There is a significant degree of standardise KFH tasks in terms of performance.
2. H1: A significant number of KFH employees believe that the task in KFH is performed similarly every time.
3. H1: There is a significant effectiveness of work process performance in KFH.
4. H1: A significant number of KFH employees believe that the work processes have been developed and improved compared to a year ago.
5. H1: KFH employees are significantly held accountable for doing their jobs.
6. H1: KFH employees significantly believed that they are able to change their jobs to further careers.

#### Responsiveness to customers' needs and wants (RCNW):

1. H1: A significant number of KFH employees deal with outside customers.
2. H1: There is a significant degree of KFH commitment to make its customers successful in their businesses.
3. H1: A significant numbers of KFH employees believe the bank keeps promises to its customers.
4. H1: A significant numbers of KFH employees believe that its products and services meet customer needs and wants.
5. H1: There is a significant contribution of KFH branching network in encouraging internal and external customers to use its products and services.

#### The Importance of Products and Services (IPS):

H1: There are significant differences between KFH employee responses regarding the importance of its products and services and also there is a significant difference between male and female employees when rating that importance.

#### The Administrative Intensity (AI):

H1: There is a significant and effective resource allocation within KFH divisions and departments.



## 6.13 Statistical Analysis:

The data of this study has been analysed using the Statistical Package for Social Science (SPSS) software, and the following statistical measures are used to test the hypotheses mentioned above:

### 6.13.1 Descriptive Statistics:

Three kinds of descriptive statistics were used to analyse the collected data:

1. Frequency Distribution (FD) is used to obtain the frequency of all demographic data, as well as the subjects' responses to the study instrument questions.
2. The histogram with normal curve is obtained to test the distribution of the study data, i.e. normal or non-normal distribution. According to Kinnear and Gray (1997, P. 116) "the histogram of a sample of scores may suggest that it has been drawn from a normal population (or nearly so)".
3. Measures for central tendencies and dispersion (mean, median, mode and standard deviation) are used to examine the psychometric properties of the study measures, test the respondents' answers, study hypotheses and to test the distribution of the collected data.

### 6.13.2 Factor Analysis:

This is the one used for data reduction tests. Since the study variables are multidimensional concepts, there was a need to examine the dimensionality of each main variable, and to define the number of dimensions that constitute each variable. According to Norusis (1985, P. 123) factor analysis can be used "to determine the number of dimensions required to represent a set of variables".

### 6.13.3 ANOVA:

The analysis of variance (ANOVA) is commonly used to decide if the means of two or more populations are equal (Stevenson, 1978). ANOVA is also used to examine how much of variance in the dependent variable will be explained when several independent variables influence it (Sekaran, 1992). Since the study data is normally distributed, and the aim is to test the significant mean differences between more than two groups, ANOVA is used to test some hypotheses in this study. According to Sekaran (1992, P. 268), "analysis of variance ANOVA will help to examine if there are significant mean differences among more than two groups".



6.13.4 Mean Test (MT):

The MT is used to summarise the relationship between two variables when one is measured on interval scale and the other on nominal scale (Foster, 2001). It will used to measure some hypotheses in this study.

6.13.5 Correlation Test (r):

The correlation test is used to examine the nature, direction and significance of the relationships between variables. When the distribution of the study data is normal, the correlation coefficient is used to explore the strength of the relationship (r), the direction of the relationship (+/-) and the significance of the relationships (< 0.05 or >0.05). Normally, the closer the correlation coefficient (r) to +/-1, the stronger the relation between the two variables. This method is also used to test some hypotheses in this study.

6.14 The Internal Consistency of the Study Instrument:

The internal consistency of given measures is indicative of items’ homogeneity (Sekaran, 1992). In this study, the inter-item consistency reliability (ICR) is used to measure the internal consistency of the study questionnaires. The most popular and well-known test of ICR is Cronbach’s Coefficient Alpha.

**Table (6-7):** the Reliability Test (Coefficient Alpha):

Variables	Total number of Items	Total number of Cases	Coefficient Alpha
Study Data (Customers)	137	360	0.96
Study Data (Employees)	236	160	0.97

The reliability test was conducted for all retained items (236 items for customers and 137 for employees). From the factor analysis test (chapter seven and eight will discuss this analysis), i.e. the reliability of a scale “.... indicates the stability and consistency with which the instrument is measuring the concept and help to assess the “goodness” of a measure” (Sekaran, 1992, P. 173).

After re-coding all negative worded items in the questionnaires and reversing them, the reliability test using the Alpha method was conducted. The test included 137 items from the customer survey with 360 cases and 236 items from the employee survey with 160 cases. Table (6-7) presents the final results of this test. As can be seen from the table, Alpha for 360 customers’ cases and 137 items is 0.96. The table also shows the employee survey reliability as 0.97%. Reliability over 0.60



is generally considered to be acceptable. Thus, the ICR of the measures used in this study can be considered to be acceptable.

6.15 The Normality Test:

To examine the distribution of the study data, measures of the average central tendency, for the variables with Likert 5-point, which are the majority in the study, were used as presented in table (6-8) for customer data and table (6-9) for employee data.

**Table (6-8):** Results of the average descriptive statistic test Customer data:

Variable	Mean	Median	Mode
128 items*	3.5	3.5**	3.5***

\*The variables related with service quality measurement and variables with 5-point Likert.

\*\*Calculated from grouped data.

\*\*\*Multiple modes exist. The middle value is show

One of the most important properties of normal distribution is the identical of central tendency measures. Therefore, the mean, median and mode of the study variables (128 items for customers and 228 items for employees) were tested using an SPSS descriptive statistic test, the results (Tables 6-8 and 6-9) show that the mean, median and mode are 3.5, 3.5 and 3.5 respectively for the customer and 3.66, 3.60 and 3.60 for the employee.

**Table (6-9):** Results of the average descriptive statistic test Employee data:

Variable	Mean	Median	Mode
228 items	3.66	3.60*	3.60**

\* Calculated from grouped data

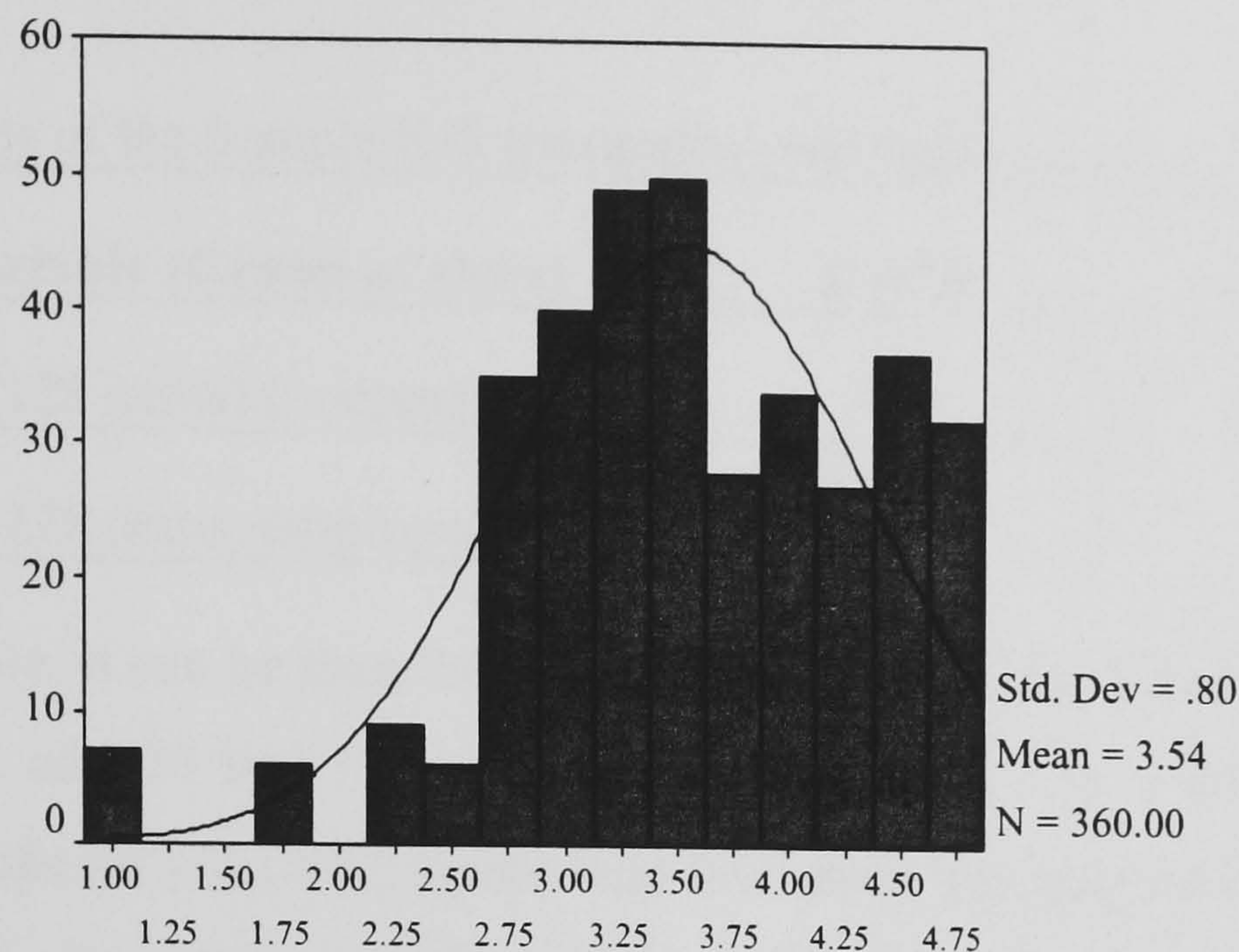
\*\*Multiple modes exist. The smallest value is show

From these results, it can be seen that the median and mode values are identical. However, the values of the mean (3.5 for customer data and 3.66 for the employee data) are equal or slightly higher than these values.

Furthermore, to test the distribution of the data, a histogram with normal curve was also obtained (figures 6-1 and 6-2). From these histograms, it can be seen that around 85% to 90% of data are under the normality carves. When these histograms are compared with the standard normal distribution histogram, no major differences were found.

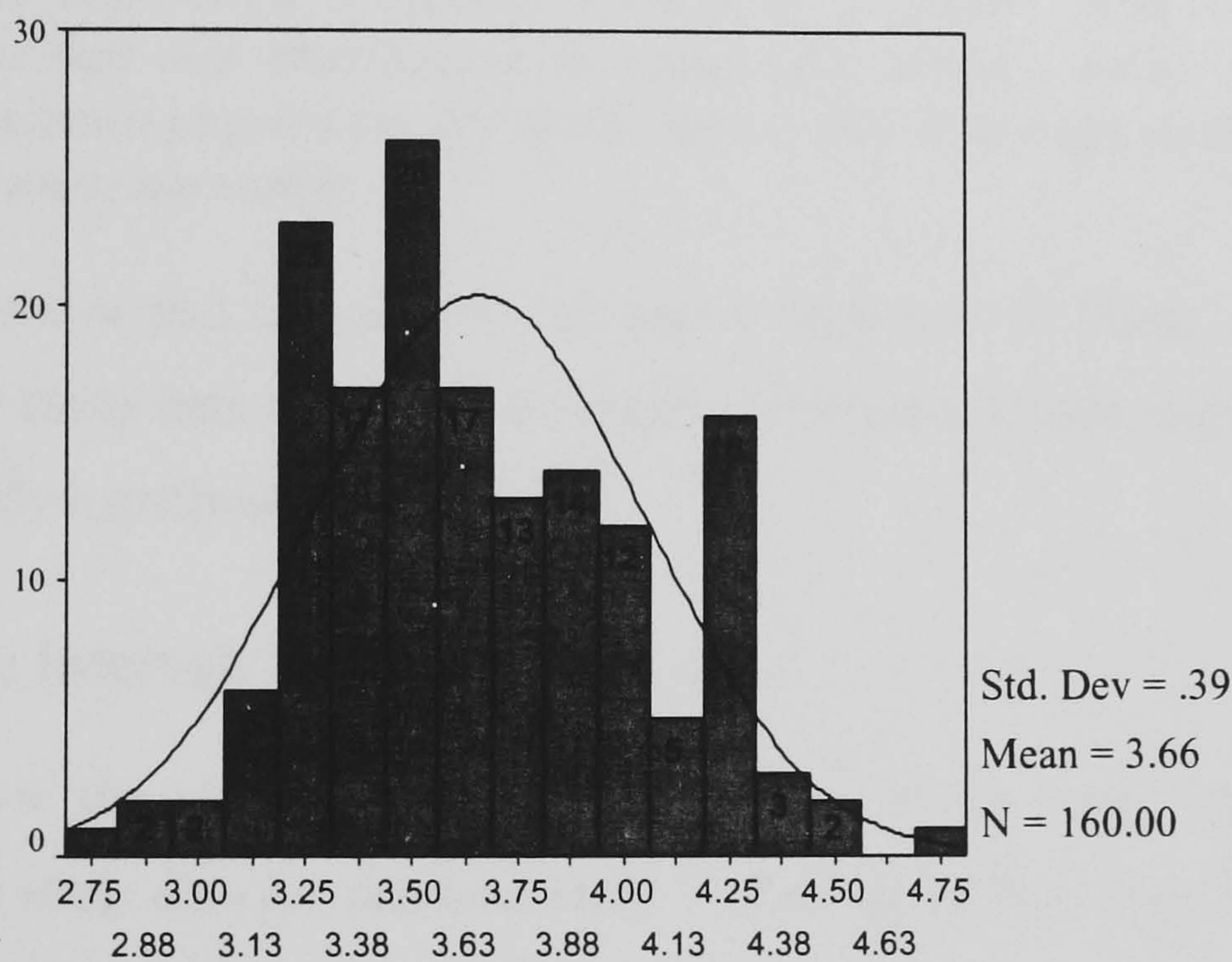


Figure (6-1): the histogram and superimposed normal curve of the distribution of customer data:



Figuer (6-1) Customers' data histogram

Figure (6-2): the histogram and superimposed normal curve of the distribution of employee data:



Employees' data histogram

Figure (6-2): the employee data histogram.

Thus, based on the measures of the central tendency and the histograms findings, it can generally be concluded that the study data are normally distributed, or nearly so.

To support these findings, and to examine further the distribution of the customer and employee data, the Kolmogorv-Smirnov goodness-of-fit test is used. According to Kinnear and Gray (1997, p. 116) “the Kolmogorv-Smirnov test can be used to test the assumption of normality of distribution”. It is computed from the largest difference (in absolute value) between the observed and theoretical cumulative distribution functions. This goodness-of-fit test tests whether the



observations could reasonably have come from the specified distribution. The results of this test are summarised in table (6-10).

**Table (6-10):** results of the Sample K-S (normality) test for the study data and variables.

No.	Variable (Group of Data)	K-S Z	2-Tailed P
1	Data (128 items) Customers’ data	1.33	0.006
2	Data (228 items) employees’ data	1.111	0.016

From the above table, it can be seen that the “customer data” and “employee data” variables scale have K-S Z values of 1.33 and 1.11, and the significant level of 0.006 and 0.016 respectively. Given that the significant level of Z is less than 0.05 even less than 0.025, it can be proposed that the study data for both customers and employees are normally distributed. According to Neter, Wasserman and Whitmore (1988, p. 78):

*When testing for normality (or any other distribution), it is frequently not important whether the population is exactly normal or is simply close enough to a normal distribution that this distribution is a reasonable model....many statistical tests that assume a normal population are quite robust and hence are satisfactory even in the absence of exact normality.*

From the results above and considering the above argument of Neter, et al. (1988), it can be concluded that the study data are nearly normally distributed. Hence, parametric methods will be used to test the study hypotheses.

6.16 Confidence Interval:

As discussed above, the results of the goodness of fit of the study data have shown that the distributions of the study data are nearly normal. According to Hays (1988, p. 236) “in any normal distribution of sample means [x] with population mean  $\mu$  and standard deviation  $\sigma M$ , the following statement is true: over all sample of size N, the probability is 0.95 for the event  $-1.96 \sigma M \leq X \leq +1.96 \sigma M$ ”.

6.17 The limitations of the Study:

The study has carried out only in one Islamic bank (KFH) found in specific economic environment (Kuwaiti economy) and unique cultural characteristics; this makes the generalisation of the results to the other Islamic banks in other economies or with different cultural characteristics less benefited without changing the study’s models to be fitted for the new culture and economy.



Regarding reliability and validity issues, for example, the Cronbach Alpha Coefficients are deemed acceptable in the context of the Kuwait Islamic banking sector, this may not be the case if this instrument is applied elsewhere in the same field in future, as the reliability of the scales may vary with the change of characteristics and size of samples in future studies. The information relating to generalisation of the results should, therefore, be clarified in the context of the possible danger in using the same format in future researches. However, the similarity of the establishment principles for most of Islamic banks found in different cultures and environment may support the generalisation of this study results and encourage researcher to do more research in this field.

#### 6.18 Conducting Remarks:

This chapter discussed the methodological issues relating to the examination of the study variables (Service Quality and internal Diagnosis' variables) in KFH. After introducing the objectives of the investigation; primary and secondary sources data collection methods; the study population; reasons why the study was carried out in KFH and highlighted the significant of pilot study; the study sample (customers and employees) were described in more detailed. That was followed by explaining the methods of distributing and collecting the study questionnaires for both customers and employees in KFH and discussion of the system of handling blank responses.

Also the chapter presented the variables of this study and the demographics and operational definitions were discussed that followed by explaining ways of measuring those variables. In addition, the study hypotheses and the statistical analyses, which were used to examine these hypotheses, were highlighted in more detailed in sections twelve and thirteen using the definition of the alternative hypothesis H1. Moreover, the internal consistency of the study measures using the Coefficient Alpha test was also conducted. The findings indicated that the measures used in this study might be considered to be acceptable.

Furthermore, the distribution of the study data, which defined the most suitable statistical measures for analysing the collected data, was also examined and the results revealed that the study data are nearly normally distributed. This chapter finally discussed the study limitations, which were concluded in the difficulty of generalisation of the study findings to other Islamic banks outside Kuwait.

After discussing the main relevant methodological issues to this study, chapter seven, eight and nine will examine those hypotheses and draw the implications and build the model of this study using different statistical tests.



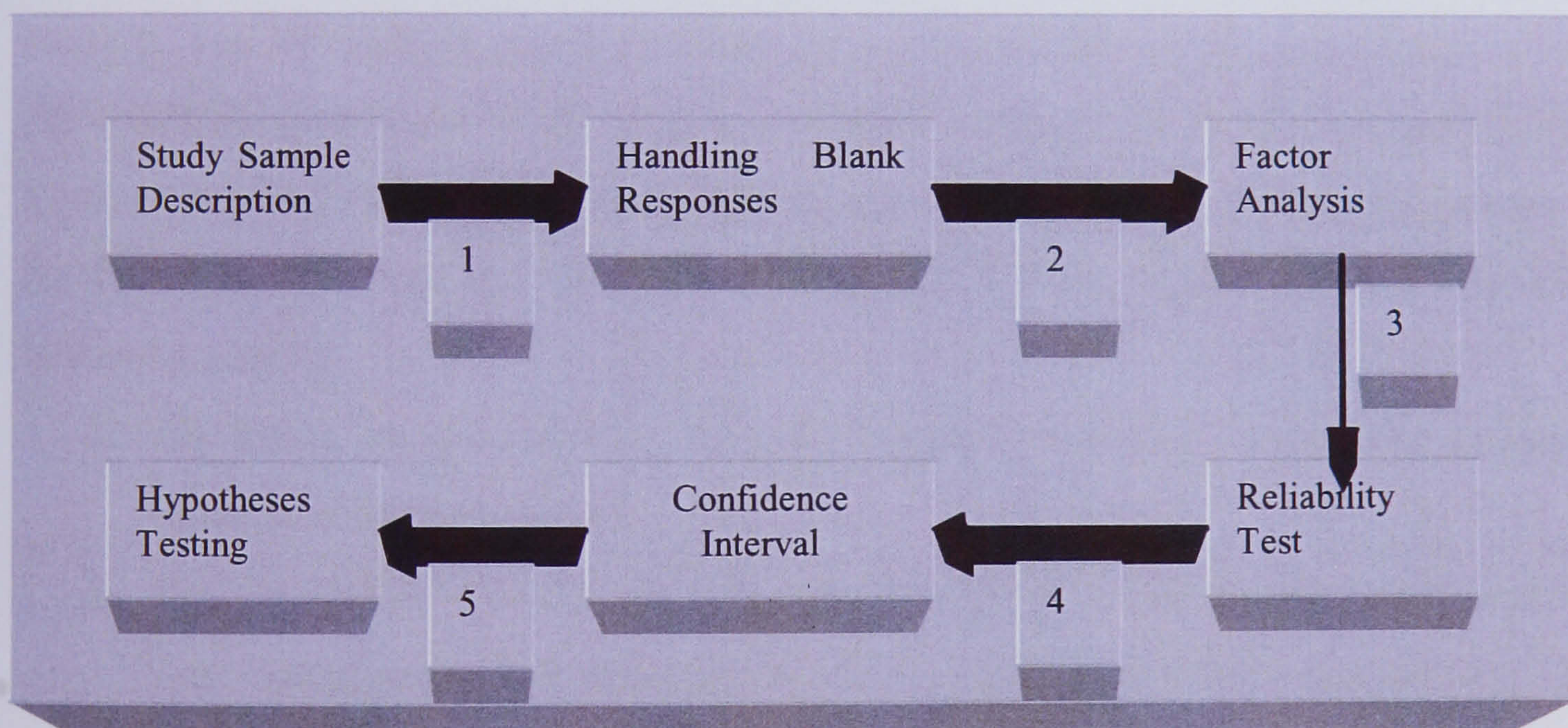
## Chapter Seven

### The Results, Findings and Discussion of Customers' Survey

#### 7.1 Introduction:

The previous chapter discussed the methods which were used by this study to examine the importance of adopting service quality management in Islamic banks, front office performance and customer expectations (service encounter), the products and services uses and needs in Islamic banking industry, what does influence customer to choose an Islamic bank, and finally Islamic banking customer satisfaction.

Based on those methods, this chapter has three main objectives to be arrived at by examining the primary data of the study collected from customers. First, is to test the multidimensionality of the CARTER variables. Second, is to examine the central tendency and variability of CARTER items. Third, to test the hypotheses of the study related to variables mentioned in chapter six.



**Figure (7-1):** A summary of the process of data analysis

As can be seen from this figure, when the collected questionnaires were refined using a manual filtering process to check their suitability for statistical analysis, the study sample was described. The method of handling blank responses was also defined, and factor analysis was conducted to examine the dimensionality of CARTER variables. Also an Alpha test was conducted to examine the reliability of the study variables and scales. Furthermore, the confidence interval against which the hypotheses will be tested was defined. As mentioned earlier, the focus of this chapter and next chapter will be on step 3 and 5; however, the previous chapter has already discussed the remaining steps of figure (7-1).



## 7.2 CARTER Variables:

### 7.2.1 The Multidimensionality of CARTER in Islamic Banking:

As discussed in chapter four, the suggested set of quality dimensions in Islamic banking is based on previous studies, and the bank's internal and external environment and culture. Therefore, the proposed CARTER dimensions in Islamic banking, including compliance, assurance, reliability, tangibles, empathy, and responsiveness, have been conceptualised as a proposed framework for this study.

Before testing the CARTER and customer survey hypotheses, the dimensionality of CARTER's variables was tested. Generally this analysis ensures that only significant and reliable factors load on a certain rotation method. Hence, factor analysis is the most reliable test to determine if CARTER is multifaceted constructs, and how many items there are in each dimension.

In order to assess the dimensionality of CARTER, its 34 items or its proposed 34 questions were factor analysed using the Principle Factor (component) (PF) method, followed by the Varimax rotation. The PF method produces parameter estimates that are the most likely to have produced the observed correlation if the sample is from a multivariate normal population. Moreover, the Varimax method rotates to simplify the interpretation of factors. Table (7-1) shows the results of the factor analysis test for CARTER's variables. These results can be summarised under the following points:

1. All items are loaded on Varimax rotation; therefore, they were computed for each dimension as a new scale.
2. The CARTER variable was found to be a multidimensional variable because six factors were found under the umbrella of this concept, namely F1= compliance, F2= assurance, F3= reliability, F4= tangibles, F5= empathy, and F6= responsiveness.
3. The multicollinearity between the produced factors was checked, and the value of Kaiser-Meyer-Olkin (KMO) (a measure of sampling adequacy), was found to be 0.821. Provided that this value is more than 0.5, it can be suggested that the factor analysis test proceeded correctly, and that the sample used was adequate. Therefore, it can be concluded that the matrix did not suffer from multicollinearity or singularity. Furthermore, the results of the Bartlett test of Sphericity were also obtained. The results showed that the Bartlett test was highly significant (sig. =0.000), which indicates that the factor analysis processes were correct and suitable for testing multidimensionality.



**Table (7-1): Factor loading of CARTER**

Items	F1	F2	F3	F4	F5	F6
Run on Islamic principles.	0.88					
No interest neither paid nor taken.	0.58					
Provision of Islamic products and services.	0.86					
Provision of free interest loans.	0.80					
Provision of profit-sharing investment products.	0.60					
Politeness and friendly staff		0.80				
Provider of financial advice		0.75				
Interior comfort of KFH		0.82				
Ease of access to account information		0.75				
Knowledgeable and experienced management team		0.43				
Convenience (short time for service anywhere)			0.74			
Integrated value-added services using			0.83			
Wide range of products and services provided			0.57			
Security of transactions			0.75			
More tills open on peak time.			0.76			
External appearance				0.85		
Speed and efficiency of transactions				0.76		
Opening hours				0.69		
Counter partitions				0.87		
Overdraft privileges on current account				0.69		
Bank location					0.74	
Bank's familiarity, reputation and image.					0.57	
Bank size in assets and capital					0.53	
Parking available					0.74	
Confidentiality of Bank					0.82	
Confidence in Bank's management					0.78	
Products and service profitability					0.70	
Lower service charge					0.69	
Knowledge on customer's business or willing to help						0.64
Way staff treat customers						0.84
Availability of credit on favourable terms						0.76
Branching						0.68
Fast and efficient counter services						0.79

4. According to the results in table (7-1) above, most of the CARTER items were loaded with more than 0.50, and only one item or factor (Knowledgeable and experienced management team) was loaded with less than 0.50 (0.43), because the option of suppressing absolute value less than 0.50 was not the chosen factor analysis before running the test. In conclude, the factor analysis test for CARTER variable has resulted as the proposed factors and dimensions. It should be remained with proposed 34 items instead of reducing it into the original number of SERVQUAL five dimensions and their 22 items.



## 7.2.2 Central Tendency and Variability of CARTER items:

KFH's customers were asked about the importance of proposed quality items, which were based on the CARTER six dimensions. The mean, median, mode and standard deviation of all CARTER's variables were obtained. The results of these central tendency measures are shown in table (7-2).

### 7.2.2a Compliance:

As can be seen in table (7-2), the mean of compliance is 3.8. This value suggests that most respondents viewed the compliance with Islamic law and principles as an important factor in Islamic banks. They inclined their responses towards the positive direction. In addition, the median value (5) of compliance is in a very important area. Moreover, the mode value (5) indicates that most of the study subjects related with compliance are important to be employed. Furthermore, the standard deviation value (1.1) of compliance indicates that there is dispersion around the mean (3.8). Given these results of central tendency measures and standard deviation, it can be concluded, in general, KFH's customers rated the compliance positively as a very important dimension, however, there is some variance in their views with respect to local culture.

With respect to the compliance items or variables (table 7-2), four items were found to have mean, median, mode and standard deviation values that are slightly similar to the compliance values discussed above, however for the variable of provision of free interest loans, the results reported that the mean = 2.6, median = 2, mode = 1 and standard deviation = 1.5. These results imply that KFH's customers rated the importance of this variable negatively, because KFH did not provide this service to its customers. In other words, the customers felt that it is unfair to put this service in the important area because it is not exist in the bank at all, so the mode value appeared to be 1 which indicates that most of the study subjects disagree with bank policies regarding free interest loans and rated this item as a "not important".

Finally, the importance of variable number one (Run on Islamic principles) ranked the highest item in terms of mean, median and mode (4.5, 5 and 5) and its standard deviation was less than 1; significantly a small variation among respondents' answers. That means, most, if not all KFH's customers rated this item as a "very important".



**Table (7-2):** Measures of central tendencies and standard deviations (averages) for CARTER variables:

No.	Variable	Mean	Median	Mode	SD
<b>Compliance</b>		<b>3.8</b>	<b>3.9</b>	<b>5</b>	<b>1.1</b>
1	Run on Islamic principles.	4.5	5	5	.88
2	No interest neither paid nor taken.	3.9	4	5	1.2
3	Provision of Islamic products and services.	4.5	5	5	.98
4	Provision of free interest loans.	2.6	2	1	1.5
5	Provision of profit-sharing investment products.	3.7	4	5	1.3
<b>Assurance</b>		<b>3.5</b>	<b>4</b>	<b>4</b>	<b>1.2</b>
6	Politeness and friendly staff	3.3	4	4	1.3
7	Provider of financial advice	3	3	3	1.3
8	Interior comfort of KFH	3.6	4	4	1.3
9	Ease of access to account information	3.8	4	4	1.1
10	Knowledgeable and experienced management team	3.7	4	4	.96
<b>Reliability</b>		<b>3.4</b>	<b>4</b>	<b>4</b>	<b>1.3</b>
11	Convenience (short time for service anywhere)	3.4	4	4	1.2
12	Integrated value-added services using	2.9	3	3	1.3
13	Wide range of products and services provided	3.8	4	4	1.4
14	Security of transactions	3.5	4	5	1.4
15	More tills open on peak time	3.3	3	4	1.1
<b>Tangible</b>		<b>3.3</b>	<b>4</b>	<b>4</b>	<b>1.3</b>
16	External appearance	3.6	4	4	1.4
17	Speed and efficiency of transactions	3.3	4	4	1.3
18	Opening hours	3.5	4	4	1.2
19	Counter partitions	3.6	4	5	1.3
20	Overdraft privileges on current account	2.6	2	1	1.4
<b>Empathy</b>		<b>3.4</b>	<b>3</b>	<b>4</b>	<b>1.2</b>
21	Bank location	3.7	4	5	1.3
22	Bank's familiarity, reputation and image.	3.7	4	4	1.1
23	Bank size in assets and capital	3.1	3	3	1.1
24	Parking available	3.4	3	3	1.3
25	Confidentiality of Bank	3.5	3	3	1.2
26	Confidence in Bank's management	3.8	4	4	1.2
27	Products and service profitability	3.1	3	3	1.1
28	Lower service charge	2.9	3	4	1.2
<b>Responsiveness</b>		<b>3.4</b>	<b>4</b>	<b>4</b>	<b>1.2</b>
29	Knowledge on customer's business	3.4	4	4	1.2
30	Able to fulfil individual/personal needs	3	3	3	1.3
31	Way staff treat customers	3.6	4	4	1.1
32	Availability of credit on favourable terms	3.3	4	4	1.4
33	Branching	3.9	4	4	1.1
34	Fast and efficient counter services	3.4	4	4	1.0

7.2.2b Assurance:

The central tendency measures and standard deviation for assurance were found to be as follows: mean = 3.5, median = 4, mode = 4 and standard deviation = 1.2 (table 7-2). These measures show that KFH's customers tend to rate assurance also as an important dimension. However, there is apparent dispersion in their views of the importance of assurance items or variables.



### 7.2.2c Reliability:

The value of the reliability mean, median, mode and standard deviation are presented in table (7-2). These values of central tendency measures ranged between 3.4 for the mean and 4 for the median and mode. Hence, we can conclude that KFH's customers appreciated the importance of reliability variables. However, the standard deviation value (1.3) suggests that there is a clear dispersion in customers when rating this variable.

### 7.2.2d Tangible:

As shown in table (7-2), five variables of tangible dimension reported central tendencies and standard deviation values similar to the average tangible mean, median, mode and standard division (3.3, 4, 4 and 1.3 respectively) which means that this dimension is also important. However, the customers rated overdraft privileges on the current account variable negatively (2.6 for the mean, 2 for the median, 1 for the mode and 1.4 for the standard division). The reason behind this view is because this service is also not provided by the bank.

### 7.2.2e Empathy:

Empathy is also viewed to be an important dimension, because the central tendency measures and standard deviation for this dimension were found to be 3.4 for the mean, 3 for both the median and mode and 1.2 for the standard deviation (table 7-2). The median value (3) of empathy is exactly halfway between the two groups, i.e. important/very important and not important/somewhat not important which means the customers tend to be neutral in this dimension. Seven of the empathy items were found to have somewhat similar central tendency measures and standard deviation to the average empathy measures.

### 7.2.2f Responsiveness:

The central tendency measures and standard deviation for these dimension variables are also exposed in table (7-2). The values of responsiveness mean, median, mode and standard deviation are 3.4, 4, 4 and 1.2 respectively. These results indicate that the responsiveness variables were rated as important items by KFH's customers. Nevertheless, the standard deviation value (1.2) suggests there to be some variation in customer responses.



### 7.2.3 The Hypotheses Testing:

The study hypotheses are tested according to the discussion and the guide given in chapter six. The general hypotheses are tested first, and sub-hypotheses will be followed if any.

#### 7.2.3.1 The Importance of adopting a CARTER Model:

*H0: There is no significant need and importance for Islamic banking managements to adopt service quality programs in their banks.*

*H1: There is a significant need and importance for Islamic banking managements to adopt service quality programs in their banks.*

To test this hypothesis, two methods will be used, namely, mean test and one-way ANOVA. Also, from the Frequencies tables, the average percentages of respondents with important and very important answers were calculated as viewed in table (7-3).

As we discussed in the previous section (table 7-2), the central tendency analysis indicates that all means, median and mode were greater than 3; i.e. in the important/very important area. Consequently, a significant number of respondents viewed it important that KFH consider all items of CARTER's dimensions and adopt a service quality program in the bank.

In addition, if we take the analysis further, table (7-3) shows that respondents, in essence, ranked the CARTER dimensions by rating the importance for each item. They were particularly consistent in their assessment because they clearly judged Compliance, Assurance and Responsiveness as the most important while Tangibles, Reliability and Empathy were the least important dimensions (see table 7-3).

According to the results in table (7-3), KFH's customers placed more emphasis on the Compliance dimension (3.8 average scale) because 93 per cent of them said that it was important for KFH to run on Islamic law principles. The provision of Islamic products and services item has also shown a high importance percentage of 91 percent, while 73 per cent of them said it was important that KFH should not pay nor take interest on savings and loans. Finally, the item concerned with the provision of profit-sharing investment products items ranked by 68 per cent. The provision of a free interest loan was the least important (28 per cent) because KFH does not provide this service to its customers. Most of the customers complained about that when interviewed and ranked this item accordingly as not available to them. There was less emphasis on tangible (3.38 average) but it is still on the important scale.



**Table (7-3): The Average and Percentage of CARTER's Variables Importance and its Dimensions Ranks.**

No.	Variables	Average importanc e	Perc- entage s	Items rank	Dim. Rank
<b>Compliance</b>		<b>3.8</b>	<b>70%</b>		<b>1</b>
1	Run on Islamic principles.	4.5	93%	1	
2	No interest neither paid nor taken.	3.9	72%	3	
3	Provision of Islamic products and services.	4.5	90%	2	
4	Provision of free interest loans.	2.6	28%	34	
5	Provision of profit-sharing investment products.	3.7	67%	7	
<b>Assurance</b>		<b>3.5</b>	<b>57%</b>		<b>2</b>
6	Politeness and friendly staff	3.3	54%	23	
7	Provider of financial advice	3	36%	30	
8	Interior comfort of KFH	3.6	63%	11	
9	Ease of access to account information	3.8	71%	17	
10	Knowledgeable and experienced management team	3.7	60%	6	
<b>Reliability</b>		<b>3.4</b>	<b>51%</b>		<b>5</b>
11	Convenience (short time for service anywhere)	3.4	52%	22	
12	Integrated value-added services using	2.9	33%	32	
13	Wide range of products and services provided	3.8	68%	8	
14	Security of transactions	3.5	54%	19	
15	More tills open on peak time.	3.3	50%	27	
<b>Tangible</b>		<b>3.3</b>	<b>51%</b>		<b>6</b>
16	External appearance	3.6	60%	12	
17	Speed and efficiency of transactions	3.3	52%	26	
18	Opening hours	3.5	54%	15	
19	Counter partitions	3.6	59%	13	
20	Overdraft privileges on current account	2.6	28%	33	
<b>Empathy</b>		<b>3.4</b>	<b>54%</b>		<b>4</b>
21	Bank location	3.7	62%	9	
22	Bank's familiarity, reputation and image.	3.7	66%	28	
23	Bank size in assets and capital	3.1	40%	25	
24	Parking available	3.4	47%	16	
25	Confidentiality of Bank	3.5	48%	5	
26	Confidence in Bank's management	3.8	72%	20	
27	Products and service profitability	3.1	55%	31	
28	Lower service charge	2.9	39%	9	
<b>Responsiveness</b>		<b>3.4</b>	<b>58%</b>		<b>3</b>
29	Knowledge on customer's business	3.4	54%	29	
30	Able to fulfil individual/personal needs	3	55%	21	
31	Way staff treat customers	3.6	59%	14	
32	Availability of credit on favourable terms	3.3	54%	24	
33	Branching	3.9	74%	4	
34	Fast and efficient counter services	3.4	52%	18	

Also table (7-3) shows the dimensions' and their items' average importance ranks that based on the average mean as a compliance ranked the highest, assurance ranked the second, responsiveness levelled the third, empathy the fourth, reliability the fifth and tangible ranked the lowest.



Furthermore, table (7-3) indicates that more than 50% of respondent's answers were in the area of "important/very important" which means that a significant number of KFH's customers represent the need and importance for the bank to adopt service quality program. Thus, the six CARTER's dimensions are ranked positively in terms of the percentage of importance as compliance (70%), responsiveness (58%), assurance (57%), empathy (54%), tangible (51%) and reliability (51%).

Hence, the null hypothesis is rejected. These results therefore indicate that there is a significant need and importance for Islamic banking managements to adopt a service quality program in their banks.

#### 7. 2.3.2 Gender and CARTER Dimensions:

The study also looks at CARTER variables from the demographic variables side (e.g. gender) as a factor of looking at data analysis.

*H0: There is no significant differences between male and female customers in KFH when rating the importance of CARTER dimensions.*

*H1: There is a significant difference between male and female customers in KFH when rating the importance of CARTER dimensions.*

To test this hypothesis, a method of comparing means was used, namely one-way ANOVA test. The final row in table (7-4) presents the summery of this test. As can be seen from this table, the F value of (0.213) is not significant (sig. F=0.645). Moreover, the means test results in the same table show that there is no significant difference between male (3.50) and female (3.54) means. This means that the difference in means for KFH's customers when rating the importance of CARTER's dimensions is not significant. Therefore, the null hypothesis is substantiated.

In addition, table (7-4) also presents the results of means and ANOVA test for the six dimensions and their items based on the gender variable. These results show that three dimensions are significant, namely compliance (F = 1.1, Sig. F = .29), empathy (F = 0.767, Sig. F = 0.382) and responsiveness (F = 4.7, Sig. F = 1.3). Provided that the female means for compliance, empathy and responsiveness are larger than those of males (table 7-4), it can be said that female customers in KFH rated the importance of these dimensions slightly higher than males.



**Table (7-4): Results of One-Way ANOVA and Means Tests for KFH's Customers Gender and CARTER dimensions.**

No.	Variables	Males	Females	F value	Sig. F
<b>Compliance</b>		<b>3.8</b>	<b>4</b>	<b>1.1</b>	<b>0.29</b>
1	Run on Islamic principles.	4.5	4.7	3.092	.080
2	No interest neither paid nor taken.	3.8	4.1	3.204	.074
3	Provision of Islamic products and services.	4.5	4.7	2.199	.139
4	Provision of free interest loans.	2.6	2.6	.000	.989
5	Provision of profit-sharing products.	3.7	4.1	7.201	.008
<b>Assurance</b>		<b>3.5</b>	<b>3.5</b>	<b>.013</b>	<b>.91</b>
6	Politeness and friendly staff	3.3	3.3	8.663	.003
7	Provider of financial advice	3	2.9	.114	.736
8	Interior comfort of KFH	3.6	3.6	.104	.748
9	Ease of access to account information	3.7	4.1	6.769	.010
10	Knowledgeable and experienced management team	3.7	3.7	.285	.594
<b>Reliability</b>		<b>3.3</b>	<b>3.3</b>	<b>.06</b>	<b>.8</b>
11	Convenience (short time for service anywhere)	3.3	3.4	.206	.650
12	Integrated value-added services using	2.9	2.7	2.355	.126
13	Wide range of products and services provided	3.8	3.8	.073	.787
14	Security of transactions	3.5	3.1	2.470	.117
15	More tills open on peak time.	3.2	3.6	4.198	.041
<b>Tangible</b>		<b>3.3</b>	<b>3.2</b>	<b>.44</b>	<b>.51</b>
16	External appearance	3.6	3.7	.278	.598
17	Speed and efficiency of transactions	3.4	3.1	2.879	.091
18	Opening hours	3.5	3.3	.982	.322
19	Counter partitions	3.5	3.8	3.299	.070
20	Overdraft privileges on current account	2.7	2.2	5.140	.024
<b>Empathy</b>		<b>3.4</b>	<b>3.48</b>	<b>.767</b>	<b>.382</b>
21	Bank location	3.7	3.4	3.775	.053
22	Bank's familiarity, reputation and image.	3.7	3.8	.337	.562
23	Bank size in assets and capital	3	3.3	3.670	.056
24	Parking available	3.3	3.3	.035	.853
25	Confidentiality of Bank	3.4	3.6	1.184	.277
26	Confidence in Bank's management	3.8	3.7	.087	.768
27	Products and service profitability	3.2	4.2	26.63	.000
28	Lower service charge	3	2.6	3.738	.054
<b>Responsiveness</b>		<b>3.5</b>	<b>3.7</b>	<b>4.7</b>	<b>1.3</b>
29	Knowledge on customer's business	3.3	3.7	1.012	.315
30	Able to fulfil individual/personal needs	3.3	3.5	8.072	.005
31	Way staff treat customers	3.6	3.8	2.484	.116
32	Availability of credit on favourable terms	3.3	3.6	2.936	.087
33	Branching	3.8	4	1.915	.167
34	Fast and efficient counter services	3.4	3.6	3.010	.084
<b>Average Service Quality dimension</b>		<b>3.50</b>	<b>3.54</b>	<b>.213</b>	<b>.645</b>

### 7. 2.3.3 The Validity of CARTER Items:

According to the discussion above, there is a significant importance for Islamic banking to adopt a service quality program in their managements and the model that has been used, as a scale measure for the importance of adopting service quality was CARTER. The study will test the validity of this model using the calculation of the relative importance weights for all 34 items and



six dimensions based on the highest scale number 5 as shown in table (7-5) and examine whether CARTER items represent process or outcome issues.

As can be seen in table (7-5), KFH’s customers showed that all items are important because the lowest weight recorded is 52 for Overdraft privileges on current accounts and Provision of free interest loans. In other words, 29% of the customers said these items were important but, because KFH does not provide them, most customers who were interviewed were surprised by the question and asked, “Where are these products?”

**Table (7-5): CARTER’s Dimensions and their Items Weights:**

No.	Variables	Weight**	Process/ Outcome
<b>Compliance</b>		<b>76</b>	
1	Run on Islamic principles.	90	P
2	No interest neither paid nor taken.	78	P/O
3	Provision of Islamic products and services.	90	P
4	Provision of free interest loans.	52	P
5	Provision of profit-sharing investment products.	74	P/O
<b>Assurance</b>		<b>70</b>	
6	Politeness and friendly staff	66	P
7	Provider of financial advice	60	P
8	Interior comfort of KFH	72	P/O
9	Ease of access to account information	76	P
10	Knowledgeable and experienced management team	74	O
	Reliability	68	
11	Convenience (short time for service anywhere)	68	P
12	Integrated value-added services using	58	O
13	Wide range of products and services provided	76	P
14	Security of transactions	70	P
15	More tills open on peak time.	66	P
<b>Tangible</b>		<b>66</b>	
16	External appearance	72	O
17	Speed and efficiency of transactions	66	P
18	Opening hours	70	P
19	Counter partitions	72	O
20	Overdraft privileges on current account	52	P
<b>Empathy</b>		<b>68</b>	
21	Bank location	74	P/O
22	Bank’s familiarity, reputation and image.	74	O
23	Bank size in assets and capital	62	O
24	Parking available	68	P/O
25	Confidentiality of Bank	70	O
26	Confidence in Bank’s management	76	O
27	Products and service profitability	62	P/O
28	Lower service charge	58	P/O
<b>Responsiveness</b>		<b>68</b>	
29	Knowledge on customer’s business	68	O
30	Able to fulfil individual/personal needs	60	P
31	Way staff treat customers	72	P
32	Availability of credit on favourable terms	66	P
33	Branching	78	P/O
34	Fast and efficient counter services	68	P

\*\* Relative weight based on the highest scale point (5)



Also, a 74% “Processes” and 26% “Outcomes” result clearly shows that service customers attach considerably more significance to the process elements of the bank, rather than to the outcomes, when judging quality.

The findings show that the CARTER model to measure SQ in the Islamic banking industry is valid and has been judged by KFH’s customers who fairly proved it is highly significant importance for the bank to adopt quality program.

### 7.3 Supported Variables:

#### 7.3.1 Front Office Performance and Customers’ Expectation (Service Encounter):

This section will not analyse the financial performance indicators which have been discussed in chapter three. The study will measure here the customers’ views toward front office performance in KFH and their expectations.

H0: There is no significant difference between front office performance in KFH and customer expectation.

H1: There is a significant difference between front office performance in KFH and customer expectation.

To test the above hypothesis, descriptive statistics (frequencies) will be used to analyse ten variables and the results summary is shown in the following highlights:

When the customer was asked, “how long have you been with KFH?” the results show that 85% of them have been with the bank for 4 years or more and 67% have chosen the period of 7 years and more. That means, the study respondents are familiar with the bank products and services and have a good experience with its businesses. Therefore, their evaluation should be used and taken place in this study and in measuring the quality of services.

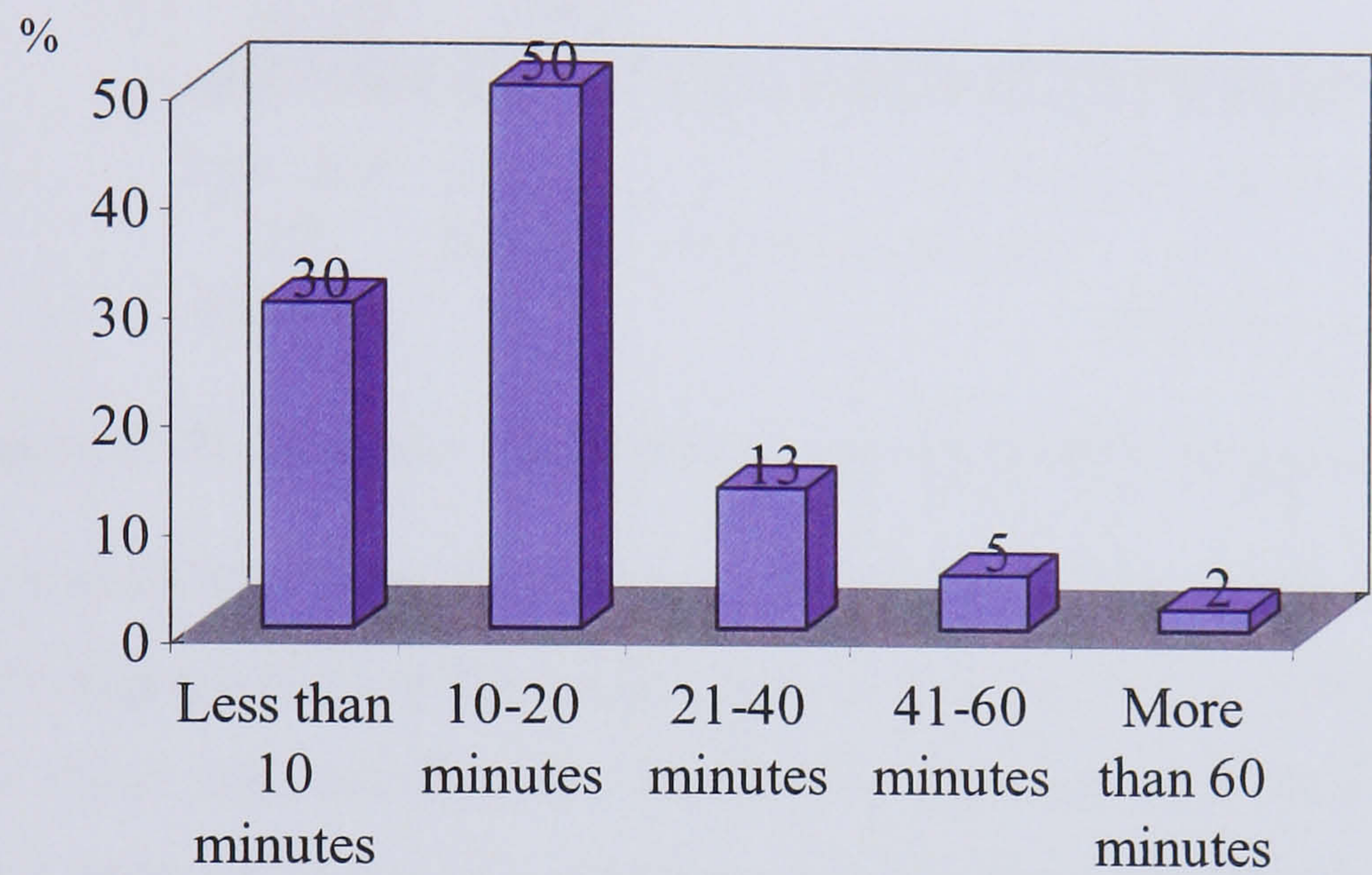
The second variable was the number of customer’s visits to KFH per month. Analysis shows that 88% of them visit the bank once or more per month, 56% of them visit the bank between 1 to 3 time a month and 32 % of them come to the bank more than 4 times a month. However, 80% of them came to the bank without any advanced appointments. Hence, most of the sample respondents visit the bank regularly and their evaluation will be considered by this study.

Also, the reasons behind visiting the bank were to withdraw cash with 51% of customers’ answers, to make a deposit with 37%, to inquire about a balance with 14%, to get advice for



investment options with just 5% of them and customers with other reasons were 23%. The respondents wrote reasons, such as open an L/C, using Murabaha facilities, asking for L/G, etc.

In addition, as shown in figure (7-2), 70% of KFH’s customers wait 10 minutes or more before being served in the front office. 20% of them have waited for more than 20 minutes in the waiting area while less than 30% of them have waited for less than 10 minutes.

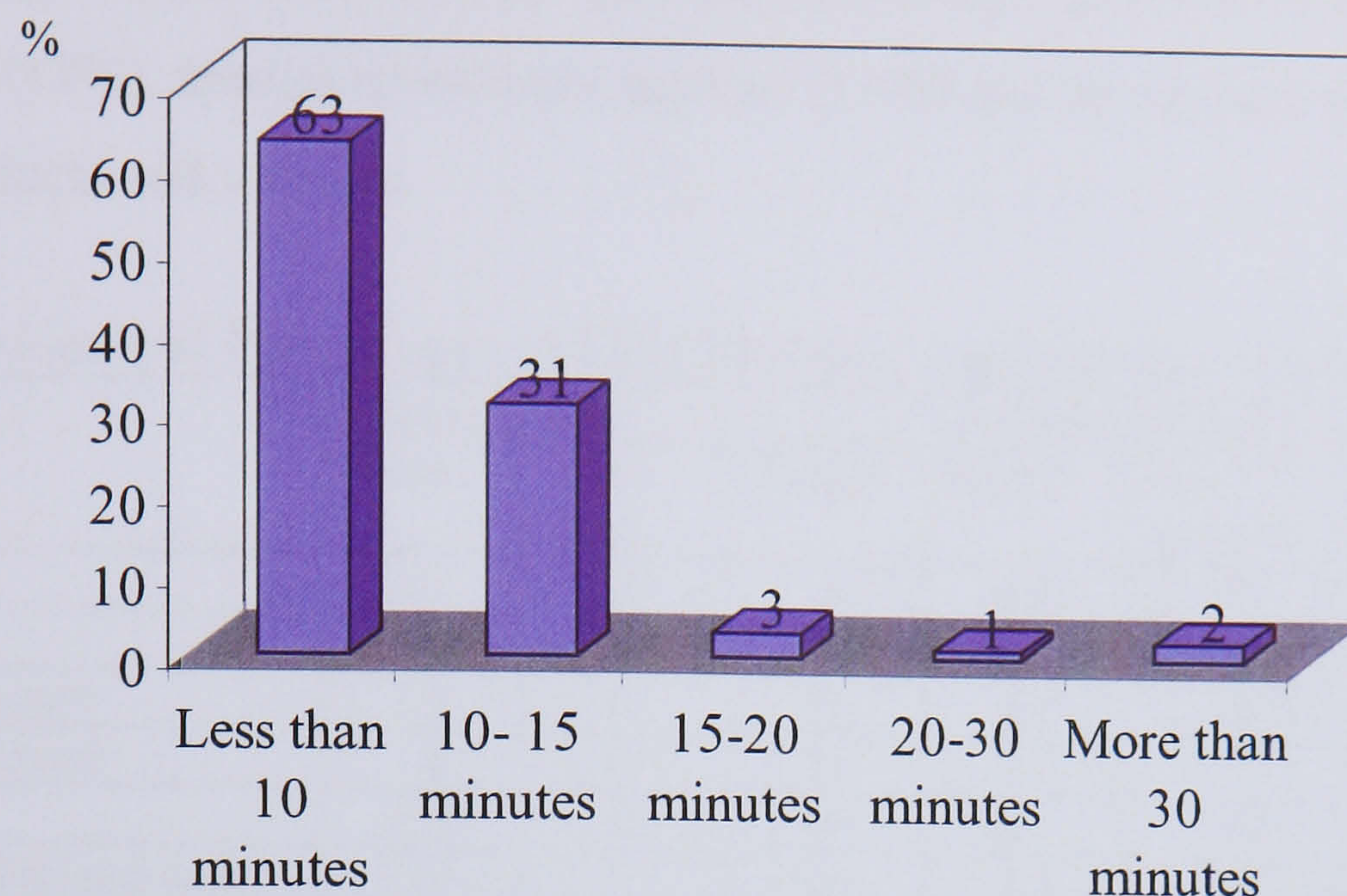


**Figure (7-2):** Customer waiting time before being served.

However, when the customers were asked whether waiting time was expected or not, 54% of them answered “more than expected”, while 10% of them replied “less than expected”. Hence, there is a significant difference between the reality in the front office and the customer expectation regarding waiting time in the front office. To examine this matter in more depth, the customers were asked about the reasonable time, which they expected to wait before being served from the front office and their answers are explained in figure (7-3).

The figure (7-3) below shows that 63% of respondents think that the reasonable waiting time before being served is less than 10 minutes, while 37 % of them think it is reasonable to wait for more than 10 minutes. Therefore, in terms of waiting time and front office performance, the null hypothesis is rejected and the study accepts the existence of differences between customers’ expectations and front office performance.





**Figure (7-3):** Customer waiting time expectation before being served.

But when customers evaluated how employees in the front office achieved their processes, the results were positive because 69% of them said that the employees were courteous during the last visit, only 16 % of them reported that the employees were not clear when they explained the process to them and 90% of them received clear advice from employees regarding what they should do in their matters. So, in terms of perform processes in the front office, the respondents were significantly satisfied.

### 7.3.2 The Products' and Services' Use and Need:

H0: There are no significant differences between products and services in KFH in terms of customer use and need

H1: There are significant differences between products and services in KFH in terms of customer use and need.

The descriptive statistics (frequencies) were also adapted to examine this hypothesis, and the results of this test are presented in table (7-7) below. The variables are the products and services provided by Islamic banks.

As can be seen in table (7-7), the mean measure for all product and service uses and needs were found to be different (see the second and fifth columns in the table). Also the table illustrates the percentages of respondent numbers who use the product and the degree of their needs of those products and services (see third and six columns in the table). It shows that products, such as ATM (80%), current account (79%), saving account (74%), profit-loss-sharing products (68%), check balance (65%), credit cards (64%) and cheque book and a cheque guarantee card (58%) are



the most popular, whereas few customers use Muzara’a (7%), free interest loans (8%), Musharakah (11%), Mudarabah (11%), general investment account (11%), paid zakat on customer’s behalf (12%), special investment account (13%) and investment advices and feasibility studies (13%) products and services.

**Table (7-7): The Mean and Percentages of KFH Products’ and Services’ Used and Needed**

Products and Services	Products Used			Products Needed		
	Mean	% of used	Rank *	Mean	% of needed	Rank
Current account	4.1	79	2	4.2	85	1
Savings account	4	74	3	4.1	82	2
Special investment account	1.9	13	21	2.4	26	24
General investment account	1.8	11	24	1.9	13	27
Mutajara	2.6	38	10	2.7	38	15
Musharakah (Partnership) products	1.7	11	26	2.3	29	21
Profit-Loss-Sharing Products	3.6	65	5	3.7	68	5
Sale on credit	2.1	22	18	2.7	39	13
Operation and purchase lease	2.2	27	16	2.6	36	18
Mudarabah or investment accounts	1.6	11	25	1.9	15	26
Muzara’a	1.4	7	28	1.7	8	28
Al-Qard Al-hasan	1.5	8	27	1.9	18	25
International financial services	1.8	18	19	2.5	37	17
Letter of credit	2.2	28	15	2.5	32	20
Letter of guarantee	2.2	29	14	2.6	40	12
Credit cards services	3.4	64	6	3.7	71	4
Automatic teller machine	4	80	1	4.1	82	3
Cheque book, a cheque guarantee card	3.1	58	7	3.4	60	7
Bill payment facilities, and standing orders	2.7	44	9	3.1	52	8
Investment management for others	1.8	14	20	2.5	33	19
Investment advises and feasibility studies	1.7	13	22	2.3	29	22
Bank pays Zakat on your behalf	1.7	12	23	2.3	29	23
Women counters or branches	3.1	46	8	3.1	50	11
Safe deposits	2.4	31	13	3.1	52	9
Check balances	3.6	68	4	3.7	67	6
Traveller cheques	2.4	31	12	2.7	39	14
Money order/drafts	2.4	35	11	3.1	52	10
Personal Banking transaction	2.1	26	17	2.7	38	16

\* The rank is based on the percentage of number of customers’ uses and needed the products.

Moreover, the respondents have ranked their needs for products and services as follow:

1. Current and saving accounts and ATM products are the most needed because more than 82% of respondents’ answers were in the area of “somewhat needed/very much needed”.
2. Credit cards services are also emerged with very significant rank (4) with 71% of respondents’ answers “somewhat needed/very much needed”.
3. Profit-loss-sharing, check balances, cheque book and cheque guarantee card, bill payment facilities and standing orders, safe deposits and women counters or branches products and



services are also emerged with significant need by KFH's customers because more than 50% of respondents said they need those products and services.

4. While, the most unlikely needed products were muzara'a (8%), general investment account (13%), Mudarabah (15%), free interest loans (18%), special investment account (26%) and paid Zakat on customer's behalf (29%).

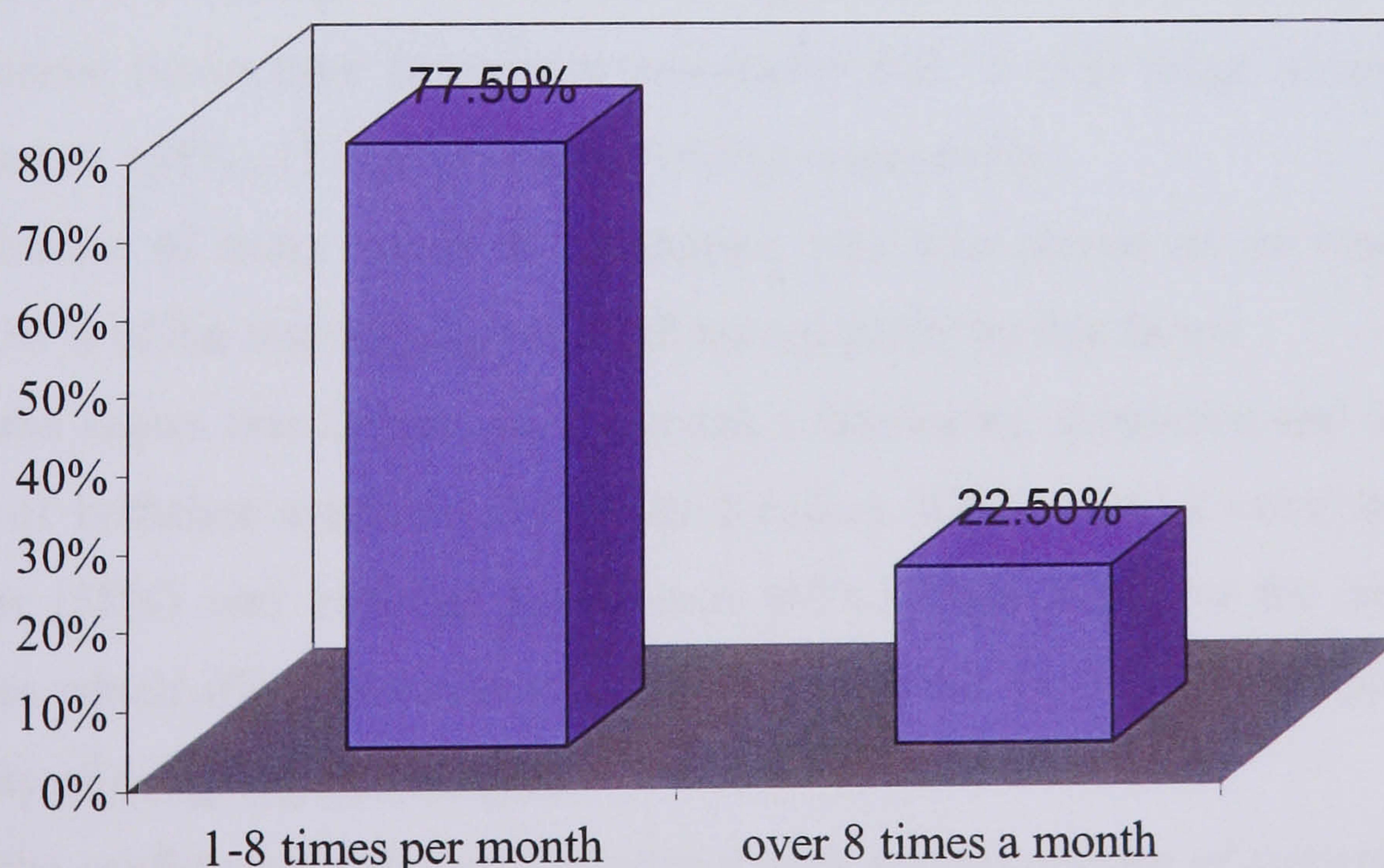
However, results shown in table (7-7) explain that respondents evaluated their use of KFH's products and services, and their needs for those products and services differently (see columns four and seven). Because of few differences between variables ranks, so we cannot say these differences were highly significant. Hence, the study will accept the alternative hypothesis as "there are somewhat differences between products and services in KFH in terms of customers used and needed".

As example for the above discussion, we can examine the ATM use hypothesis as below:

H0: ATMs are significantly used by KFH's customers 8 times or less a month.

H1: KFH's customers significantly use ATMs over 8 times a month.

When analysed respondents' answers regarding ATM use per month, figure (7-3) illustrates the results of this analysis as 77.5% of respondents use ATM facility 8 times or less per month, while 22.5% of them use it more than 8 times a month.



**Figure (7-4):** ATM use in KFH

This means, the null hypothesis is accepted and the bank must encourage its customers to use this facility because 51% of them visit the bank to withdraw cash as discussed above.



### 7.3.3 The Customer's Influences for Choosing an Islamic Bank:

H0: There are no differences between KFH's customers when choosing factors or criteria which influence them to use KFH.

H1: There are significant differences between KFH's customers when choosing factors or criteria which influence them to use KFH.

To find out which most important criteria that influence customer to choose an Islamic banks, the analysis above and results in tables (7-2), (7-3) and (7-4) viewed the following facts:

1. The most important influences were on the religion side, because criteria, such as “Runs in Islamic principles” (92%), “It is the only Bank in the country that provides Islamic Banking products”(89%), and “To deal with products that are accepted by Islamic Law” (94%) are rated as a very important influence for customers to choose the bank. Therefore, few customers stood neutral or ranked those influences in the “not important” area.
2. Criteria, such as “The size of bank in terms of asset and capital” (40%), “confidentiality of bank” (48%), “parking availability” (46%), “integrated value-added services” (32%), “lower service charge” (39%), “financial counselling provided” (35%), “overdraft privileges on current account” (29%), “opportunity to get free interest loan” (28%) and “knowledgeable about customer's business” (32%) were negatively ranked in neutral or not important areas.
3. The performance of processes and outcome criteria were significantly ranked positively by customers, i.e. “better profit compared with the interest in traditional bank”, “quick service and speed of transactions (transaction completed in short time instead of long time)”, “convenience (short time for service anywhere)”and “a wide range of services provided” were rated as (55%), (51%), (52%) and (68%) respectively.
4. The influence of mass media or promotion was also shown as an important influence because 61% of the respondents were influenced partly by this factor.
5. The results shows that factors, such as bank's familiarity, reputation and image (67%), the number of branches available (74%), its location (62%), interior comfort (63%), counter partitions (58%) and external appearance (60%) were found in the area of important influences which affect customers to deal with the bank. So KFH should pay more attention to the way of designing its branches.
6. Finally, the confidence in the bank's management and knowledge of customers' business are also important influences because 72% and 54% of respondents' answers were in the important/very important area.



Therefore, there are significant differences between customers when ranking their influences for using KFH's products and services. That means the null hypothesis is rejected.

#### 7.3.4 Customer's Behaviour to Open Another Account:

H0: No significant number of KFH's customers keep another account in interest-based banks.

H1: A significant number of KFH's customers keep another account in interest-based banks.

To examine this hypothesis, the question asked was whether the customers held another account in an interest-based bank or not and only 32% of them had second accounts with different interest-based banks in the State of Kuwait; and 65% of them held one account with KFH. That means the null hypothesis is accepted.

However, the answers were this way because of the religious reasons, which also have rated significantly by respondents, because 81% of them have chosen reasons, such as "I fear Allah and I do not want to deal with non Islamic banks" and "I like all products provided by Islamic banks". Others reasons, such as family and cultural influences rated only 4% for both of them.

Moreover, the study found out the reasons behind having another account in other banks and 60% of the respondents who had another account said it was because of the fast and efficient services in those banks, 20% of them said because of the bank's size and friendship of bank staff, 35% of them said due to their salaries which transferred to these banks and only 15% reported that the reason was the opportunity to get loans from these banks.

#### 7.3.5 Customer Satisfaction:

Before testing the hypothesis, two facts regarding customer satisfaction in this study should be mentioned. When respondents were asked whether KFH came up to their expectations as a good bank, 75% of them were satisfied with this phrase. On the other hand, when asked if KFH is close to being the ideal bank, only 34% of them were satisfied with this phrase. Therefore, the customers viewed the bank as a good bank but not the ideal bank that met their desires. This section will find out which side of the bank caused customers to answer this way.

##### 7.3.5.1 Satisfaction with Products and Services:

H0: There are no significant number of KFH's customers are satisfied with its products and services.

H1: There are a significant number of KFH's customers are satisfied with its products and services.



The above hypothesis is examined also using frequencies and central tendencies measures as presented in table (7-8).

**Table (7-8):** The Central Tendencies and the Percentage of KFH’s Customers who are satisfied with Products and Services.

Item	The Mean	The Median	The Mode	% of No. of Satisfied customers
Satisfaction with overall services.	3.8	4	4	76.6
Satisfaction with Service Quality.	3.4	4	4	53
Satisfaction with mailing service	3.1	3	3	41
Satisfaction with credit cards & ATM services	3.9	4	4	74
Satisfaction with the variety of products and services	4.1	4	5	79
Provide the service at the time of customer needed.	3.2	3	3	45
Total Average	3.5	3.7	4	61

The last row in the table above shows that 61% of respondents were satisfied with KFH’s services, the most frequently occurring value was 4 (somewhat satisfied), and the average mean and median was above 3 (3.5 and 3.7 respectively). Hence, the null hypothesis is rejected, i.e. there is a significant number of respondents satisfied with services provided by KFH. However, only 45% of respondents were satisfied with the provision of service at the time they need it, which is not significant, and 47% of respondents were not satisfied or stand neutral with the quality of services.

### 7.3.5.2 Satisfaction with Process Performance (Service Encounter):

H0: There is no significant number of KFH’s customers satisfied with ways that staff operate or implement processes .

H1: There is a significant number of KFH’s customers satisfied with ways that staff operate or implement processes.

To test this hypothesis, the percentages of number of respondents who are satisfied with process performance items and central tendencies measures were calculated as shown in table (7-9).

As can be seen from the table, only 46% of respondents are satisfied with the time taken by KFH’s staff to perform the process. That means staff in the front office have taken so long to finish a customer process that only 39% of customers were satisfied with the service time. Also the mean, median and mode were in middle of the scale (3). That means the null hypothesis is supported by this analysis.



**Table (7-9):** the central tendencies and percentage of KFH customers who are satisfied with way that processes performed in KFH:

Satisfaction Item	The Mean	The Median	The Mode	% of No. of Satisfied customers
Time spent in the process from start to the end.	3.1	3	4	47
The time required contacting someone and getting feedback.	3.1	3	3	39
Field service has been done at the scheduled time	3	4	3	54
Total Average	3	3.3	3	46

7.3.5.3 Satisfaction with KFH’s Profits:

*H0: There is no significant number of KFH’s customers satisfied with its profits.*

*H1: There is a significant number of KFH’s customers satisfied with its profits.*

The results show that 72% of respondents were satisfied with KFH’s profits while 13% of them were not satisfied. Thus, the null hypothesis is rejected; i.e. the customers were satisfied with the profits.

7.4 The Discussion and Implications of the Findings:

After examining the data collected from customers and testing the service quality hypotheses above, this section will highlight the findings and analyse them. For consistency, the presentation of the findings and the discussion will follow the same sequence as used above. Accordingly, this section will discuss some major issues presented below:

- 1. The multidimensional nature of CARTER and its implication for both managers and researchers.
- 2. The importance of adopting CARTER in Islamic banking management and its implications and affects on the performance of the bank’s front office.
- 3. The relationship between customer satisfaction and CARTER.
- 4. The theoretical and managerial implications for each finding are also discussed in this section.

7.4.1 The Multidimensionality of the CARTER Model:

Factor analysis was used to examine the multidimensionality of CARTER variables. The findings obtained from this analysis have shown that the CARTER is a multidimensional variable comprising six dimensions with 34 items. These findings are in line with the arguments of the most service quality studies with respect to multifaceted nature of this construct. For instance, most of SERVQUAL studies (e.g. Parasuraman, et al., 1985, 1988, 1990, 1991, 1993 and 1994;



Cronin and Taylor, 1992 and 1994; Avkiran, 1994; Blanchard, et al., 1994; Buttle 1996; Angur, et al. 1999; Robinson 1999; Allred and Addams 2000; Bahia and Nantel 2000) have conceptualised SERVQUAL as a multifaceted concept.

The service quality scholars (e.g. Parasuraman, et al., 1985) have argued that only ten dimensions make up the SERVQUAL variable but in their work in 1988 suggested a five dimensions with 22 items, as discussed in chapter four. On the other hand, Mathew Joseph, et al. (1999) have identified 25 common factors for service quality in the banking sector. Thus, there is a general consensus on dimensionality of SERVQUAL. In conclusion, it has been emerged in literature that there is maybe little agreement on the number and kind of factors that comprises this concept.

Compared with other concepts, CARTER is a more open concept which takes account of most factors relating to customer satisfaction, customer expectations, employee performance, organisational culture, process implementation, etc. that all could be included under this major variable.

### The Implications:

In the light of the above discussion, and considering the factor analysis findings, some theoretical and managerial implications can be highlighted. First, Islamic banks and/or managers/practitioners should be aware of cultural or religious dimension, which loaded first in the analysis. Only one item (Knowledgeable and experienced management team) was somewhat disregarded in the factor analysis and four items were perceived as not important (provision of free interest loans, Integrated value-added services using, overdraft privileges on current account and lower service charge). All these items should be taken into account when measuring service quality using a CARTER model because of the KFH monopoly of Islamic banking in Kuwait and limited services list provided by the bank. It is time for Islamic banks to revise the old establishment list of the 1980s and early 1990s of SERVQUAL dimensions to include the new dimension mentioned above. Even more Islamic banks should learn how to prioritise these factors according to their cultures, current situations and the availability of resources.

According to researchers, it might be an opportunity to re-conceptualise the CARTER variable in light of any change in culture or background attitude, especially in organisations like Islamic banks.



#### 7.4.2 CARTER Dimensions:

It is felt that the results obtained in this study were more than passing interest to fellow researchers working in the service quality field. The statistical analysis indicates that assessments of service quality can be captured as limited number of dimensions, which are captured by CARTER model. In other words, they are viewed as good predictors of, but not the only determinants of, service quality. However, the CARTER model dimensions are good predictors of overall quality, but they may also be highly correlated with overall satisfaction, as defined in chapter four.

As can be seen from the results, all areas of service quality were significantly testing positively by KFH's customers. The results of central tendency measures and frequency test revealed that most of 34 items were importance and the six dimensions scored more than 50% of the average importance. This finding mirrors some of the findings in the recent western management literature, (for example Babakus, et al. 1992; Cronin and Taylor, 1994; Bolton, et al. 1991), but as mentioned, the author did not find any study in Islamic banking industry to support these findings.

Also the one-way ANOVA and means tests revealed that there is no significant difference between males and females customers in KFH when rating the importance of the CARTER dimensions. In other words, there is no difference between customers in KFH in perceptions of overall service quality in the bank. Since they use the same products and services, male and female customers show similar views towards the importance of service quality items. The results also revealed that customers (male and female) tend to show similar perceptions toward the CARTER six dimensions of service quality. However, a surprising result of the survey was that even though gender discrimination is still high in Kuwait, privacy for female customers in KFH is highly valued by those customers.

With respect to compliance, empathy and responsiveness, the results have also shown that female customers showed higher level of rated than their male counterparts.

Furthermore, the results revealed that female customers tended to rate cultural items, such as run on Islamic principles, provision of Islamic products and services, confidentiality of bank, etc. more than their male counterparts because female customers might respect the cultural norms more than males.



At the same time, findings show that the basic levels of Islamic banking service quality are achieved in a cooperative and comprehensive bank culture and environment, the expectations for highly specialized services for customers will increase together with a recognition that innovation and local differentiation of resources and services is increasingly important.

Finally, as can be seen in the results, the CARTER items revealed to be more processes than outcomes. So measuring Islamic banking service quality can be both a project as well as a process to be continually enhanced and improved as proved by the results.

### The Implications:

Up to date, very few models linking quality management and the banking industry have been developed and in terms of the Islamic banking industry, the author did not find any research, which mentioned word quality in this industry.

A primary issue of concern is the need for an Islamic bank to work perfectly on the demand of, or response to, its customers' needs and wants. Models should be developed to determine where operating system breakdowns occur, why they occur and how they can be prevented.

The CARTER methodology of measuring service quality provides a multitude of opportunities for Islamic bank management to operate in better ways, offer quality services, gain competitive advantage and finally to satisfy their customers' needs.

Consequently, putting together a special team to talk with customers and to evaluate the bank's existing practices will bring new visibility of the customer's requirements into the bank. However, if the efforts were successful, the service designers can expect to develop a new customer service which creates satisfied and loyal customers, produces a more efficient organisational structure and establishes a competitive advantage framework for the bank.

Islamic bank managers can use the CARTER model and its dimensions first to identify the following issues:

1. To identify those areas where improvement should be made and resources can be allocated. For instance, they need to know the level of quality in their banks and they can manipulate to make bank-wide improvement in quality performance. Also they can use benchmarking to compare their performance with that of other banks' which have already implemented quality programs to help prioritise quality management efforts.



2. There is a growing worldwide demand for Islamic banking products and services and customers are always aware of whether their banks follow Islamic principles in all transactions or not. Therefore the Islamic bank management must ensure that all products and services offered by their institutions, processes and procedures are compliant with Islamic laws. Also, the study suggested that it is better for Islamic banks to provide their customers who are in need with free-interest loans.
3. The study findings show the need to reduce the time allocated to each process, to increase work intensity and to expand service capacity in Islamic banks. Hence, the implementation of quality program in Islamic banking may help the bank management to achieve those aims.
4. The importance of redesigning the front offices and counters with unique shapes and beautiful forms has risen in the study results (Tangible variable results). So Islamic banking management should pay attention to this matter.

Second, one of the key issues revealed in the findings is that CARTER is the need for a balance between a general understanding of customers needs and an internal understanding related to the bank's operations, specific services, geographical locations, or counter designs. The CARTER attempts to develop a protocol that is scalable and yet is also useful for internal planning and decision-making.

Therefore, the results can be used for both diagnostic and comparative purposes. They were able to identify specific service areas that needed further improvement. At the same time, the bank managements may develop an understanding of how their institutions compare to similar institutions and how the CARTER assessment effort relates to other large-scale assessment efforts they have in place.

Also, the understanding of service quality in an Islamic bank will possibly lead its management to develop not only an understanding of preferred and best service practices but towards widespread recognition of standards for service quality, especially to the extent that customers have an overreaching preconceived notion of bank quality. For example, to the extent that customers are expecting Islamic banks to provide all products and services under the umbrella of Islamic laws and principles, so standards should build on the bases of those principles.

Finally, the findings reported in the point of process and outcome above and their implications, have far-reaching consequences for the future of Islamic banks and their evaluation and assessment. Islamic bank service quality is a concept that is becoming less elusive and



increasingly recognisable and actionable. As standardised procedures like CARTER are emerging and flourishing side by side with local implementations emphasising quality improvements, there is a distinct possibility that Islamic banks will be in a position to develop a better understanding of what constitutes and determines various levels of quality in certain environments

Academic researchers can use the CARTER model to build theories and new models, which might be related to these issues of the Islamic bank performance, environment and culture. More research needs to be carried out for ascertain how quality relates to the Islamic banking industry and who is responsible of implementing service quality program in Islamic banks, e.g. board of directors, general manager, mid management or all. In terms of implementation, research needs to be done to identify and eliminate the regulations, attitudes, policies, etc., which may be an impediment to continued improvement.

Cronin and Taylor (1994) assert that since SERVQUAL seems to have little empirical and conceptual research support, the real question that should be asked regarding this research is whether, or not, it can produce a valid and reliable measure of service quality for service industries. The author suggests that, based on this research results, the scale can provide a reliable, valid, and useful tool for measuring overall service quality levels or attitudes in Islamic banking industry using CARTER. Hence, many researches are needed to examine the model's validity in different banks located in different cultures.

#### 7.4.3 Customer satisfaction and Service encounter:

Results presented by the CARTER aim to understand how customers think about and evaluate Islamic bank. It is based on the idea that, if we want to improve Islamic banks services, we need to build upon a framework of customer perceptions and expectations. The results have shown that customers perceive Islamic bank service quality on different levels based on their level of satisfaction. Therefore, understanding the concept of satisfaction is necessary for managing service quality effectively (Rust et al.1994).

However, adopting the CARTER model effectively in Islamic banking management requires a clear understanding of what service quality means to customers because the analysis presented principles (CARTER items) of customer services that are used generally in any bank and few of them only used by Islamic banks. These principles are also used to analyse staff attitudes to determine possible solutions based on improving the quality of services in the Islamic bank. Parasuruman, Barry, and Zeithaml (1988) identified 22 determinants of service quality which



influence and alter the way a customer perceives and experiences service. They also established a relationship between expectations and perceptions of service quality as discussed in chapter four. The study results showed that the CARTER model was not different from the Parasuruman, et al. model and the only difference was that the CARTER model adds a number of items and a new dimension to the existing dimensions in Parasuruman, et al. model.

As discussed in chapter four, Oliver, (1993) noted that satisfaction loosely means “enough” or “enough to excess”. Thus, customer satisfaction can be defined as the customer’s fulfilment response. It has also been described as a process by (Rust, et al., 1994) and the most widely adopted of process theories is that of expectancy disconfirmation in which satisfaction is viewed as largely based on meeting or exceeding expectations.

The characteristics discussed in chapter four make the concept of quality in service different from in manufacturing goods. That means quality should be a measure of customer satisfaction in services. Therefore, a bank that is committed to deliver a high quality service must pursue consistent customer satisfaction.

The above results of measuring overall customer satisfaction in KFH show that the majority of the customers were satisfied with its products, services and its profits whereas only 46% of them were satisfied with the time spent to finish the service encounter, only 39% of them were satisfied with the waiting time before being served.

Also the customers rated their satisfaction with KFH profits positively and as a consequence, the overall performance is also satisfied.

Furthermore, the results show that the customer’s waiting time before being served was more than expected by them, this indicates the customers were not satisfied with the service encounter (i.e. time before being served and the time taking for achieving the process).

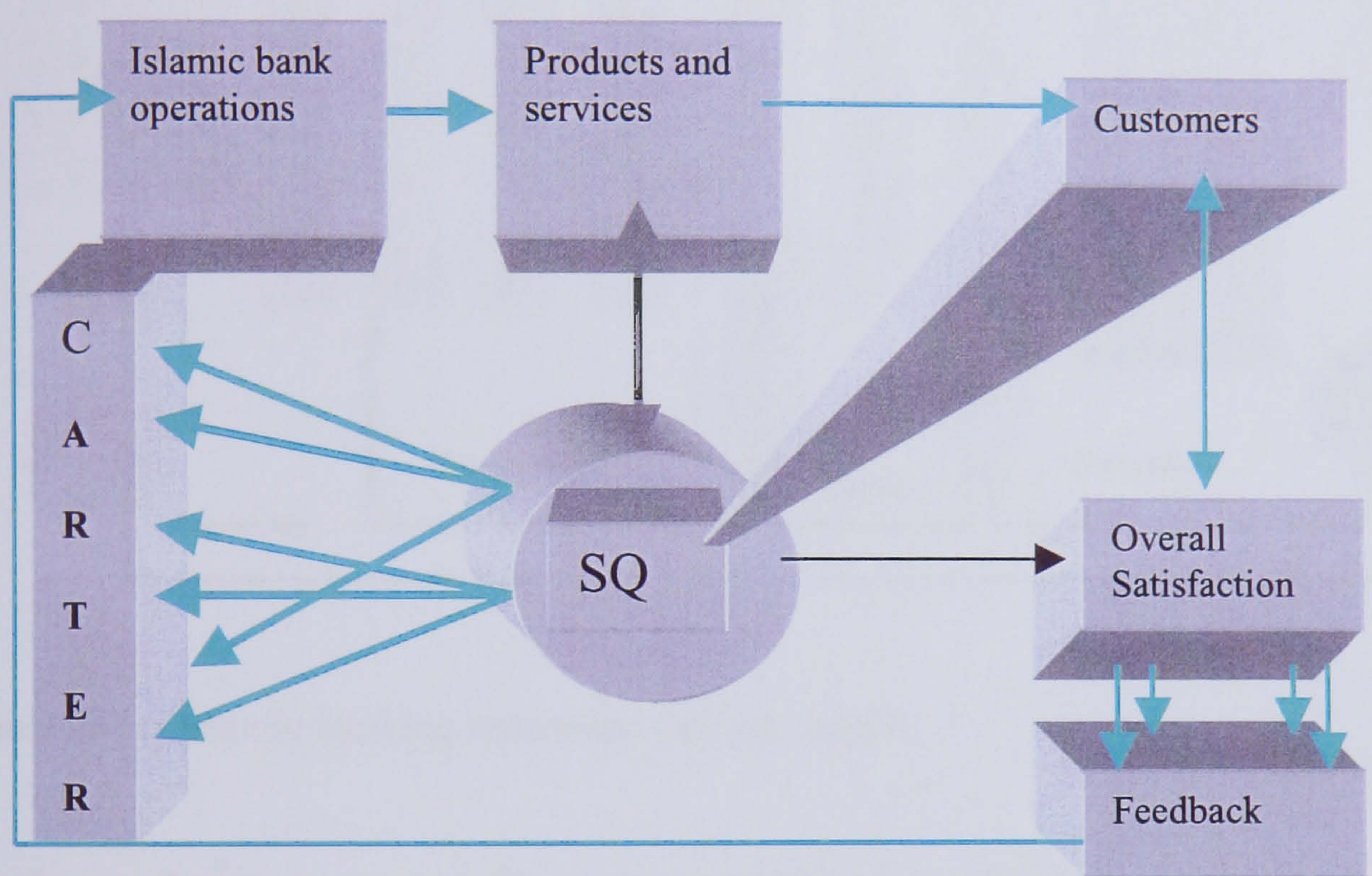
### The Implications:

Managers must consider the participation of the service encounter (the customer and the server) and the factors that influence their interactions, such as the interaction with other staff, other customers, management and the general environment. Also two factors are particularly relevance to the success of the interaction between parties; the employee motivation to serve customer needs on the one hand and the struggle for control over the transaction that can take place between them if one of the parties feels challenged by other on other hand. The management should understand



and anticipate customer needs and expectations which change over time and design products, services and a delivery system that will satisfy those needs and expectations. They must also identify ways to positively influence customer behaviour during the service encounter and motivate employees to deliver a quality service.

As a result of the above discussion, the service quality and customer satisfaction can be define as a system of CARTER-items processes inputs and overall satisfaction outputs as shown in figure (7-5).

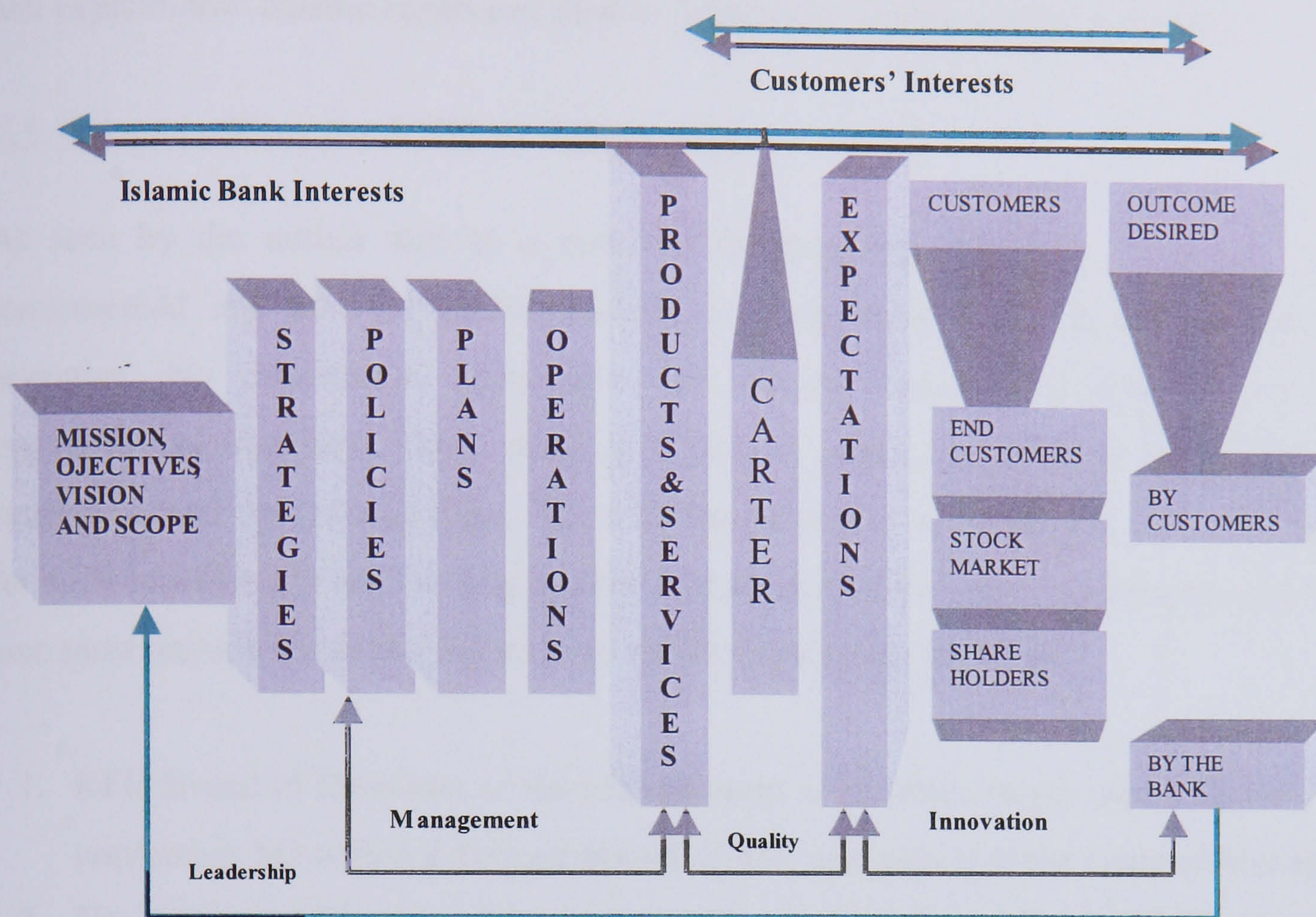


**Figure (7-5):** SQ and customer satisfaction

As can be seen from the figure above, the service quality program based on customer overall satisfaction and feedbacks may help the bank to develop its ways of operations and provide new products and services to satisfy their needs.

The results also show that KFH is doing well to satisfy its customers. However, more than 45 per cent of respondents stand in a dissatisfied or neutral position with regard to quality services. Thus, KFH should build a quality culture by adopting a quality system in its managerial and operational sides. The model which might be help Islamic banking management to build quality culture is illustrated in figure (7-6) below:





**Figure (7-6):** Islamic banking customers cultural model

The figure above represents the customer cultural model that defines the Islamic bank operations system to produce products and service to customers. The system is based on the mission, vision and scope, which should be translated into strategies, policies and plans. The products and services should be designed to meet customer expectations. The model also shows the complete picture of all stakeholders' interests (customers, employees, stockholders, market, etc.). All components on the right side address that the gap between products and services, and customer expectations represents the quality of those products and services and suggest that the CARTER might be used to achieve this aim. Also all components in the figure above may answer the question whether an Islamic bank is doing the right thing to satisfy its internal and external customers.

By addressing this issue, the Islamic bank's leadership and management will know which forms of products and services that the customers expect, how they can be provided or operated and why should be provided this way. The model also illustrates that financial performance is an important indicators of the success to satisfy customers in the financial market and stockholders.



In conclusion, the model in figure (7-5) indicates that adopting service quality methodology in Islamic banks is a fundamental issue to improve the management of those banks. The next section will explain how Islamic banks can plan to implement service quality program.

### 7.5 Scenario Plan for KFH to Adopt SQ:

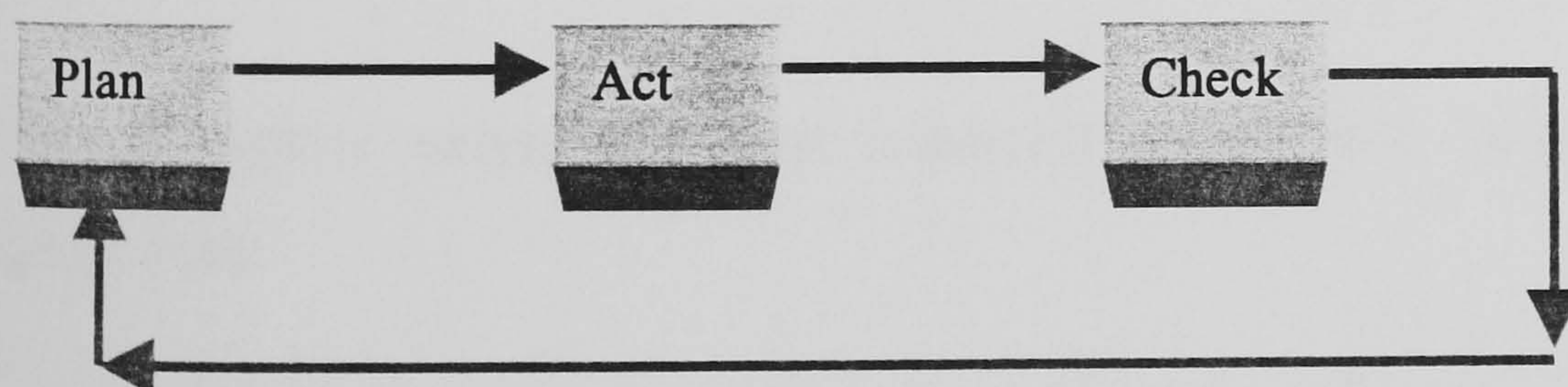
As seen by the author and as a result of interviewing managers, KFH has not adopted or implemented any kind of quality system or programme since its establishment in the late seventies. No department responsible for quality measure or control was found in its organisational structure. Thus, there is a lack in quality knowledge and practise in both its managerial and operational sides. The following scenario will represent a plan or highlight a plan for KFH to adopt SQ and develop quality culture in its divisions, departments, and branches. This plan must include the following stage in the first tier inside the bank:

1. KFH Board of Directors or the Management Committee might take a decision to adopt and implement SQ within a defined period of time and pass it to the General Manager.
2. The General Manager will announce the establishment of the Quality Leadership Team (QLT). The quality literature stresses the importance of strong leadership, commitment, and support by top management to ensure the success of the quality effort. The QLT should be involved with the General Manager or/and one of his assistants and the division and some department managers. Its primary role is to ensure that quality is integrated into management processes and into provision products and services to customers. This will help to establish quality not as a separate initiative but rather through the way every employee's job is done each day. The QLT's activities includes:
  - 1) Leading quality programs and teaching managers and employees the quality values.
  - 2) Developing strategic quality initiatives and guiding the creation of division goals and work units, teams, and individual objectives and measurements.
  - 3) Ensuring the development and implementation of quality training programs aligned with the bank's Mission, Vision, and Quality Excellence Initiatives
  - 4) Ensuring the development and maintenance of quality documentation.
  - 5) Developing a quality performance indicators report.
  - 6) Making sure that the programs will lead to continuous improvement in terms of satisfaction internal and external customers, performance, productivity and profitability.



3. The QLT must take decisions to first, train managers in different divisions, departments, and branches on conducting self-assessment tests using well-known criteria, such as the International Standards Organization (ISO) or any other award, second to perform it using the ideal criteria and third, to establish self-assessment committees or teams to complete and analyse it and develop strategies from the addressing results. Self-assessment might include BEST and SWOT analyses. Finally, short and long term self-assessment improvement must be identified to be accomplished over years.
4. In the light of self-assessment, it is time to define KFH's SQ, its objectives, and the benefits of its implementation. In this point quality teams must be named to develop a systematic approach which will enable and integrate quality into operations. All team objectives and goals should be identified.
5. The QLT should introduce quality initiative and programs to divisions, departments, and branch managers, through them to all the staff in the bank, and discuss it in the planned meetings with the General Manager or one of his assistants. Divisions, departments, and branches should set goals for the quality program that must be accepted by the QLT.
6. Employee and customer satisfaction surveys must be conducted by quality teams from time to time and when they believe it is satisfactorily improved, they might let an external body to judge the quality program.
7. In all these stages, the QLT must engage some quality experts and professionals to consult them and to train managers and employees in how to implement this program. Also, a program documentary for procedures, training courses and continuous training course is very important for success.

In the second tier, administrative SQ can be measured by designing the CARTER positive and negative Questionnaires to record customers' expectations and perceptions and to find out whether or not level of quality is satisfactory or not.



**Figure (7-7): Plan-Act-Check**

An evaluation of the quality program must be carried out after every single act on the basis of plan-act-check as shown in figure (7-7).



Over all evaluation must be done after SQ measurement results, productivity and profitability analyses should be carried out in order to measure the level of improvement that might be achieved.

## 7.6 Concluding Remarks:

The customer survey results and findings were analysed in this chapter, which started by illustrating the process of representing the data analysis. The examination or test of CARTER multidimensionality was a subject of section two and the results revealed that the CARTER variable was found to be a multi-dimensional variable because its six dimensions with their items were found under the umbrella of this concept and most of them were loaded positively in the factor analysis test.

This chapter also discussed the CARTER central tendency measures which mirrored that KFH's customers placed most items in the important area.

In addition, the results indicated that there is a significant need and importance for Islamic banking managements to adopt a service quality program in their banks and there was no difference between male and female customers when rating the importance of CARTER dimensions and items. The statistical analysis show that the model is valid and includes 74% "Processes" and 26% "Outcomes".

Moreover, the front office performance and customer expectations were examined in this chapter and study found that there was difference between the performance and expectation regarding customer waiting time in the front office.

The study results additionally showed that ATM, current and saving accounts, Murabaha (profit-loss-sharing, check balance and credit cards are the most used and needed products by the customers.

Religious factors ranked the most important criteria that influence customer in choosing an Islamic bank.

Furthermore, the linkage between the CARTER and the customer satisfaction was discussed and the test of their overall satisfaction with products and service, service quality, service encounter and profits was highlighted.



The discussion and implications of the findings were simplified in section four which draw some suggestions to both Islamic banking management and to researchers. Different models were also introduced in this section.

The final section provided a practical scenario for Islamic banks when adopting service quality.

The next chapter will illustrate the employee survey results and test the internal diagnosis hypotheses.



## Chapter Eight:

### The Results of the Employee Survey (Internal Diagnosis Variables)

#### 8.1 Introduction:

As known, the most important asset of any organisation is its human family of managers and employees. Increasing the capabilities and productivity of bank's staff is simply smart business management.

In attracting customers and bringing them back to do future business with the bank, the success of KFH might depend on the reputation of its customer services. This however, will be based on how well KFH can manage its employees inside its organisational structure.

In the previous chapter, KFH products and services were judged by customers and a new model to adopt a service quality management program was explained. The internal diagnosis variables will be tested in this chapter to examine whether KFH needs to reengineer its business operations or not in chapter nine.

To identify reengineering opportunities in KFH, the analysis of the current situation is recommended to be carried out using the financial analysis on the one hand (chapter three) and the internal employee survey (Appendix 4) on the other hand. The survey includes many area of focusing, such as employees' satisfaction, understanding mission and objectives, work environment, decision making policy, management styles, work scheduling and activity measurement, knowledge in Islamic finance and management skills, support sector analysis, recognition, communication and bank's network, organisational structure, co-operation and co-ordination among departments and divisions, work procedures and processes, responsiveness to customers' needs, the importance of products and services and distribution of bank's resources. The discussion below will cover all those areas using the hypotheses mentioned in chapter six.

#### 8.2 Employee Satisfaction (ES):

As discussed in chapter five, job satisfaction is the key factor leads to high performance and productivity. It also leads to rewards of recognition, income, promotion, and other goals that provide you with the ongoing sense of fulfilment.

The study hypotheses are tested according to the guidelines given in chapter six. Eight employee hypotheses were tested here including employee satisfaction with the bank as a place to work,



loyalty to the bank, bank management, bank performance and its products and services, number of working hours, and working schedules as presented below. The central tendency and frequencies table methods were used to test those hypotheses. The summery of the results is shown in table (8-1).

**Table (8-1): KFH Employees’ Satisfaction Descriptive Statistics Results:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
ES1	Overall satisfaction the bank as a place to work	4.4	4	4	0.78	87
ES2	Overall satisfaction with the bank’s management	3.6	4	4	0.86	60
ES3	Overall satisfaction with KFH performance and services	3.9	4	4	0.82	81
ES4	Recommend the bank as a place to work	3.9	4	4	1.03	69
ES5	How likely the employee will leave KFH within the next 12 months	3.9	4	5	1.26	62
ES6	The possibility of accepting better position in traditional bank	1.5	1	1	1.17	84
ES7	Satisfaction with present job	3.6	4	4	1.26	67
ES8	Satisfaction with working hours	3.7	4	4	0.99	67
ES9	Satisfaction with working schedule	3.08	3	4	1.27	45
ES10	The employee's ability to balance between work and personal life	3.45	4	4	1.04	56
ES11	Proud to work in KFH	4.2	4	5	0.89	79
ES12	Satisfaction with work spaces	3.7	4	4	1.15	68

1) Satisfaction with the bank as a place to work:

H0: KFH employees are significantly not satisfied with the their bank as a place to work.

H1: KFH employees are significantly satisfied with the their bank as a place to work.

As can been seen from the table (8-1) below, ES1, ES4 and ES12 were the items which could be used to test the above hypothesis. The table indicates that all means, medians and modes for the three items were almost or greater than four, i.e. in the areas of “extremely satisfied”, “definitely will recommend the bank as a place to work” and “strongly satisfied with work spaces”. Also, in the final column of the table, all three items ranked a high percentage of number of employees who answered positively (87% of them were satisfied with the bank as place to work, 69% of them will recommend the bank to friends and 68% were satisfied with work spaces). Therefore, the study will reject the null hypothesis and accept the alternative hypothesis.



## 2) The Organizational Loyalty

H0: There has been a significant shift of KFH employee loyalty to other organisations.

H1: KFH employees are significantly loyal to KFH.

Three items were used to examine this hypothesis named ES5, ES6 and ES11. The results shown in table (8-1) provided a positive indicator of KFH employees' loyalty to the bank because when they been asked whether they will leave the bank within the next 12 months, 62% of them said definitely not, 84% of them will not accept a better position and finally 79% were proud to work for KFH. Also the table shows that the central tendency indicators for the three items were significantly high. That means the study will accept that the employees are loyal to KFH.

## 3) Satisfaction with the bank management:

H0: KFH employees are significantly not satisfied with the bank management.

H1: KFH employees are significantly satisfied with the bank management.

Direct questions were asked to measure the overall satisfaction with the bank's management ES2. Table (8-1) shows that 60% of respondents were satisfied with the bank management and the mean, median and mode were 3.6, 4 and 4 respectively, i.e. in the "satisfied" area. Thus, the null hypothesis is rejected and most of KFH employees were satisfied with its management.

## 4) Satisfaction with bank's performance:

H0: KFH employees are significantly not satisfied with the bank performance, products and services.

H1: KFH employees are significantly satisfied with the bank performance, products and services.

To examine the above hypothesis, the results of ES3 items in table (8-1) were used to test whether the employees were satisfied with the bank performance and products and services. The mean, median and mode (3.9, 4, and 4) indicate that most of them were satisfied (69% of them were highly satisfied with the performance and products and services). Therefore, the study will accept the alternative hypothesis and reject the null hypothesis.

## 5) Satisfaction with working hours:

H0: KFH employees are significantly not satisfied with the number of working hours per week.

H1: KFH employees are significantly satisfied with the number of working hours per week.



Almost 67% of them were satisfied with the current working hours in the bank and the mean, median and mode for ES8 were 3.7, 4 and 4 respectively which means in the “satisfied” area. Consequently, the study will accept the hypothesis that employees are satisfied with working hours per week.

6) Satisfaction with working schedules:

H0: KFH employees are significantly not satisfied with their work schedules and their ability to balance between work and personal life.

H1: KFH employees are significantly satisfied with their work schedules and their ability to balance between work and personal life.

The results show that only 45% of them were satisfied with the working schedule and the mean and median were found in the “neutral” area (3), (see table 8-1). Also, as SD was the highest, there is a clear dispersion in employees’ opinions when rating this variable. Therefore, more than half of respondents were not satisfied with the working schedule, i.e. the null hypothesis is accepted.

7) The interaction between variables:

H0: There is no significant difference between KFH’ employee satisfaction with the bank as a place to work and their satisfaction with the bank management.

H1: There is a significant difference between KFH’ employee satisfaction with the bank as a place to work and their satisfaction with the bank management.

A method of comparing means was used to test this hypothesis, namely one-way ANOVA test as shown in table (8-2). As can be seen from this table, the F value of ES1 compare with ES2 (13.641) is highly significant (sig. F=0.000). So, these results indicate that there is a significant difference between the employee satisfaction with the bank as a place to work and its management.

**Table (8-2): Results of One-way ANOVA Test for KFH Employees’ Satisfaction Variables:**

Variables	DF	F value	Sig. F
ES1 with ES2	159	13.641	0.000
ES1 with ES3	159	5.924	0.001
ES3 with ES2	159	23.171	0.000

H0: There is no significant difference between KFH employee satisfaction with the bank performance, products and services and their satisfaction with the bank management.

H1: There is a significant difference between KFH employee satisfaction with the bank performance, products and services and their satisfaction with the bank management.



Similar to the previous hypothesis, one-way ANOVA is also used here to examine this hypothesis. Table (8-2) presents that the F value for ES3 when comparing with ES2 was 23.171 and the Sig. F was 0.000, which means there are significant differences between employees rating their satisfactions of performance, products and services and their satisfaction of bank's management.

### 8.3 Work Environment (WE):

To examine the work environment in KFH, four hypotheses were tested as presented below.

#### 1) The ethical WE:

*H0: KFH working environment is significantly not described as an ethical, supporting, creative and innovative environment.*

*H1: KFH working environment is significantly described as an ethical, supporting, creative and innovative environment.*

The descriptive statistic test (frequency and central tendencies tests) was used to test this hypothesis, with the final results summarised in table (8-3). As can be seen in the table, WE1, WE4, WE5, WE6, WE8, WE9 and WE10 items were used to examine the validity of the above hypothesis. The results of those items indicate that 85% of respondents believe that they are working in an ethical working environment and the mean, median and mode for this item were equal or greater than four. This result means that most of KFH employees strongly described the working environment as an ethical environment. In addition, they support the above judgment when 65% of them agreed that KFH provides them with facilities to do challenging and interesting work (WE4) and 79% of them believed that KFH offers them appropriate tools to work properly. Moreover, 79% of them described the WE in KFH as a safe and attractive physical work place, and 66% of them said that their work helped them to utilise their skills and abilities. Finally, when the study measured the employee-supervisor relationship, the findings show positive answers by respondents, because 75% of them believe that their supervisors (managers) have realistic expectation of their performance and productivity. Therefore, most of respondents believe that KFH has an ethical, safe, attractive physical WE. Also most of them considered the provision of appropriate tools and facilities which help them to do challenging and interesting work and help them to use and develop their skills and abilities to be more creative, innovative and however, more productive employees. Finally, the managers were realistic when evaluating employee performance and productivity. Hence, the null hypothesis is not supported by the results.



2) Contribution to the community:

H0: KFH employees do not receive significant encouragement to be a good citizen and positively contribute to their community.

H1: KFH employees receive a significant encouragement to be a good citizen and positively contribute to their community.

A direct question has been asked to test this hypothesis (WE3) as presented in table (8-3). The results of central tendency in the table show (mean 3.6 and median and mode 4) that more than half of respondents (59%) agreed when asked if the bank encourages them to be good citizen and only 41% stood in the neutral and disagreed area. Thus, the employees receive encouragement from the bank but it needs to do more in that side to increase this percentage. So, the study will accept the alternative hypothesis with the recommendation of doing more work to be highly significant in the future. Research needs to be carried out to investigate what KFH has done to encourage them.

**Table (8-3):** The Descriptive Statistics Results about Work Environment in KFH:

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
WE1	Ethical work environment	4.2	4	4	0.77	85
WE2	Diverse-friendly atmosphere	3.7	4	4	1.09	67
WE3	Encourage employees to be good citizen.	3.6	4	4	0.95	59
WE4	Provision of challenging and interesting work	3.6	4	4	1.3	65
WE5	Provision of safe and attractive physical work environment	3.9	4	4	0.97	79
WE6	Provision of appropriate tools to do work	3.9	4	4	0.93	79
WE7	Rules and procedures interfere with ways of doing jobs	3.2	4	4	1.1	50
WE8	If the work helps the employee to use his/her skills and abilities	3.7	4	4	0.93	66
WE9	Challenging assignment to develop employee ability	3.6	4	4	1.01	59
WE10	The manager's realistic expectation of employees	3.8	4	4	1.08	75
WE11	The employee's ability to talk about work with his colleagues	3.8	4	4	1	69

3) Working Atmosphere:

H0: KFH working atmosphere is not significantly described as “diverse-friendly” atmosphere.

H1: KFH working atmosphere is significantly described as “diverse-friendly” atmosphere.

Two items (WE2 and WE11) were used to examine this hypothesis. As can be seen in table (8-3), 67% of respondents described the WE as a divers-friendly atmosphere and the results show the



positive central tendency measures for this item. Also more than 69% of them believe that they could talk about their work with their colleagues at any time. Hence, the work atmosphere is significantly described by employees as a diverse-friendly in KFH and the null hypothesis is not supported by the results of this study.

#### 4) The Rules and Procedures

H0: The rules and procedures do not significantly affect the ways of doing work in KFH

H1: There is a significant effects of rules and procedures on the ways of doing work in KFH.

The WE7 item might be used to examine this hypothesis. As can be seen in table 8-3, more than half of respondents believe that rules and procedures affect their ways of doing jobs and other stood in neutral and disagreed area. The central tendency measures (mean 3.2 and median and mode 4) show that a large number of respondents stood in the agreed area. Thus, the null hypothesis is not supported with respect to the author interviews and case study which also support the results.

#### 8.4 Understandable and Comprehensive Mission and Objectives (UCMO):

Similarly, the study will use the descriptive statistics measures to examine these factor hypotheses as presented below and the results summarised in table (8-4).

##### 1) Understanding the mission and objectives:

H0: There are no significant positive responses from KFH employees describing its mission statement and objectives as clear and easy to understand by both managers and employees.

H1: There are significant positive responses from KFH employees describing its mission statement and objectives as clear and easy to understand by both managers and employees.

To test this hypothesis, UCMO1 and UCMO2 were used and the results in table (8-4) show that 67% of respondents said the mission and strategic goals are clear and easily understood by them and also by managers. Also 71% of them believe that they have a clear understanding of the mission, strategic goals and objectives. The mean, median, and mode for both items were significantly in the “strongly agreed” area (four and more). Accordingly, there are significant positive responses from KFH employees describing its mission statement and objectives as a clear and easy to understand by both managers and employees. Therefore, the results do not support the null hypothesis.



**Table (8-4): The Descriptive Statistics Results about UCMO in KFH:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
UCMO1	The mission and strategic goals are clear and easily understood by employees and managers	3.9	4	5	0.96	67
UCMO2	The mission and strategic goals and objectives are understood by employees	4	4	5	1.01	71
UCMO3	The responsibility for setting mission and objectives	3.3	3	3	0.94	42
UCMO4	The achievable and measurable goals and objectives	3.8	4	4	0.84	71
UCMO5	The mission and objectives are taken in mind when doing such activity	3.9	4	4	0.87	77

## 2) The responsibility of setting the mission and strategic goals:

H0: There are no significant positive responses from KFH employees regarding their understanding of the responsibility to set a mission statement and strategic goals.

H1: There are significant positive responses from KFH employees regarding their understanding of the responsibility to set a mission statement and strategic goals.

The question which has been asked to test this hypothesis was whether the employees agreed or disagreed that the board of directors is responsible of setting the mission, strategic goals and objectives without any contribution from the mid management and employees, item UCMO3. As can be seen from table (8-4), 42% of respondents thought that responsibility is monopolised by the board of director, 43% of them stand neutral and only 15% disagreed with this statement. The central tendency measures were closer to the neutral area (3). Therefore, the statistics do not recommend any decision of accepting or rejecting the above hypothesis as many of respondents think that the top management is responsible for setting mission and goals, and others do know who is responsible. Nevertheless, the case study showed that there is no contribution of employees in setting the mission and strategic goals.

## 3) Setting achievable and measurable goals and objectives:

H0: There are no significant positive responses from KFH employees regarding their understanding of setting achievable and measurable strategic goals and objectives.

H1: There are significant positive responses from KFH employees regarding their understanding of setting achievable and measurable strategic goals and objectives.



The UCMO4's results shown in table (8-4) indicate that 71% of the respondents knew that KFH goals and objectives are achievable and measurable. The central tendency measures found in the agreed area. So, the alternative hypothesis is supported by the results.

#### 4) Employee awareness of mission and objectives:

H0: KFH employees have significantly not taken in mind the bank's mission and objectives when doing such activity or dealing with customers.

H1: KFH employees significantly take in mind the bank's mission and objectives when doing such activity or dealing with customers.

Similarly, 77% of the respondents said that they took the mission and objectives in mind when doing such activity or dealing with customers (UCMO5). Also the mean, median and mode measures are found to be in the agreed area. Hence, the null hypothesis is rejected.

### 8.5 Organisational Culture (OC):

To examine the OC in KFH, eight items were used as existing in table (8-5). The following hypotheses reflect the cultural indicators in KFH.

#### 1) Receiving services.

H0: KFH employees do not receive a significant excellent service from the bank.

H1: KFH employees receive a significant excellent service from the bank.

To test this hypothesis, a descriptive statistic test was carried out. As can be seen from table (8-5), OC1 mean (3.2), median (4) and mode (4) are in the "agree" area. Moreover, considering the positive percentage (53%) of respondents who believed that they receive excellent services from the bank. Thus, the result supports the hypothesis that employees receive an excellent service from the bank. However, less than half of respondents disagreed that the bank provides excellent services to the employees. Therefore, the alternative hypothesis is supported with a recommendation to the bank to distribute these services equally to all locations and among all employees.

#### 2) The Contribution of free-interest loans:

H0: There are no significant positive responses from KFH employees regarding the contribution of free-interest loans to solving some of its community problems.

H1: There are significant positive responses from KFH employees regarding the contribution of free-interest loans to solving some of its community problems.



The result of OC2 in the table (8-5) proves that the employees believe that free-interest loans have a significant contribution to solve some of the community problems, because 79% of the respondents thought so, and the answers' mean, median and mode were in the “strongly agree” area which means the employees significantly agreed with the above statement even though KFH does not provide this service to the community. Hence, the null hypothesis is not supported.

**Table (8-5): The Organisational Cultural Descriptive Statistics Results in KFH:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
OC1	The provision of excellent services to the employees	3.2	4	4	1.2	53
OC2	The free-interest loans contribute to solve community problems	4.1	5	5	1.05	79
OC3	The importance of provision short term free-interest loans to businessmen and entrepreneurs	3.2	3	4	1.3	49
OC4	KFH helps in raising domestic savings	3.9	4	4	0.83	77
OC5	The way of receiving feedback	3.8	4	4	0.90	74
OC6	KFH is an open system	3	3	3	0.99	37
OC7	KFH is a closed system	2.8	3	3	1.08	25
OC8	KFH is an open and closed system	3.5	4	4	0.89	51

### 3) Providing short-term free-interest loans to businesses:

*H0: There are no significant positive responses from KFH employees regarding the importance of providing short-term free-interest loans to businessmen and entrepreneurs.*

*H1: There are significant positive responses from KFH employees regarding the importance of providing short-term free-interest loans to businessmen and entrepreneurs.*

Similarly, the results in the table (8-5) show that less than half of the respondents (49%) believed that it is important for the bank to provide short-term free interest loans to businessmen and entrepreneurs. So, to some extent, the null hypothesis is supported here.

### 4) Rising the domestic savings

*H0: There are no significant positive responses from KFH employees regarding their opinions about its contribution to raising domestic savings.*

*H1: There are significant positive responses from KFH employees regarding their opinions about its contribution to raising domestic savings.*



The results also show that 77% of respondents considered that KFH has a significant contribution in raising the domestic savings in the State. This answer was also supported by high mean (3.9), median (4) and mode (4). Thus, the alternative hypothesis is highly suggested.

#### 5) The way of receiving feedback:

H0: KFH employees receive significant feedback and suggestions with a narrow mind and negative attitudes.

H1: KFH employees receive significant feedback and suggestions with an open mind and positive attitudes.

The mean, median and mode for OC5 were (3.8), (4) and (4) in the “agree” area, i.e. most of the respondents’ answers were positive. Moreover, 74% of them believe that they receive a feedback with an open minds and positive attitude whether was positive or negative. Therefore, the null hypothesis is not supported.

#### 6) The bank organisational system:

H0: There are no significant positive responses from KFH employees regarding the definition of the bank organisational system.

H1: There are significant positive responses from KFH employees regarding the definition of the bank organisational system.

To test this hypothesis, the results of the three OC’s items (OC6, OC7 and OC8) were used as shown in the table (8-5). The results reflected employee opinions and their knowledge about the bank organisation culture. Few of them (37%) believe that KFH is an open system and less than this portion (25%) thought that it is a closed system but more than half of them agreed that KFH is an open and closed system. However, the final definition is a mirror for the reality of the bank or any other financial organisation and so the results support the alternative hypothesis.

#### 8.6 The Supervisory and Management Style (SMS):

The SMS will be examined using three main factors; namely the senior management-employee relationship, the supervisor-employee relationship and finally working as a team factor. The three factors are considered using a number of hypotheses below:



**Table (8-6): The SMS' Descriptive Statistic Results:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
SMS1	Developing of working team and working toward goals	3.6	4	4	1.05	58
SMS2	Staffed adequately team	3.6	4	4	1.06	58
SMS3	Team administrative support function meets job-related needs	3.2	3	4	0.97	41
SMS4	Senior management listens to employee suggestions and ideas	2.9	3	3	1.1	29
SMS5	The access to senior management	3	3	3	1.2	34
SMS6	Listening and giving feedback to employee ideas	3.7	4	4	1	70
SMS7	Giving feedback on employee's performance	4	4	4	0.81	77
SMS8	Provide employee with adequate access to manager	3.7	4	4	1.1	67
SMS9	Senior management visiting departments	3	3	3	1.01	36
SMS10	Senior management explains reasons for changes	3.1	4	4	1.1	43
SMS11	The manager's way of receiving feedback and suggestions from the employee	3.7	4	4	0.85	61
SMS12	Working with others	2.8	3	3	0.95	72
SMS13	Encouraging teamwork	3.8	4	4	1.03	71
SMS14	Giving a clear direction on teams goals and priorities	3.6	4	4	1.06	59
SMS15	Fair dealing with team members by supervisor	3.6	4	4	1.2	65
SMS16	Supported by work group	3.5	4	4	1.03	56

### 1) Senior management-employee relationship:

H0: There are no significant positive responses by KFH employees describing their senior managers as open, supportive and considerate.

H1: There are significant positive responses by KFH employees describing their senior managers as open, supportive and considerate.

As can be seen from table (8-6), three items (SMS4, SMS5 and SMS9) were used to test this hypothesis. The results of those items indicate that only 29% of respondents said the senior managers listened to their suggestions and considered their ideas. Moreover, the visit of senior manager to departments was only considered by 36% of the respondents who also believe that they have limited access to senior managers (34% said they have an access to senior managers). However, the means, medians and modes for those items were equal or less than (3), which imply that most of respondents disagreed with these statements. Hence, the hypothesis of describing the



senior managers in KFH as open, supportive and considerate is not suggested by the results and there is a serious need on the part of KFH senior managers to improve their relationship with their employees.

H0: Few numbers of employees believe that senior managers explain the reasons for necessary change in the bank before doing it.

H1: A significant number of employees believe that senior managers explain the reasons for necessary change in the bank before doing it.

To test this hypothesis, SMS10 was used and its results as shown in the table (8-6) support the null hypothesis, because only 42% of the respondents believe that senior managers explain the reasons for any necessary changes to them.

## 2) Supervisor-employee relationship:

H0: There are no significant positive responses by KFH employees describing their supervisors as open, supportive and considerate.

H1: There are significant positive responses by KFH employees describing their supervisors as open, supportive and considerate.

To test this hypothesis, four items were used (SMS6, SMS7, SMS8 and SMS11) as presented in table (8-6). The central tendency measures for those items were (3.7, 4, 3.7, 4 and 3.7) respectively for the mean and the medians and modes for all items were (4), i.e. in the “agree-strongly-agree” areas. Furthermore, the table also indicates that 70% of the employees believe that supervisors listen to them and give feedback to their performances. Moreover, 67% of them were provided with adequate access to their supervisors and 61% of them believe that their supervisors receive feedback and suggestions with an open mind and positive attitudes. Thus, there are significant positive responses by KFH employees describing their supervisors as open, supportive and considerate and the alternative hypothesis is accepted.

## 3) Working as a team:

H0: KFH has an insignificant development to encourage team working to achieve most processes.

H1: KFH has a significant development to encourage team working to achieve most processes.

The results of eight items (SMS1, SMS2, SMS3, SMS12, SMS13, SMS14, SMS15 and SMS16) were used. As can be seen from the table (8-6), the majority of respondents believe that the management in general, and their supervisors in particular develop team working, encourage them



to work as a team and give them a clear direction to the team's goals, objectives and priorities. Because 71% agreed that their managers encourage them to work as a team, 58% believe that their managers spend time and efforts to develop working team and working toward the bank's goals and 59% said they been given a clear direction on to the team's goals, objectives and priorities. Moreover, 56% were supported by other members in the team but most of them were not satisfied with the supporting functions because their services do not meet the team needs. Finally, in terms of supervisor-team relationship, 65% of the respondents thought their supervisors dealt fairly with all members of team. Therefore, based on the above results, the study will accept the hypothesis that KFH encourages its employees to work as a team and develop working group to perform most processes.

## 8.7 Decision Making Policy (DMP):

### 1) The involvement of decision-making:

H0: KFH employees are not significantly involved in the decision-making process, especially those related to their own jobs.

H1: KFH employees are significantly involved in the decision-making process, especially those related to their own jobs.

In order to test this hypothesis, the results shown in table (8-7) for DMP2 indicate that only 49% of respondents believed that they are involved in the decision making process, but the mean, median and mode for this variable were over three (3.3, 3 and 4 respectively) which mean in the "agree" area. Moreover 58% of them believe they had been given the authority to make a decision. Therefore, this mirrored that a significant number of KFH employees involve in the decision-making process which is satisfied for this study, especially when a demographic analysis for this study in chapter six is considered. Thus the results support to some extent the alternative hypothesis.

### 2) The problem-solving skills

H0: KFH employees have an insignificant degree of problem-solving skills.

H1: KFH employees have a significant positive degree of problem-solving skills.

As can be seen from the table (8-7), KFH employees strongly agreed that they have skills to solve problems because 90% of them (DMP4) believed so and 74% of them believe that they have the ability to take risks when solving problems or making decisions. Hence, the null hypothesis is rejected.



### 3) Encouraging independent thoughts:

H0: There is an insignificant positive encouragement by supervisors for their employees to have independent thoughts and actions.

H1: There is a significant positive encouragement by supervisors for their employees to have independent thoughts and actions.

The table (8-7) shows that the bank supervisors encourage their employees to have independent thoughts and actions, because 66% of respondents thought so. Moreover, the central tendency measures for item (DMP1) were the mean (3.7), the median (4) and the mode (4) in the “agree” area. Thus, the employees are encouraged by their supervisor to have independent thoughts and actions and the null hypothesis is not supported.

**Table (8-7): The DMP’s Descriptive Statistic Results:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
DMP1	Encouraging independent thoughts and actions	3.7	4	4	1.1	66
DMP2	The involvement in decision making	3.3	3	4	0.93	49
DMP3	Sharing problems or errors with manager	3.8	4	4	0.79	72
DMP4	The problem-solving skills	4.2	4	4	0.66	90
DMP5	The ability to take risks	4	4	4	0.84	74
DMP6	The authority given to make decisions	3.5	4	4	1.01	58
DMP7	Involvement in planning, scheduling, organising and implementing	3.7	4	4	0.90	59
DMP8	The responsibility for those activities 1	3.5	4	4	1.1	53
DMP9	The responsibility for those activities 2	3.2	3	4	1.04	46

### 4) Involving in planning processes:

H0: There is an insignificant negative degree of KFH employee involvement in the planning processes.

H1: There is a significant positive degree of KFH employee involvement in the planning processes.

To test this hypothesis, the results of three items (DMP7, DMP8 and DMP9) were used. In DMP7 the respondents have been asked whether they do activities such as planning, scheduling, organising and implementing in their work and 59% of them replied positively. Moreover, 53% of them however thought that a function or department called Strategic Planning and Products Development was responsible for those activities while most of them believed that the top



management was not responsible for those activities. So, the results support that there is a degree of employee involvement in KFH in the planning processes.

## 8.8 Work Scheduling and Activity Measurement (WSAM):

### 1) The existence of operation scheduling:

H0: There are no significant positive employee responses regarding the existence of work and operations scheduling in KFH.

H1: There are significant positive employee responses regarding the existence of work and operations scheduling in KFH.

As can be seen from table (8-8), three items (WSAM1, WSAM2 and WSAM3) were used to test this hypothesis. The result shows that 64% of the respondents have scheduling hours for their work operations. That answer was supported by 65% of the employees believed that they are provided by a right guidance to implement operations and 59% of them who thought that the operations goals are achievable and measurable. Thus, the null hypothesis is not supported.

**Table (8-8): The WSAM Descriptive Statistic Results:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
WSAM1	Providing employee with the right guidance	3.7	4	4	1	65
WSAM2	Setting achievable and measurable goals	3.6	4	4	1.1	59
WSAM3	Schedule hours of operations	1.4	1	1	0.5	64
WSAM4	The time spend in operations	3.7	4	5	1.4	64

### 2) The time spend in operations:

H0: There is an insignificant degree of measuring the time of operations carried out by one employee in KFH compared to his overall time in the bank.

H1: There is a significant degree of measuring the time of operations carried out by one employee in KFH compared to his overall time in the bank.

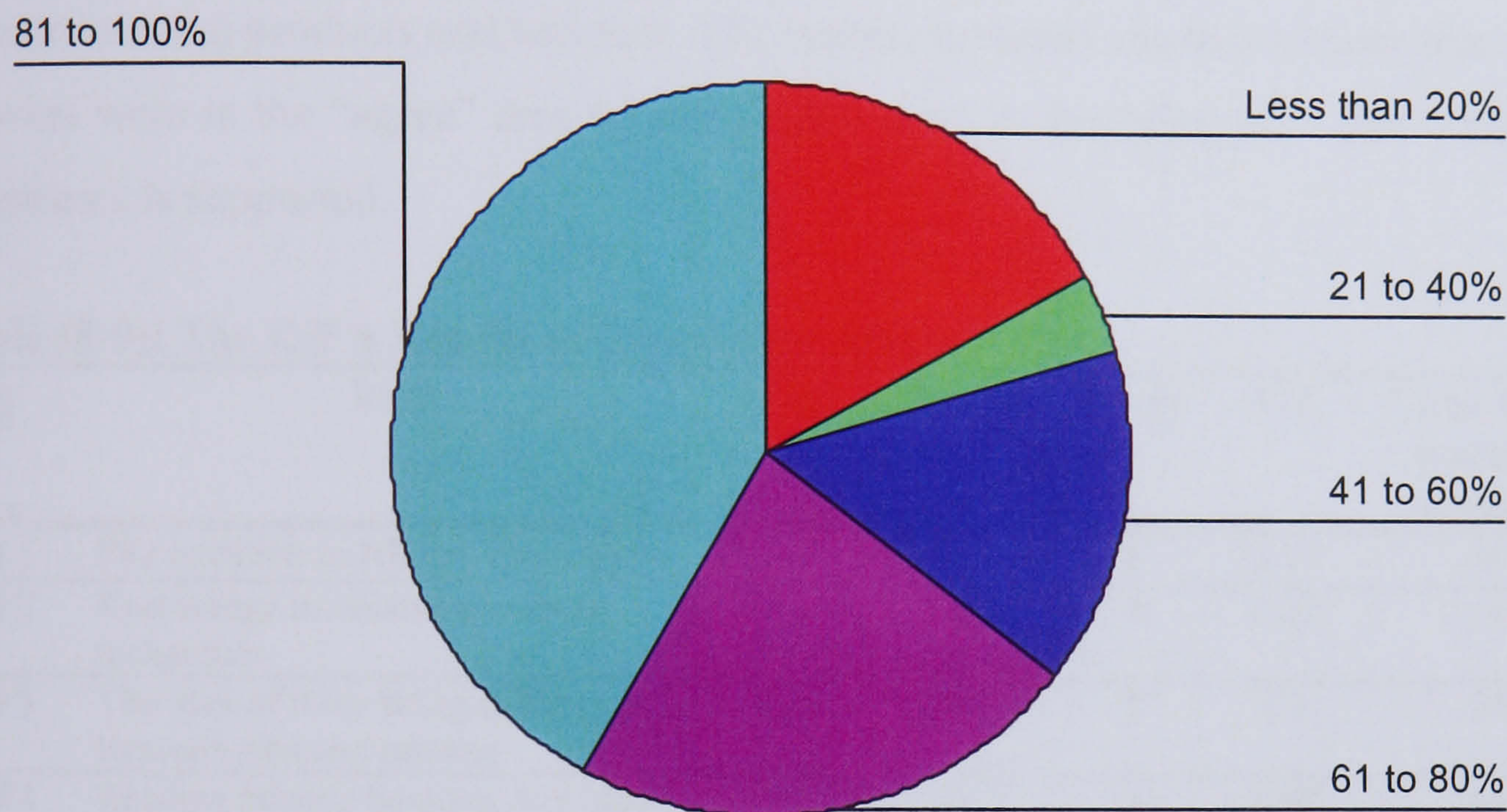
As can be seen from the table (8-8) and figure (8-1) below, 42% of respondents believed that they spend between 81-100% of their time in the bank in operations and 22% spend between 60-80% in operations.

Whereas, 17% of them believed that they spend less than 20% of their time of operations, 4% of them spend between 20% and 40% of their time in operations and 15% of them spend between 41-60% in operations. This means, most KFH employees can measure the time they spend in bank



operations compared to their overall time in the bank. This result suggests that the bank should increase the time employees spend in operations in order to increase efficiency and decrease waiting times.

## The time spend in operations compared to overall time in the bank



**Figure (8-1):** The employee's times spend in operations compared with his overall time in the bank.

### 8.9 Knowledge in Islamic Finance (KIF):

#### 1) Follow up the Islamic principles:

H0: There are insignificant employee responses regarding following Islamic principles when dealing and serving customers.

H1: There are significant positive employee responses regarding following Islamic principles when dealing and serving customers.

To test this hypothesis, a direct question has been asked (KIF1) whether the employees keep in mind Islamic principles when dealing and serving customers. 88% of them considered that they pay attention to Islamic principles and only a few of them stand neutral or disagreed with the statement because the mean, median and mode were 4.4, 5 and 5 respectively as presented in table (8-9). So, the null hypothesis is rejected.



## 2) Knowledge on Islamic products and services:

H0: KFH employees do not have a significant knowledge about all Islamic products and services and their techniques.

H1: KFH employees have a significant knowledge about all Islamic products and services and their techniques.

Similarly, KIF2 and KIF5 were used to examine this hypothesis. As can be seen from the table (8-9), 56% of the respondents thought that they have enough knowledge in Islamic banking products and only 24% said their knowledge in interest-based banking products was more than Islamic banking products and services. The central tendency measures show that most of the KIF2 answers were in the “agree” area whereas KIF5 were in the “disagree” area. Thus, the alternative hypothesis is supported.

**Table (8-9): The KIF's Results of Descriptive Statistic Test:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
KIF1	Pay attention to Islamic principles	4.4	5	5	0.73	88
KIF2	Knowledge in Islamic products techniques	3.4	4	4	1.02	56
KIF3	The idea of there being difference between riba and interest	3.9	4	5	1.3	75
KIF4	Reading Islamic banking Acts and KFH establishment Act	3.7	4	4	0.92	63
KIF5	Knowledge in interest-based banks' products	2.5	2	2	1.2	24
KIF6	Following all fatwas	3.8	4	4	1.04	69
KIF7	Dealing with interest	3.9	4	5	0.9	68
KIF8	Knowledge in the difference between Islamic and interest-based banks	4.3	4	5	0.83	86
KIF9	Follow-up all SSB advice and comments	3.9	4	4	0.98	68
KIF10	Access to the SSB	4	4	5	1.1	76
KIF11	Reason for working in KFH	4.1	5	5	1.1	76
KIF12	The SSB follows up all transactions	3.9	4	4	1.02	76
KIF13	Confusion between what SSB publishes and the BOD's commands	2.5	3	3	1.1	19

## 3) Riba and interest rate:

H0: There are insignificant employee responses regarding alike between riba in Islamic law and interest in today banking industry.

H1: There are significant positive employee responses regarding alike between riba in Islamic law and interest in today banking industry.



In order to measure this hypothesis, KIF3 was used. The results shown in the table (8-9) indicate that 75% of the respondents believed that there is a difference between interest and riba and the central tendency measures specify that most of the answers were in the “agree” area. Hence, the null hypothesis is supported by the results.

#### 4) Receiving or paying interest:

H0: There are insignificant employee responses about believing that KFH does not receive nor pay interest in all of its transactions and activities.

H1: There are significant positive employee responses about believing that KFH does not receive nor pay interest in all of its transactions and activities.

To test this hypothesis, the KIF7 was used. As shown in the table (8-9), most of the respondents (68%) believed that KFH does not receive nor pay interest in all of its transactions and the mean (3.9), median (4) and mode (5) were in the “agree-strongly-agree” area. So the null hypothesis is rejected.

#### 5) Follow the SSB’s fatwas and advices:

H0: There are insignificant positive employee responses concerning whether they follow SSB’s fatwas and advices or not.

H1: There are significant positive employee responses concerning whether they follow SSB’s fatwas and advices or not.

The two items (KIF6 and KIF9) were used to test this hypothesis. 69% of respondents agreed that they follow up all fatwas issued by the SSB and 68% of them thought that they follow up all the SSB’s advices and comments even if the BODs disagree with these advices and comments. All central tendency measures for both items were in the “agree” area. Therefore, the alternative hypothesis is supported.

#### 6) The SSB and transactions:

H0: There are insignificant employees’ responses concerning whether the SSB follows up all transactions and activities in the bank or not.

H1: There are significant positive employees’ responses concerning whether the SSB follows up all transactions and activities in the bank or not.

To test this hypothesis, the result of item KIF12 shown in the table (8-9) was used. 76% of the respondents agreed that the SSB follows up all transactions in the bank and the mean, median and mode were in the “agree” area. So, the null hypothesis is not accepted.



## 6) The SSB and BOD:

H0: There are insignificant positive employee responses regarding their opinions about the existence of confusion between SSB publications and orders and the BOD's commands.

H1: There are significant positive employee responses regarding their opinions about the existence of confusion between SSB publications and orders and the BOD's commands.

The last item KIF13 in the table (8-9) indicates that only 19% of the respondents believed that there is confusion between what the SSB published and the BOD's commands. Moreover, the mean (2.5), the median (3) and median (3) were in the "disagree" and "neutral" areas. Hence, the null hypothesis is supported.

## 8.10 Knowledge in Managerial Skills (KMS):

### 1) Managerial skills:

H0: There are insignificant number of KFH employees who think that they have good ideas on managerial skills.

H1: There are significant number of KFH employees who think that they have good ideas on managerial skills.

Generally, table (8-10) below shows the way of testing this hypothesis. The descriptive statistics were used to examine several items and the results are shown in the table. The KMS1 indicates that 89% of respondents believed that they got a good idea on managerial skills. However, most of their responses were found in the "strongly agree" area, because the mean measure was above 4 with a small standard deviation which means the dispersion between answers was small. Therefore, the null hypothesis is not supported.

### 2) Setting performance goals:

H0: There is insignificant number of KFH employees who set goals for their performance at least once annually.

H1: There is a significant number of KFH employees who set goals for their performance at least once annually.

Similarly, the KMS3's result in the table (8-10) points out that 65% of respondents said that they set goals for their performance at least once annually. The central tendency measures show that the majority of their answers were in the "agree" area. Thus, the alternative hypothesis is substantiated.



### 3) Job evaluation: .

H0: There are insignificant numbers of KFH employees who understand how their jobs are evaluated.

H1: There are significant numbers of KFH employees who understand how their jobs are evaluated.

This hypothesis will be examined using KMS4 results in the table (8-10). The results show that 84% of the respondents understand how their performance and productivity should be evaluated. Most answers were in “strongly agree” area. Hence, the statistics support the alternative hypothesis.

**Table (8-10): The KMS’ Results of Descriptive statistics:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
KMS1	Managerial skills	4.1	4	4	0.68	89
KMS2	Computer skills	4	4	4	0.85	78
KMS3	Setting performance goals	3.7	4	4	0.85	65
KMS4	Understanding the evaluation of job performance	4.1	4	4	0.72	84
KMS5	Understanding of job responsibilities	4.1	4	4	0.90	84
KMS6	Involvement in planning, scheduling, organizing and implementing	3.7	4	4	0.90	59

### 4) Involving in planning and scheduling:

H0: There are insignificant number of KFH employees who involved in planning and scheduling their jobs.

H1: There are a significant number of KFH employees who involved in planning and scheduling their jobs.

This hypothesis has been tested in section (8.7) above. And the results here also support the alternative hypothesis with recommendation of more involvement in the future.

### 5) PC skills:

H0: There are insignificant numbers of KFH employees who have excellent skills on computer.

H1: There are a significant number of KFH employees have excellent skills on computer.



Also, 78% of the respondents thought that they have excellent skills on computer and they can use the bank network properly. So, the null hypothesis is not supported especially when observed the mean, median and mode that were found in the “agree” area.

#### 6) Understanding work responsibilities:

H0: There are an insignificant numbers of KFH employees who understand their work responsibilities.

H1: There are a significant number of KFH employees who understand their work responsibilities.

As can be seen from the table (8-10), KMS5 item indicates that 84% of respondents believed that they understand their job responsibilities and the item’s central tendency measures were in the “strongly agree” area. As a result, a significant number of employees understand their job responsibility and the null hypothesis is rejected.

#### 8.11 Support Sector Diagnosis (SSD) Hypotheses:

The SSD contains different departments, such as HRD, finance, postal, etc., but this section only examines the HRD and its different functions including recruitment, training, pay-roll etc. as represented in table (8-11). The following hypotheses will examine those functions and the descriptive statistics test was used to examine the data collected from the employees.

##### 1) The SSD and needs:

H0: An insignificant number of KFH employees believe that corporate support functions meet their job-related needs.

H1: A significant number of KFH employees believe that corporate support functions meet their job-related needs.

To test this hypothesis, item SSD21 signifies that 42% of the respondents agreed that corporate support functions meet their job-related needs and the remaining stood neutral or in the “disagree” areas. Also, this result is supported by the other item’s results in the table (8-11) (SSD4). Therefore, the null hypothesis is supported and there are a significant number of KFH employees dissatisfied with the corporate support functions.



## 2) The HRD and personnel issues:

H0: There is a lack of knowledge about employee personal issues in the Human Resource Department (HRD) in KFH.

H1: The HRD in KFH is significantly knowledgeable about the employee personal issues.

As can be seen from the table (8-11), item SSD16 indicates that only 17% of respondents were satisfied with the HRD's knowledge about their personal needs and 83% of them were neutral or disagreed with the statement. The mean, median and mode were found in the "disagree" area. Thus, the null hypothesis is accepted and there is a lack of knowledge in HRD regarding the employees' personal issues.

**Table (8-11): The SSD's Descriptive Statistic Results:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
SSD1	Compensation is fair	3	3	4	1.1	43
SSD2	Bonus program is fair	2.8	3	3	1.2	37
SSD3	Salaries compared to similar bank	3.2	3	4	1.1	45
SSD4	Providing benefits that meet employee needs	3	3	4	1.1	40
SSD5	Financial rewards system	3.4	4	4	1.04	51
SSD6	Help in career progress	3.5	4	4	1.12	57
SSD7	Encouraging on-going learning and professional development	3.7	4	4	1.11	68
SSD8	Providing the opportunity of career growth	3.6	4	4	0.98	57
SSD9	The ability to develop special abilities in the bank	4	4	4	0.82	80
SSD10	New workers and training opportunities	3.6	4	4	1.13	64
SSD11	Training programs and needs	3.7	4	4	1.08	65
SSD12	Training schedules and needs	3.5	4	4	1.1	62
SSD13	Job recruitment	3	3	3	1.1	46
SSD14	New employees and KFH	3.5	4	4	0.98	55
SSD15	Posting available positions	3.2	3	3	1.03	40
SSD16	HR and personal issues	2.5	3	3	1.03	17
SSD17	HR provides an effective training and development	3	3	3	0.91	32
SSD18	HR and making employees aware of career opportunities	2.3	2	2	1.08	16
SSD19	Training provided to managers and senior management	3.6	4	4	0.89	57
SSD20	Dealing with poor performance	3.2	3	4	1.09	45
SSD21	SSD functions meet the employee's needs	3.3	3	3	0.90	42



### 3) The HRD and Training:

H0: An insignificant number of KFH employees believe that HRD did an effective job in terms of training and development.

H1: A significant number of KFH employees believe that HRD did an effective job in terms of training and development.

To test this hypothesis, a direct question has been asked and the result was shown in the table (8-11). The SSD17 item indicates that only 17% of respondents believed that the HRD did an effective job in term of training and development. However, the central tendency measures were found in the “neutral” area. Hence, the null hypothesis is supported by these results.

### 4) The awareness of available opportunities:

H0: An insignificant number of KFH employees believe that HRD always makes them aware of career opportunities within the bank.

H1: A significant number of KFH employees believe that HRD always makes them aware of career opportunities within the bank.

Similarly, the SSD18 item shows that just 16% of respondents agreed that the HRD makes the employees aware of available career opportunities in the bank. Moreover, the mean (2.2), median (2) and mode (2) were in the “disagree” area. Therefore, the null hypothesis is accepted.

### 5) The effectiveness of Training programs:

H0: An insignificant number of KFH employees believe that they received adequate, appropriate and effective training programs which meet their needs.

H1: A significant number of KFH employees believe that they received adequate, appropriate and effective training programs which meet their needs.

As can be seen from the table (8-11), there are a number of items which could be examined as to the effectiveness of training programs in KFH, such as SSD7, SSD8, SSD9, SSD10, SSD11 and SSD12. To test this hypothesis, the statistics for all these items will be considered in the analysis. First, when the employees were asked whether their managers or supervisors encourage their on-going learning and professional development or not, 68% of them agreed that they do so. Second, 57% of them believe that they are provided with adequate opportunity for career growth. In addition, the study found that they been given an opportunities to develop their own abilities, because more than 80% of the answers were in the “agree” and “strongly agree” areas. Furthermore, as indicated by the results, most of KFH employees (65%) believe that the training programs they received met their needs to do their work effectively, however, 62% of them agreed



that the program schedules also meet their needs. Moreover, 64% of them said that new workers are received special training which met their needs to start their jobs at KFH. Finally, all the central tendency measures for those items were greater than (3), i.e. in the “agree” area. As a result, the alternative hypothesis is supported.

#### 6) The recruitment of new employee

H0: KFH has an ineffective system for recruiting new employees.

H1: KFH has a significant and effective system for recruiting new employees.

To test this hypothesis, a frequency test was carried out for SSD13 and the results show that 46% of the employees were satisfied with the recruitment system in KFH and the remaining did not agree or stood neutral that the bank has an effective recruitment system. Moreover, the central tendency measures were in “neutral” and “disagree” areas. So, the null hypothesis is supported by the majority of KFH employees.

#### 7) Posting available positions:

H0: KFH employees are not satisfied with the fairness of posting available positions in the bank.

H1: KFH employees are significantly satisfied with the fairness of posting available positions in the bank.

This hypothesis is also tested using the result of SSD15, as presented in the table (8-11). As can be seen from the table, just 40% of respondents were satisfied with the fairness of posting available positions in KFH. That means, they might judge the bank as unfair and this results are supported by results explained above. Thus, the null hypothesis is supported.

#### 8) Work compensation:

H0: KFH employees are not receiving a fair compensation for the work they do.

H1: KFH employees are significantly receiving a fair compensation for the work they do.

The majority of the respondents were dissatisfied with the compensation scheme in KFH, because, as shown in the table (8-11), the SSD1 item indicates that only 43% of them said their compensations were fair compared with the work they do for the bank. Hence, the null hypothesis is respected by this result.



## 9) The bonus:

H0: KFH employees are not receiving a fair bonus for the work they do.

H1: KFH employees are significantly receiving a fair bonus for the work they do.

Similarly, only 37% of the employees were satisfied with the bonus programs in KFH, however, the remaining were not satisfied because all central tendency measures were found in the “disagree” area. Therefore, they supported the null hypothesis that the bonus program is unfair in KFH.

## 10) The wages:

H0: There are an insignificant number of KFH employees who believe that they are paid fairly for the work they do.

H1: There are a significant number of KFH employees who believe that they are paid fairly for the work they do.

The SSD3 item was used to examine this hypothesis. As revealed from the results in the table (8-11), 45% of respondents believed that they are paid fairly for the work they do. However, a significant number of them were unsatisfied with their salaries compared with other banks in the State. As a result, the null hypothesis is supported.

## 11) The financial rewards:

H0: KFH employees are not receiving the expected financial rewards from the bank.

H1: KFH employees are significantly receiving the expected financial rewards from the bank.

The financial rewards ranked better than bonus and compensation programs in KFH, because 51% of respondents believed that they receive the expected financial rewards from the bank and others were neutral or disagreed. Consequently, almost more than a half of the employees were satisfied and less than a half were dissatisfied with the financial rewards because the mean was 3.4. Thus, to some extent, the study's results support the alternative hypothesis.



## 8.12 Recognition (REC):

### 1) The way of treating employees:

H0: An insignificant number of KFH employees believe that they are treated with respect in the bank.

H1: A significant number of KFH employees believe that they are treated with respect in the bank.

The general recognition in KFH was highly ranked by respondents because as can be seen from table (8-12), 83% of them agreed that they are treated with respect in KFH (REC5) and 59% of them believe that their managers provide them with appropriate recognitions (REC6). All central tendency measures for REC5 were found in the “strongly agree” area. Thus, the null hypothesis is rejected and a significant number of KFH employees believe that they are treated with respect.

### 2) Recognition:

H0: KFH employees do not significantly receive a fair recognition from the bank.

H1: KFH employees do significantly receive a fair recognition from the bank.

As can be seen from table (8-12), REC1 item directly examines the opinions of KFH employees regarding the fairness of the recognition they received from the bank. The results show that 46% of them were satisfied with the recognition and more than half of respondents stood in “disagree” and neutral areas. The central tendency measures indicates that most answers were around 3 and the standard deviation was high, i.e. there is a significant variation among respondents’ answers, but most of them negatively ranked the fairness of recognition. Therefore, the null hypothesis might be supported here.

**Table (8-12): The Results of Descriptive Statistic for the REC:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
REC1	The fairness of recognition	3.08	3	4	1.3	46
REC2	Recognizing people who do good	3.3	4	4	1.3	52
REC3	Recognition and the level of accomplishment	3.1	3	3	1.2	39
REC4	Recognition encourage teamwork, co-operation and collaboration	3.1	3	3	1.2	40
REC5	Treated with respect	4.1	4	4	0.92	83
REC6	Recognition provided by managers	3.5	4	4	1.17	59



### 3) Recognition and good jobs:

H0: There is an insignificant positive relation between the recognition which employees received and the good jobs they have done.

H1: There is a significant positive relation between the recognition which employees received and the good jobs they have done.

The REC2 item's mean was (3.3), in the area of "agree", but closer to "neutral" area. The median and mode were (4) as shown in the table (8-12). Moreover, 52% of respondents believed that KFH recognises them for their good work. Thus, the alternative hypothesis is supported to some extent because there was also 44% of respondents thought that the bank ignores their good performance and does not recognise them for that.

### 4) The REC and level of accomplishment:

H0: There is an insignificant positive relation between the recognition which employees received and the level of accomplishment.

H1: There is a significant positive relation between the recognition which employees received and the level of accomplishment.

To test this hypothesis, the REC3 item's results in the table (8-12) indicate that only 39% of respondents agreed that the recognition they receive is appropriate for their levels of accomplishments. Also, the central tendency measures were found in the "neutral" area and the standard deviation was high, i.e. the variations among answers were also high (strongly disagree 13%, disagree 15%, neutral 34%, agree 26% and strongly agree 13%). Hence, there is a significant number of respondents believe that the recognition is not fitting for the level of accomplishment and the null hypothesis is correct.

### 5) The REC and the team working:

H0: There is an insignificant link between recognition programs and encouraging team working, co-operation and collaboration in the bank.

H1: There is a significant link between recognition programs and encouraging team working, co-operation and collaboration in the bank.

Similarly, only 40% of respondents supported that there is a link between recognition and team working, co-operation and collaboration in KFH (item REC4). So, most of the respondents judged the recognition programs negatively in terms of encouraging those concepts. Therefore, the null hypothesis is supported.



## 8.13 Communication and Banking Network (CBN):

### 1) Network structure:

H0: There are insignificant employee responses regarding their positive opinions about the communication structure network.

H1: There are significant employee responses regarding their positive opinions about the communication structure network.

To test this hypothesis, two items were used CBN9 and CBN11. The CBN9's result in table (8-13) shows that almost half (51%) of the respondents said the communication network in KFH is well structured and clear to everybody, while 34% of them agreed that the bank network is faster than other banks in the country (CBN11). Consequently, the employee answers regarding the bank network were different because they rated the network in term of structure positively and its effectiveness compared to other banks in the State negatively. However, most of the central tendency measurers for the both items were in the "neutral" area. As a result, the null hypothesis is supported and most of the employees stood neutral and disagreed that the network is well structured and faster than other banks.

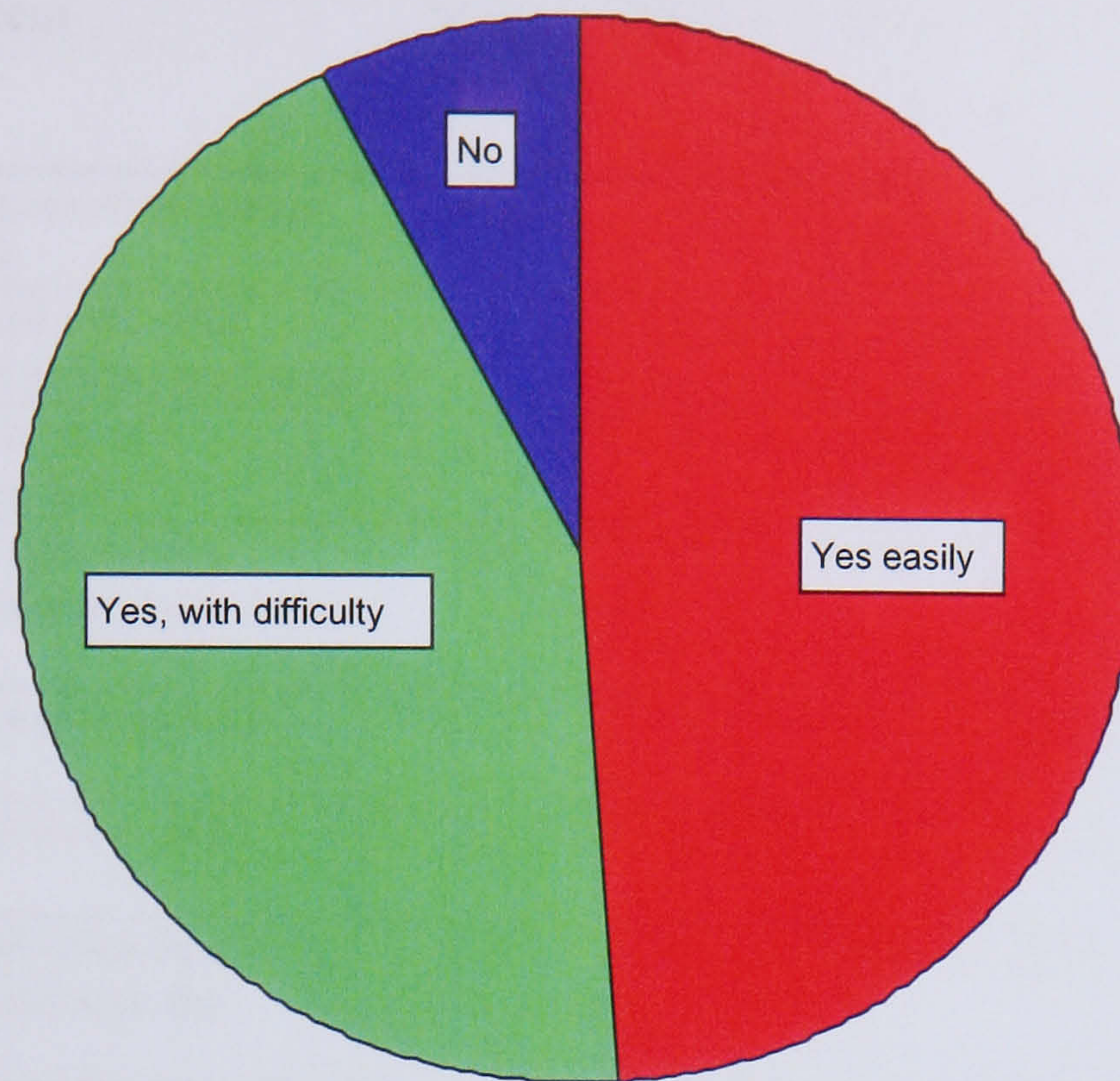
### 2) Follow instructions

H0: There are insignificant numbers of KFH employees able to follow instructions and guides which describe how to use the network.

H1: There are significant numbers of KFH employees able to follow instructions and guides which describe how to use the network.

The summery of the respondents' answers is presented in figure (8-2) below and in the table (8-13) as shown in CBN20 row. As can be seen from the figure, 49% of respondents believe that they can follow the network instructions easily and 44% of them found some difficulties in following the instructions before using the network. Whereas, only 7% of them said it is difficult to follow and use the network instructions. So, a significant number of KFH employees are able to follow instructions and guides which describe how to use the network and the null hypothesis is rejected.





**Figure (8-2):** The ability to follow network instructions.

### 3) Level of technology:

H0: KFH employees are significantly dissatisfied with the level of technology currently used by KFH compared with its competitors.

H1: KFH employees are significantly satisfied with the level of technology currently used by KFH compared with its competitors.

To test this hypothesis, a direct question was asked (CBN3) and the results' summary is shown in the table (8-13). As pointed out from the results, 63% of the respondents were satisfied with the technology level in KFH, while few of them (13%) were dissatisfied and (24%) stood neutral. Moreover, the mean, median and mode were in the "agree" area. Hence, the results support the alternative hypothesis.

### 4) Automated communications

H0: There is an insignificant degree of automated communications in KFH.

H1: There is a significant degree of automated communications in KFH.

To test this hypothesis, CBN19's results indicate that 53% of the respondents believed that most of the communication methods in KFH have been automated, so the degree of automation is in satisfactory level in KFH and it invested millions in technology and setting up a capable network. Hence, the null hypothesis is not supported by the employees' responses.



**Table (8-13): The CBN's Descriptive Statistic Results:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
CBN1	Informing employees about things they need to know	3.7	4	4	1	66
CBN2	Utilizing inputs and data when assisting others in solving problems	4.3	4	4	0.67	93
CBN3	Satisfaction with level of technology used in KFH	3.7	4	4	1.07	63
CBN4	Satisfaction with information spreads between departments and to outside	3.5	4	4	1	59
CBN5	The effective of corporate-wide communications	3.7	4	4	0.91	59
CBN6	The effective of division-wide communications	3.5	4	3	0.94	52
CBN7	The reliability and up-to-date information used through the network	3.1	4	4	0.91	41
CBN8	The Network allows every employee to have an open-two-way channel to others	3.6	4	4	0.97	61
CBN9	The network's structures clear to employees	3.3	4	4	1.01	51
CBN10	The quick of receiving replay when sending letter to manager	3	3	3	1.03	34
CBN11	KFH communication network is faster than other banks	3.1	3	3	0.89	34
CBN12	Written communication	3.6	4	4	0.97	67
CBN13	Getting responses to messages and calls	3.5	4	4	0.80	58
CBN14	The employee knows who to call when facing problems	3.8	4	4	0.92	78
CBN15	Policies and communications	3.5	4	4	0.94	58
CBN16	Providing answers and complete information for manager questions	4	4	4	0.76	81
CBN17	Getting the information when needed	3.3	3	4	0.87	48
CBN18	Small groups communication	3.4	4	4	0.79	51
CBN19	The automation of communication methods	3.3	4	4	1.03	53
CBN20	The ability to follow network in structures	1.6	2	1	0.62	92
CBN21	The reasons of using the network	3.1	3	1	2.14	---
CBN22	Getting the information from the network	1.7	2	2	0.5	94
CBN23	Access to the SSB	4	4	5	1.01	76

### 5) Information spread:

H0: KFH employees are significantly dissatisfied with the KFH network and the spread of information between divisions, departments and to outside the bank.

H1: KFH employees are significantly satisfied with the KFH network and the spread of information between divisions, departments and to outside the bank.



Similarly, direct questions was asked (CBN4) to examine the efficiency of information spread between departments, divisions and to outside the bank. As can be seen from the table (8-13), 59% of the respondents were satisfied with the network and the information spread between departments and to outside, while (15%) of them were dissatisfied. Also, CBN8 item shows that 61% of them believed that the network allows everyone to have an open-two-way channel to communicate with others in any level of the bank. So, the null hypothesis is not supported.

#### 6) Reliable information:

H0: There are insignificant employee responses regarding the reliability and updated information in KFH.

H1: There are significant employee responses regarding the reliability and updated information in KFH.

The results shown in the table (8-13) item CBN7 proves that it is difficult to accept or reject the null hypothesis above, because only 41% of the responses were in the “agree” area and 37% in the “neutral” area while the remaining in the “disagree” area. However, the central tendency measures were greater than (3), i.e. in the “agree” area. Moreover, the variation among answers was small because the standard deviation was only 0.90. Thus, this result supports the null hypothesis only to some extent because more than half of respondents stand neutral or disagreed.

#### 7) Corporate communication:

H0: KFH employees are significantly dissatisfied with corporate-communications and division and department-communications which keep them informed.

H1: KFH employees are significantly satisfied with corporate-communications and division and department-communications which keep them informed.

As can be seen from the table above, CBN5 and CBN6 items were used to test this hypothesis. The results show that most of the respondents agreed that corporate and division and department communications are effective and keep them informed. 59% of them considered that corporate-communication was effective with 52% of them believing the division and department communication was effective and kept them informed. Only 13% of them said the division and department communication was ineffective. Moreover, the central tendency measures were in the “agree” area. Therefore, the alternative hypothesis is supported.



## 8) Communication with the SSB:

H0: KFH employees describe their access to members of the SSB as insignificant and ineffective.

H1: KFH employees have significant and effective access to members of the SSB and to take advises from them.

This hypothesis examines the effective two way channels between the SSB and employees. As can be seen from the table (8-13), CBN23 item indicates that 76% of respondents considered their direct access to the SSB to take advices and comments. The central tendency measures for this item were found in the “strongly agree” area. So the null hypothesis is not supported.

## 9) Communication with managers:

H0: An insignificant number of KFH employees believe that they receive quick answers or replies from their managers when they send letters using the communication system in the bank.

H1: A significant number of KFH employees believe that they receive quick answers or replies from their managers when they send letters using the communication system in the bank.

A direct question was used to test this hypothesis (CBN10). As can be seen from the table, only 34% of respondents agreed that they receive a quick replies from their managers when they send letters using the communication system in the bank. The mean, median and mode were 3, i.e. in the “neutral” area. So, the null hypothesis is accepted.

## 10) Written communication:

H0: An insignificant number of KFH employees believe that written communication in the bank is clear and informative.

H1: A significant number of KFH employees believe that written communication in the bank is clear and informative.

The CBN12 was the item used to examine this hypothesis. Frequency analysis shows that 67% of respondents agreed that the written communication in KFH from the HRD and other departments are clear and informative. The mean, median and mode were found in the “agree” area. Thus, the alternative hypothesis is supported by the results.

## 11) Effective communication system:

H0: An insignificant number of KFH employees are able to utilise and find information at the time when needed.



H1: A significant number of KFH employees are able to utilise and find information at the time when needed.

To examine this hypothesis, four items were used (CBN1, CBN2, CBN14 and CBN17). As can be seen from the table (8-13), 66% of the respondents believed that they are informed about things they need to know, 93% of them considered that they utilize inputs and data when assisting others solving problems, 78% of them knew who to call when facing difficulties and only 48% of them agreed that they get the information at the time they wanted. Moreover, the means, medians and modes for all items were greater than 3, i.e. in the “agree” and “strongly agree” areas. These results indicate that most of the employees seek and utilise data and information to do a good and efficient job, but unfortunately more than half of the respondents stood neutral (38%) or disagree (16%) when they were asked whether they get the information they seek at the time they wanted. Therefore, the results support to some extent the null hypothesis in terms of getting the information at the time they wanted and the alternative hypothesis in terms of utilizing the data and the information.

#### 8.14 Organisational Structure (OS):

##### 1) The authority and responsibility

H0: The authority, which has been given to a KFH employee, is significantly different to his job responsibilities.

H1: The authority, which has been given to a KFH employee, is significantly alike to his job responsibilities.

This hypothesis was tested using item OS1 in table (8-14). As can be seen from the table, 53% of the respondents believed that the authority they have been given was equal to their job responsibilities. On the other hand only 31% of them thought that their authorities were not equal to the job responsibilities and 16% stood neutral. Moreover, the central tendency measures were found in the “agree” area. Thus, the null hypothesis is not supported to some extent because the study found that a considerable number of employees (31%) believe that they have been given authority that is unequal to the job responsibility.

##### 2) Understanding responsibilities:

H0: There are insignificant positive employee responses regarding their opinions about confusion between departments in understanding their responsibilities.

H1: There are significant positive employee responses regarding their opinions about confusion between departments in understanding their responsibilities.



To test this hypothesis, OS2 item was used. The frequency analysis show that 45% of the respondents agreed that there is some confusion between departments in understanding their job responsibilities, 35% were neutral and 20% of them believed that department responsibilities are clear and there is no confusion between them. However all the mean, median and mode were in the “agree” area. Hence, considerable numbers of the employees feel that there is confusion between department responsibilities or stood neutral, i.e. the alternative hypothesis is supported.

3) The OS improvement:

H0: An insignificant number of KFH employees believe that the KFH organisational structure should be improved and redesigned to get better results.

H1: A significant number of KFH employees believe that the KFH organisational structure should be improved and redesigned to get better results.

As pointed out in the table (8-14) item OS3, 65% of the respondents considered the importance of improving and redesigning KFH structure to get better results. That means a significant number of KFH employees believe that the KFH organisational structure should be improved and redesigned and the null hypothesis is rejected.

**Table (8-14):** The OS’ Descriptive Statistic Results:

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
OS1	Authority and responsibility	3.3	4	4	1.2	53
OS2	Confusion between departments in understanding their responsibilities	3.2	3	4	0.95	45
OS3	The need to improve and redesign the KFH structure	3.6	4	4	1.07	65
OS4	The existence of things in other departments affecting employee jobs	3.3	4	4	1.14	56
OS5	The understanding of structural lines	3.6	4	4	0.84	65
OS6	Organizational structure lines	2.3	2	2	0.82	74
OS7	Employee involvement in organizational structure	1.8	2	2	0.44	23
OS8	The integration of department structures	1.5	1	1	0.59	52



#### 4) Affected by other parts of the bank:

H0: KFH employees are not aware of things in other parts of the bank that might affect his job and implementation of activities.

H1: There is a significant awareness by KFH employees of things in other parts of the bank that might affect his job and implementation of activities.

The OS4 in the table (8-14) was used to examine this hypothesis. As proved by the results, most the respondents (56% of them) were aware of things in other parts of the bank that might affect their jobs. Whereas, 23% of them were not aware of those things and the remaining 21% stood neutral. Therefore, the alternative hypothesis is supported by these results.

#### 5) Understanding OS lines

H0: There is a significant lack of employee understanding of the organisational structural lines in KFH.

H1: There is a significant basic understanding of the organisational structural lines in KFH by the employees.

A direct question has been asked to test this hypothesis and the results summary presented in the table (8-14), OS5 item. As can be seen from the table, 65% of the respondents believed that they have a basic understanding of the structural lines while 9% support the null hypothesis and 26% were neutral. Thus, the alternative hypothesis is accepted.

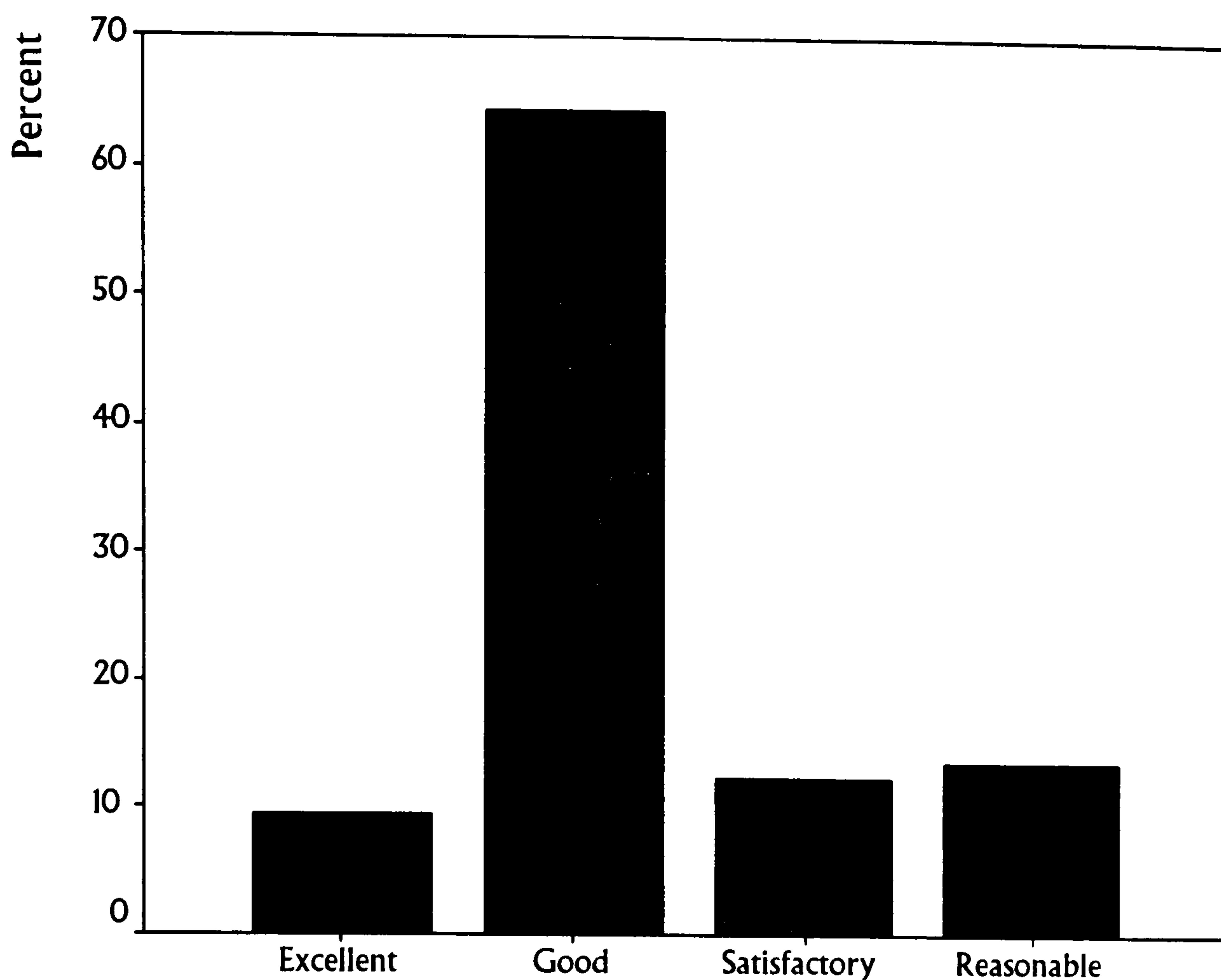
#### 6) The OS lines clearance:

H0: There is a significant ambiguity of organisational structure in KFH.

H1: The ambiguity of organisational structure in KFH is insignificant.

To test this hypothesis, OS6 was used. The respondents have been asked to rate the clear lines of organisational structure and the results are illustrated in figure (8-3) below.





**Figure (8-3):** The organisational structure lines

The figure above indicates that 74% of the responses said the lines were “Good” and “excellent” and none of them rated the lines clear as a “Poor”. The mean (2.3), median (2) and mode (2), which also reflect the same result in the figure. So, the ambiguity of organisational structure in KFH is insignificant and the null hypothesis is rejected.

#### 7) The employee involvement in the OS:

H0: There has been an insignificant degree of employee contribution in carrying out organisational structure or re-structure for their departments during the last two years.

H1: There has been a significant degree of employee contribution in carrying out organisational structure or re-structure for their departments during the last two years.

A direct question was asked to test this hypothesis (OS7). Most of the respondents (76%) had never carried out any organisational structure or restructure during the last two years; however, they are not involved in any current structural design. The mean (1.8) was close to “No” answer and median and mode (2) also were in the “No” area. Therefore, the null hypothesis is accepted.

#### 8) The integration between divisions and departments:

H0: There is an insignificant degree of integration within KFH departments and divisions.

H1: There is a significant degree of integration within KFH departments and divisions.



Similarly, the respondents were asked whether their department organisational structure integrated with other parts of KFH structure (SO8) and the results show that 52% of them believed that their departments are integrated and 43% of responses rejected the integration. So, the alternative hypothesis is supported by more than half of employee answers.

### 8.15 Co-operation and Co-ordination between Departments and Sectors within the Bank (CCDS):

#### 1) The co-operation between departments:

H0: There is an insignificant degree of co-operation received by employees from other departments.

H1: There is a significant degree of co-operation received by employees from other departments.

To test this hypothesis, CCDS1 was used and the results are presented in table (8-15) below. As can be seen from the table, 44% of the respondents were satisfied with the co-operation they received from other departments. Moreover, more than half of them were dissatisfied or neutral. So, it might be difficult to say the degree of co-operation between departments is significant because the results support the null hypothesis.

**Table (8-15):** The CCDS’ Descriptive Statistic Results:

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
CCDS1	Co-operation between departments	3.1	3	4	1.06	44
CCDS2	Cross-functional co-ordination and co-operation	3.6	4	4	0.85	57
CCDS3	Is the department structured as a unit in its own right under the bank network	1.2	1	1	0.5	75

#### 2) Cross-function co-ordination:

H0: An insignificant number of KFH employees believe that there is a cross-functional co-ordination and co-operation on important projects.

H1: A significant number of KFH employees believe that there is a cross-functional co-ordination and co-operation on important projects.

The CCDS2 was used to examine this hypothesis and 57% of the answers agreed that there is a cross-functional co-operation and co-ordination on important projects. This result and the central tendency measures support the alternative hypothesis. However there is no confusion between



CCDS1 and CCDS2 results because CCDS2 reflects the co-ordination and co-operation only on important and specific projects.

### 3) The department's unity:

H0: There are insignificant positive employee responses regarding their beliefs that any department in KFH works as a unit in its own under the bank structure.

H1: There are significant positive employee responses regarding their beliefs that any department in KFH works as a unit in its own under the bank structure.

To test this hypothesis, a direct question was asked (CCDS3) and most of the answers (75%) were “Yes” the department is structured as a unit in its own right under the bank network. Moreover, the mean (1.2), median (1) and mode (1) were in the “Yes” answer's area. Thus, the null hypothesis is not supported.

### 4) Departments' integration:

H0:

1. There are insignificant degrees of integration between departments within KFH.
2. There are insignificant differences between those degrees of integration among KFH departments

H1:

1. There is a significant degree of integration between departments within KFH.
2. There are significant differences between those degrees of integration among KFH departments

The analysis of comparing means test (one-way ANOVA) was used to test this hypothesis. The dependent variables were the departments' integrations and place of work was a single factor (independent variable). The summary of results is presented in table (8-16) below.

As can be seen from table (8-16), the integration between departments in KFH was positively considered by employees because most answers were in the “integrative or linked” area. However, the variances between the employee responses found to be high because most of the standard deviations values were more than one. The most integrative departments are the Branching Division, the HR, the Internal-auditing, the Operation Banking, the Private Banking Section IP, the VIP and the Ladies Division. The less integrative departments are the International Real Estate, the Investment Division, the Direct Investment, the Local Real Estate and the Strategic Planning and Products Development. Therefore, there were differences between the respondents' answers regarding the integration between departments because when we look at all F factors in



the table and levels of significant, the findings indicate that all F factors were significant. Thus, there is a significant difference between the degrees of integration among KFH departments and the null hypothesis must be rejected.

**Table (8-16):** One-way ANOVA Results for the Level of KFH Departments’ Integration:

	Departments	The Means	S.D	df	F	Sig.
1	HR,	3.7	0.96	159	1.637	.046
2	Public relations and information management	3.4	1	159	2.514	.001
3	Internal auditing management	3.7	1.09	159	2.888	.000
4	Strategic planning and products development management	3.2	1.08	159	1.413	.119
5	Legal management	3.5	1.1	159	3.251	.000
6	IT division	3.6	1.01	159	.936	.549
7	Direct investment management	3	1.17	159	2.647	.000
8	Operation banking management	3.7	1.15	159	4.449	.000
9	Private banking section IP.	3.8	1.06	159	4.108	.000
10	Branching management	4	1.1	159	7.208	.000
11	Credit cards management	3.6	1.1	159	2.532	.001
12	Credit management	3.3	1.1	159	.984	.488
13	Letters of credit	3.3	1.1	159	1.447	.104
14	Private financial services management VIP	3.7	1.02	159	3.482	.000
15	Local real estate management	3.2	0.99	159	1.027	.436
16	Investment division.	3	1.05	159	2.616	.000
17	Treasury department	3.4	1.2	159	4.063	.000
18	Murabaha and cars departments or commercial division.	3.5	1.04	159	1.178	.277
19	Commercial operation management	3.6	0.92	159	.915	.575
20	Ladies division	3.7	1.16	159	3.581	.000
21	International real estate department	2.8	1.1	159	2.539	.001
22	Others such as, such as support division, information centre and so on.	3.4	0.93	159	1.722	.032

### 5) The importance of departments’ integration

H0: A small number of KFH employees believe that the integration between departments and divisions in KFH is important.

H1: A significant number of KFH employees believe that the integration between departments and divisions in KFH is important

To examine this hypothesis, the results of calculating the importance of integration’s means, standard deviations and the percentage of number of respondents who believed that it is importance for their departments to be integrated with other departments as shown in table (8-17) were used.



**Table (8-17): The Importance of Departments' Integration in KFH:**

	Departments	The Means	S.D	Cum. % of positive answers
1	HR,	4.3	0.82	90
2	Public relations and information management	4.1	0.86	81
3	Internal auditing management	4.1	0.94	81
4	Strategic planning and products development management	4	1	74
5	Legal management	4.1	0.89	75
6	IT division	4.1	0.85	79
7	Direct investment management	3.6	1	64
8	Operation banking management	4.2	1	84
9	Private banking section IP.	4.2	1	81
10	Branching management	4.2	1.1	79
11	Credit cards management	4.1	1	72
12	Credit management	3.8	0.95	69
13	Letters of credit	3.7	1	58
14	Private financial services management VIP	4.1	0.96	79
15	Local real estate management	3.6	1.1	59
16	Investment division.	3.5	1.1	52
17	Treasury department	3.7	1.2	62
18	Murabaha and cars departments or commercial division.	4	0.89	73
19	Commercial operation management	4	0.82	78
20	Ladies division	4	1	70
21	International real estate department	3.2	1.1	42
22	Others such as, such as support division, information centre and so on.	4.2	0.92	80

As can be seen from the table above, only the International Real Estate was seen as a less important to be integrated with other departments in the bank, while all the respondents believed that it is important for most of KFH divisions and departments to be integrated with each other.

The results indicate that HR, Operation Banking, IP, Public Relations, Internal Auditing departments, Branching and IT divisions were the most important divisions and departments to be integrated with all other departments and division in the bank because all their means in the “very important” area, their standard deviations were less than 1 and more than 80% of the respondents said it is important for these divisions and departments to be integrated with others.

However, the less important departments to be integrated with others in addition to International Real Estate were Investment Division, Letters of Credit and Local Real Estate departments. Hence, there is a significant degree of the importance of integration between KFH departments and divisions and the alternative hypothesis is supported.



8.16 Work Procedures, Processes and Responsibility (WPPR):

1) The standardisation of tasks:

*H0: There is an insignificant degree of standardised KFH tasks in terms of performance.*

*H1: There is a significant degree of standardised KFH tasks in terms of performance.*

To test this hypothesis, WPPR1 was used. As can be seen from table (8-18), 58% of respondents agreed that KFH had standardised its task performance, 7% of them disagreed and 35% stood neutral. Moreover, the central tendency measures were in the “agree” area. Thus, the degree of standardised tasks in KFH is significant and the null hypothesis is not supported.

2) The routine tasks:

*H0: A small number of KFH employees believe that the tasks in KFH are routine.*

*H1: A significant number of KFH employees believe that the tasks in KFH are routine.*

The WPPR2 was used to examine this hypothesis. The results show that 55% of the respondents said that their works are performed in the same way every time. The mean, median and mode were more than 3 which means most of the employees believe that they are doing routine job every day and this result support the alternative hypothesis.

**Table (8-18):** The WPPR’s Descriptive Statistic Results:

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
WPPR1	The work standardization 1	3.6	4	4	0.84	58
WPPR2	The work standardization 2	3.3	4	4	1.1	55
WPPR3	Holding accountability for doing a job	4.4	5	5	0.71	94
WPPR4	Work change 1	2.9	3	3	1.2	32
WPPR5	Work change 2	2.8	3	3	1.2	33
WPPR6	The effectiveness of work processes	3.6	4	4	0.72	64
WPPR7	The improvement of work processes	4.1	4	4	0.78	82
WPPR8	Working with others	2.8	3	3	0.95	73
WPPR9	Policies facilitate interactions between managers and employees	2.7	3	2	1.1	28

3) The effectiveness of work processes:

*H0: There is insignificant effectiveness of work process performance in KFH.*

*H1: There is significant effectiveness of work process performance in KFH.*



This hypothesis was tested using WPPR6. As presented in the table (8-18), 64% of respondents believed that the work processes are effective in their areas while 7% of them said they are ineffective and 29% of them stood neutral. The central tendency measures were also positive. Hence, most of the employees in KFH believe that the work processes are effective and accept the alternative hypothesis.

#### 4) Process development:

H0: There are a small number of KFH employees who believe that the work processes have been developed and improved compared to one year ago.

H1: There are a significant number of KFH employees who believe that the work processes have been developed and improved compared to one year ago.

Similarly, 80% of the respondents agreed that improvements have been made in work processes compared to one year ago and only 3% disagreed. The mean, median and mode were found in the “strongly agree” area and the standard deviation indicate that there is small dispersion between employees’ answers. Thus, the null hypothesis is not supported.

#### 5) Employee accountability

H0: A small number of KFH employees are significantly held accountable for doing their jobs.

H1: KFH employees are significantly held accountable for doing their jobs.

As can be seen from the table, WPPR3 indicates that 94% of the sample considered that they are held accountable for doing their job. Moreover, the mean, median and mode were 4.4, 5 and 5 respectively (the “strongly agree” area) with small disparity between answers. So, the alternative hypothesis should be accepted.

#### 6) Change jobs:

H0: KFH employees significantly believed that they are not able to change their jobs to further careers.

H1: KFH employees significantly believed that they are able to change their jobs to further careers.

To test this hypothesis, two items were used (WPPR2 and WPPR3). The results show that few respondents were able to change their work to further their career because only 32% of them agreed that employees are able to change jobs and 33% of them found it easy to change jobs in KFH to further careers. The central tendency measures were found in the “disagree” area.



Consequently, most of the employees in KFH are not able to change their work and they support the null hypothesis.

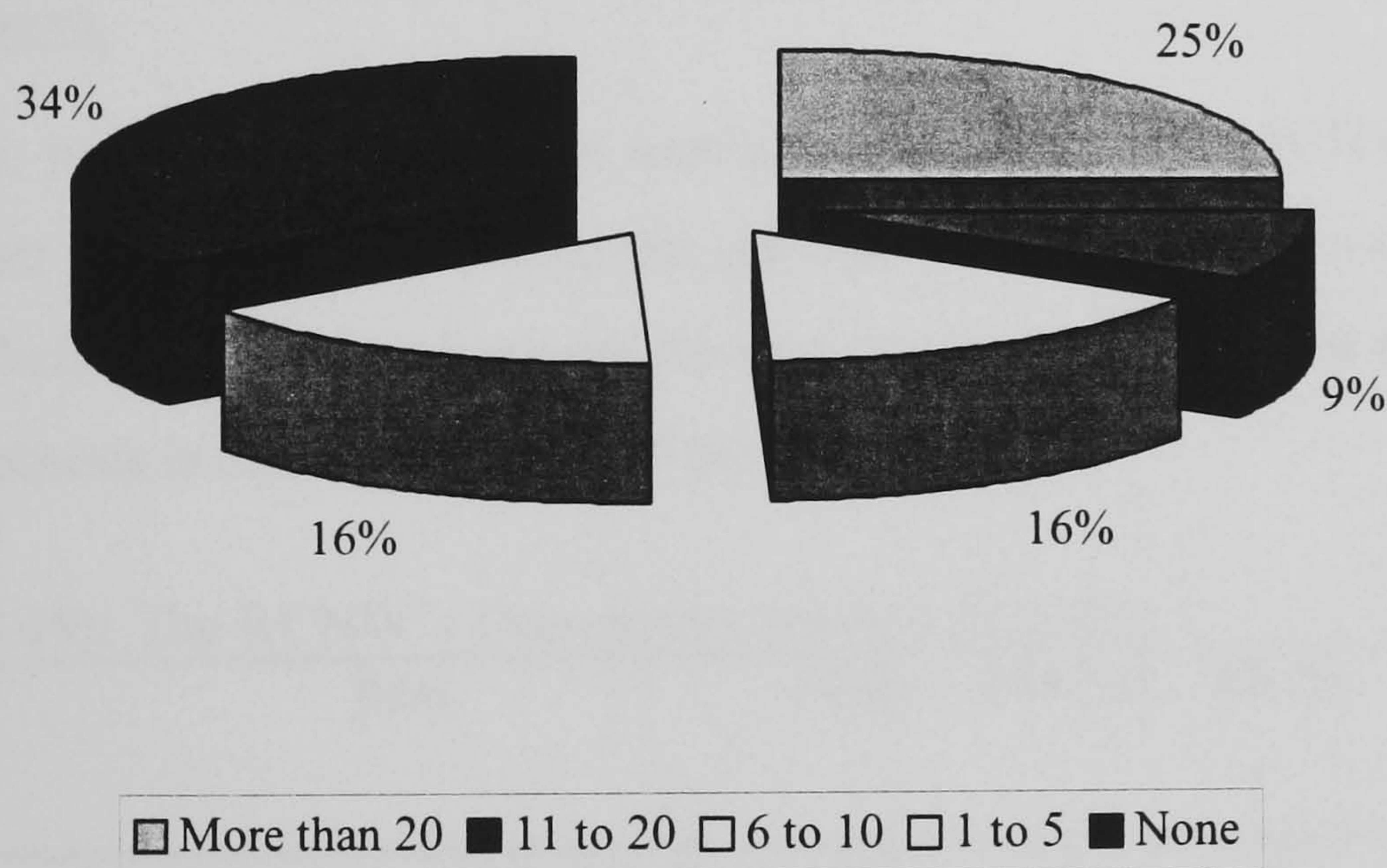
8.17 Responsiveness to customers’ needs and wants (RCNW):

1) Deal with outside customers:

*H0: An insignificant number of KFH employees deal with outside customers.*

*H1: A significant number of KFH employees deal with outside customers.*

Two items RCNW9 and RCNW10 were used to examine this hypothesis (table 8-19). These items’ results show that 62% of respondents are dealing with outside customers and figure (8-4) indicates that only 34% of them served more than ten customers a week, while 71% of them served less than ten customers a week. However 35% of them do not meet even one customer a week.



**Figure (8-4):** The number of customers served weekly by an employee

Therefore, there are a significant numbers of employees in KFH who deal with customers and the null hypothesis is not supported even though is 25% of them only see more than 20 customers per week.



2) Making customers successful:

H0: There is an insignificant degree of KFH commitment to make its customers successful in their businesses.

H1: There is a significant degree of KFH commitment to make its customers successful in their businesses.

To test this hypothesis, the use of two items (RCNW1 and RCNW2) was employed. As can be seen from the table, 64% of the respondents believed that KFH identifies the potential areas of growth to invest the customers’ funds successfully. In addition, 92% of them agreed that KFH has a commitment to make its clients successful. Moreover, the mean (4.3), median (4) and mode (4) indicate that most of the answers were in the “strongly agree” area. Thus, the alternative hypothesis should be accepted.

3) Keeping promises:

H0: There are insignificant numbers of KFH employees who believe that the bank keeps promises to its customers.

H1: There are significant numbers of KFH employees who believe that the bank keeps promises to its customers.

Similarly, two items were used to examine this hypothesis (RCNW3 and RCNW6). The results show most the respondents (84%) thought that the bank keeps promises to its customer and 83% of them believed that they keep on their promises to internal and external customers. Hence, the null hypothesis is rejected by most of the respondents.

**Table (8-19): The RCNW’s Descriptive Statistic Results:**

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
RCNW1	Identifying the potential areas of growth.	3.7	4	4	0.97	64
RCNW2	The commitment to make clients successful	4.3	4	4	0.74	92
RCNW3	Keeping promises to customers	4.2	4	4	0.75	84
RCNW4	Products and services and customer needs	3.8	4	4	0.91	74
RCNW5	Provision of special services to meet special needs	3.9	4	4	0.97	78
RCNW6	Employee keeps his promises to internal and external customers	4.1	4	4	0.81	83
RCNW7	Branching	4.2	4	5	0.94	81
RCNW8	Branching and network	4	4	4	0.98	76
RCNW9	Dealing with customers from outside	1.3	1	1	0.51	62
RCNW10	No. of customers a week	2.7	2	1	1.6	34



#### 4) Products and services and customer needs:

H0: There is an insignificant number of KFH employees who believe that its products and services meet customer needs and wants.

H1: There is a significant number of KFH employees who believe that its products and services meet customer needs and wants.

This hypothesis was examined using two items (RCNW4 and RCNW5). The respondents (74% of them) in the first item believed that the products and services in KFH meet customer needs and wants. Most of their answers were in the “agree” area because the central tendency measures greater than three. Also in item two, 78% of them said ‘the bank provides special services to meet special customer needs’. Therefore, they support the alternative hypothesis.

#### 5) Branching and the use of products and services:

H0: There is an insignificant contribution of KFH branching network in encouraging internal and external customers to use its products and services.

H1: There is a significant contribution of KFH branching network in encouraging internal and external customers to use its products and services.

As discussed in chapter three, KFH has built a solid network of branching in the State. This hypothesis looks at the employee opinions about branching network and its benefits to customers. To test it, two items were used (RCNW7 and RCNW8). As presented in the table (8-19), 81% of the respondents believed that the more branches you open the more customers you gain and that will encourage them to use the bank’s products and services. In addition, 76% of them agreed that KFH has an extensive network of branches, which also encourage internal and external customers to use its products and services effectively. Moreover, the central tendency measures were more than 4 which means most of the answers in the “strongly agree” area. Thus, the employees support the alternative hypothesis.

#### 8.18 The Importance of Products and Services (IPS):

H0: There are insignificant differences between KFH employee responses regarding the importance of its products and services and also there are no significant differences between males and females employees when rating those importances.

H1: There are significant differences between KFH employee responses regarding the importance of its products and services and also there is a significant difference between male and female employees when rating that importance.



As discussed in chapter seven, there were differences in products and services importance according to customer ratings. This section will examine the employee ratings for the products' importance. To test the above hypothesis, the frequencies and one-way ANOVA tests were carried out and the results' summary is illustrated in table (8-20) below.

**Table (8-20): The Importance of Products and Services, Employees' Evaluation:**

No.	Products and services	Cum. % of positive answers	Males' Means	Females' Means	F value	Sig. F
1.	Current account	90	4.3	4.6	2.9	0.089
2.	Savings account	91	4.3	4.8	9.2	0.003
3.	Special investment account	71	3.9	4.1	1.9	0.16
4.	General investment account	66	3.9	4.1	1.1	0.29
5.	Mutajara	74	4	4.3	2.3	0.125
6.	Musharaka (Partnership) products	74	4.1	4	0.25	0.617
7.	Profit-Loss-Sharing Products	92	4.5	4.4	0.24	0.621
8.	Sale on credit	86	4.3	4.2	0.782	0.378
9.	Operation and purchase lease	82	4.2	4.2	0.035	0.851
10.	Mudarabah	79	4.2	3.9	6.04	0.015
11.	Muzara'a	53	3.5	3.8	1.54	0.215
12.	Al-Qard Al-hasan	64	3.5	4.2	10.1	0.002
13.	International financial services	66	3.9	4	0.22	0.633
14.	Letter of credit	60	3.7	3.9	0.59	0.442
15.	Letter of guarantee	72	3.9	4	0.18	0.666
16.	Credit cards services	89	4.3	4.5	1.3	0.249
17.	Automatic teller machine	91	4.4	4.5	0.284	0.595
18.	Cheque book & guarantee card	91	4.4	4.5	0.83	0.363
19.	Bill payment facilities & standing orders	83	4.1	4.2	0.82	0.366
20.	Investment management for others	73	3.9	3.9	0.20	0.652
21.	Investment advises and feasibility studies	67	3.8	4	0.62	0.432
22.	Bank pays Zakat on your behalf	56	3.4	3.9	3.59	0.060
23.	Women counters or branches	91	4.3	4.6	4.08	0.045
24.	Safe deposits	80	3.9	4.3	3.02	0.084
25.	Check balances	90	4.4	4.6	2.13	0.146
26.	Traveller cheques	84	4.2	4.4	1.21	0.272
27.	Money order/drafts	89	4.4	4.5	0.271	0.603
28.	Personal Banking transaction	82	4.3	4.4	0.198	0.657

As can be seen from the table, most of the respondents considered the importance of all products and services in KFH (see column 3 in the table), but products, such as savings accounts, profit-loss-sharing, ATM, cheque book and guarantee card, women branches, check balances and current accounts ranked the most important products in the bank because more than 90% of the respondents believed so. However, the second category of products and services includes money order/drafts, credit cards, sale on credit operation and purchase lease, bill payment facilities and standing orders, traveller cheques, personal banking transaction and safe deposits. This category has also found in the "very important" area because between 80% to 90% of respondents considered the importance of its products and services. The third category of products and



services includes Mudarabah, Musharakah (partnership), investment management for others, letter of guarantee, special investment account, investment advises and feasibility studies, general investment account and international financial services. These products and services are also important because more than 65% but less than 80% of respondents believed so. On the other hand, the less ranking products were al-qard al-hasan, bank pays zakat on your behalf and muzara'a. Therefore, there was a significant difference between KFH employee responses regarding the importance of its products and services but most of them believed that all products are important.

Moreover, to examine the differences further more, the results of the F values and the significant levels in the table indicate that there is no significant differences between males and females in KFH when ranking the importance of the following products: Musharakah (partnership) products (F value= 0.25 and Sig.= 0.617), profit-loss-sharing products (F value= 0.24 and Sig.= 0.621), operation and purchase lease (F value= 0.035 and Sig.= 0.851), letter of guarantee (F value= 0.18 and Sig.= 0.666), investment management for others (F value= 0.20 and Sig.= 0.652), money order/drafts (F value= 0.271 and Sig.= 0.603) and personal banking transaction (F value= 0.198 and Sig.= 0.657). Thus, the null is substantiated for those products and services. Whereas, the means test results in the same table show that there is a significant difference between males and females when rating the importance of the following products: current account, savings account, special investment account, general investment account, Mutajara, sale on credit, Mudarabah, Muzara'a, al-qard al-hasan, ATM, cheque book and guarantee card, bill payment facilities and standing orders, investment advises and feasibility studies, bank pays zakat on customers' behalf, women branches, safe deposits, check balances and traveller cheques. Hence, the alternative hypothesis is supported.

### 8.19 The Administrative Intensity (AI):

**Table (8-21):** The AI's Descriptive Statistics Results

No.	Item	Mean	Median	Mode	S.D.	Cum. % of positive answers
AI1	Satisfaction with resources allocation between departments	3.2	3	4	0.95	46
AI2	Satisfaction with the manager's ability to co-ordinate and allocate resources	3.7	4	4	0.91	67



H0: There is an ineffectiveness resource allocation within KFH divisions and departments.

H1: There is a significant and effective resource allocation within KFH divisions and departments.

To test this hypothesis, the results presented in table (8-21) were used. 46% of respondents were satisfied with the allocation of resources among departments and divisions, while 17% were dissatisfied and 38% stood neutral. So, only less than half of the employees were satisfied with resource allocation in KFH in general but 67% of them were satisfied with their managers’ abilities to co-ordinate and allocate those resources. Therefore, KFH might use those abilities to be more effective in allocating resources among departments. The results here support the alternative hypothesis to some extent however, much still need to be done before the hypothesis can be accepted.

### 8.20 The Summary of the Findings:

As can be seen from table (8-22), the results revealed that most of the internal diagnosis variables tended to show positive perceptions toward the study aims because most of employee answers were positive.

**Table (8-22)** The Summary of the Findings (Average Cumulative % Positive Answers and Means)

No.	Item	Mean	Cumulative % of positive answers
1	ES	3.75	69
2	WE	3.73	68
3	UCMO	3.78	66
4	OC	3.44	56
5	SMS	3.42	56
6	DMP	3.65	63
7	WSAM	3.1	63
8	KIF	3.70	65
9	KMS	3.95	77
10	SSD	3.3	49
11	REC	3.4	53
12	CBN	3.4	85
13	OS	2.8	54
14	CCDS	2.6	58
15	WPPR	3.3	57
16	RCNW	3.6	73
17	IPS	4.4	78
18	AI	3.5	56



## 8.21 Concluding Remarks:

This chapter aimed at presenting the primary data collected from the KFH employee survey. It began by examining the internal diagnosis variables and hypotheses, which have been defined in chapter six. The central tendencies and variability of these variables were also presented and analysed.

Generally, the results revealed that most of these variables tended to show positive perceptions toward the study aims.

Job satisfaction was the first factor to be tested and eight hypotheses were tested. They included employee satisfaction with the bank as a place to work, the bank management, the bank performance and its products and services, the weekly working hours, working schedules and examined of the loyalty to the bank and the interaction between satisfaction with bank management and other variables. The study results revealed that most alternative hypotheses has been accepted but that employees were not satisfied with the working schedules and their abilities to balance between their personal lives and work in KFH.

The findings also revealed that the bank has an understandable mission and measurable and achievable objectives, and that the top management is responsible for setting the mission and objectives without any consultancy from the employees. The employees described the working environment as an ethical and divers-friendly working atmosphere but the bank's rules and procedures affect the ways of doing works.

In addition, cultural factors, such as providing free-interest products and services, knowledge in Islamic banking, the following of all Islamic principles, etc. also dominated employee answers and have a great affect on bank businesses.

Moreover, the results of examining the SMS's and DMP's hypotheses proved that the centralisation approach dictates the bank management and ways of taking decisions. They also found that there is a negative relationship between the employees and the senior managers who need to improve their relationship with their employees.

Furthermore, the results pointed out that there were unsatisfactory signs by employees regarding the general corporate support functions including the HRD, employee finance or pay-roll, training, etc.



The results also, indicated some of the bank weakness, such as the employee's overall time in operations being under expectation level, the HRD knowledge of employee personal issues, its efforts in training, recruitment system, the compensation system, bonus programs, pay-roll and the recognition systems. Moreover, one of the most important points revealed by the results was the ineffective feedback and information system in the bank, which also caused the employees to say that they do not get the information at the time they need it. As well as the results indicated there is some confusion between departments in understanding their job responsibilities. Furthermore, the results showed that the employees were not allowed to be involved in any kind of organisational structure. Finally, employees' answers show there is a lack of co-operation and co-ordination between departments except on specific projects.

On the other hand, the results highlighted some of the bank's strengths, such as the encouraging and developing of working teams, employee knowledge and skills in management, problem-solving, setting goals, evaluating performances and computer skills, their understanding of jobs responsibilities, organisational structural lines, the level of technology, automation and standardisation in the bank, well structured network, effective and develop work's processes and the bank's responses to customer needs and wants.

This chapter disclosed that there was a considerable degree of integration between the bank's departments and concluded that it is important for KFH divisions and departments to be integrated for effective products and services delivery.

Finally, the employee reactions regarding the importance of products and service were the same as the customer, which have been discussed in chapter seven.

The next chapter will discuss all these findings and link them to the study aims. Also the implications for both managers and researchers will be drawn after all sections and in the end of the chapter a proposed BPR methodology will be recommended by the author to be adopted by KFH.



## Chapter Nine

### Discussion and Implications of the Findings and the Need to Adopt BPR in Islamic Banking:

#### 9.1 Introduction:

In line with the main aims of the study stated in chapter one and the statistical analysis to test the study hypotheses in chapters seven and eight, this chapter is generally concerned with several aspects;

1. To highlight and discuss the implications of the internal diagnosis variables analysed in chapter eight.
2. To link between the implications of adopting SQ as a first step of a reengineering program and the implications of the internal diagnosis variables.
3. To identify and judge the main factors influencing reengineering programs that lead to the decision as to whether KFH needs to be reengineered or not.

The best approach is through an internal and external diagnosis which generates a complete picture of how the bank really works, starting by culture assessment, focussing on customer needs, expectation and perception (Stewart, 1993), and the dysfunction and its affects on processes. In addition, the following factors should be identified in order to carry out the assessment further and to find out the possibility of reengineering:

1. The level of quality for current products and service,
2. The leadership style,
3. The strengths and weaknesses of the bank communication system and network,
4. The degree of department integration,
5. The effectiveness of support division,
6. The degree of job satisfaction,
7. The evaluation of decision-making policy,
8. Work scheduling and activity measurement,
9. The knowledge in management skills and in Islamic banking products and services,
10. The organisational structure,
11. The degree of co-operation and co-operations between departments and divisions,
12. The strengths and weaknesses of procedures and policies and their affect on the processes.



## 9.2 The Implications of the Internal Diagnosis Variables:

This section will highlight the findings of the study and analyse them and the presentation of those findings and the discussions will follow the same order as used in chapter eight.

### 9.2.1 The ES:

Reference is often made to “job satisfaction” rather than to “employees’ satisfaction” (Price, 1997). As we know, satisfaction is the degree to which employees have a positive affective orientation towards employment by the organisation (Vroom, 1964). Dissatisfied employees will, of course, have a negative affective orientation towards the organisation. Various dimensions, or facets, of satisfaction are commonly distinguished. “Work, supervision, pay, promotion, and co-workers are widely used dimensions” (Smith, 1969, p. 83).

An analysis of the results and data presented in tables (8-1) and (8-2), the job satisfaction’s eight hypotheses tested yielded significant results. The tables clearly view how respondents rated each variable or item being tested as well as the interaction between those variables. It was found that most of the employees were satisfied with the bank as a place to work, working spaces, working hours, their jobs and positions, the bank’s management and the bank’s performance, produces and services. The results indicated that, the bank employees were satisfied with all the items mentioned in the study but there was a significant indication that employee satisfaction on the most variables was not based on their satisfaction with bank management. It has been said by most of the interviewees that they are satisfied to work here because of their belief that KFH is an Islamic institution and the main complaint from dissatisfied employees was about the unequal treatment of them by the management.

The measurement of the ES has often been considered an important dimension of a work place, productivity, and bank’s profitability. As presented in the findings, the ES was used to assess the relationship between employees and the bank and to attribute the various intrinsic and extrinsic factors, which motivate employee behaviour. The basis of measuring job satisfaction is how an employee perceives and feels about these factors. For this reason, the findings have explored which factors have an influence on job satisfaction in Islamic bank management.

In recent years, a growing literature in the management field has found that job satisfaction is the most important predictor of future productivity (Anonymous, 1998). All of the information presented to this point begs the question of how relevant job satisfaction is with regard to



employee productivity and an organisation's profitability. Oliver (1998) used a seven-year longitudinal study of 100 medium sized firms and determined that effective management in maintaining employee satisfaction resulted in 19% higher profits and 18% greater productivity. There was a greater output and profit advantage enjoyed by firms that invested in meeting the satisfaction needs of employees and training staff to maintain a skilled and motivated workforce. The factors of greatest importance were found to be "recruitment, appraisal, training, reward systems, job design and communication".

### The Implications:

As a result of the above discussion, several implications can be suggested to increase job satisfaction and therefore to reduce turnover intentions and increase productivity and bank profitability.

First, as we have seen that the employee level of satisfaction in KFH relates to how well certain areas of concern are addressed in its work situation. These key areas reflect what is important to the employee values. Therefore, the bank management should pay attention to employee values aligned with their work they performed, especially Islamic values which the main reason, the majority of them work in the bank.

Second, the bank should restructure its pay roll and reorganise its hierarchy on the basis of "all employees are alike".

Third, employees were less satisfied with work scheduling and in the light of this fact, the bank is recommended to reschedule its work processes. This provides a sign that KFH needs a reengineering program to achieve satisfactory rescheduling program.

In addition, the result signified the satisfactory circumstances of work place, bank's performance, products and services, and employees' loyalty to the bank. The bank management might take this healthy environment and golden opportunity to launch reengineering program to increase the satisfaction level for both internal and external customers.

Finally, the interaction between variables indicated that there is a significant difference between the ES with management and other factors which mirrored that the bank may used different approaches to gain an advantage in increasing the bank attractiveness in obtaining and keeping valuable human resources.



However, the relationship between the ES and other factors was examined and the results reflected positive relations between them, such as the ES and work environment ( $r = 0.85$ ), the ES and recognition ( $r = 0.613$ ), the ES and managerial skill ( $r = 0.239$ ) and finally the ES and the practice of Islamic principles ( $r = 0.95$ ,  $F = 6.83$ ,  $p = 0.000$ ). Thus, the results revealed that most these factors have a strong link with the ES but the Islamic influence is the most significant factor that affects ES in KFH.

Therefore, the bank should keep employees' minds on Islamic principles and train them more to refresh their knowledge regarding the new fatwas and legislations on the new products.

### 9.2.2 The WE:

The results obtained from testing the WE hypotheses in chapter eight indicated that most of KFH employees considered that KFH has an ethical, safe, attractive physical WE. The bank provides employees with tools and facilities that help them to do challenging and interesting work and help them to use and develop their skills and abilities to be more creative, innovative and however, more productive. The results finally show that the managers were realistic when evaluating the employee performance and productivity. The work atmosphere was described as a diverse-friendly and the WE encourages employees to be good citizens.

The results indicated that the WE variable have been perceived by the employees as more than the traditional WE factors which have been dominated the management literature since Forehand and Gilmer's (1994) study of 'environment and employees' behaviour'. Baruch (1998) argued that there are new events in today's WE, such as a continuous struggle to survive, which has emerged from tough economic competition. Accordingly, the traditional mission of organisations, such as "we are caring for people" and "employees first" are changing, because organisations have to survive and compete. Thus, "cost effectiveness" is what matters and reengineering is now more than a buzz word because adopting its processes frequently results in reductions in the number of workers and managers needed, "paving the way to repeated cycles of redundancies" (Baruch, 1998, p. 140).

However, Islamic banks are not exceptional, e.g. the issue of "cost effectiveness" is currently what KFH efforts are centred on, as can be seen from the fact that in 1999, one thousand employees managed US\$ 6.4 billions while in 2001 only one thousand and three hundred employees manage more than US\$ 7.3 billions (Annual Reports, 1999, 2000 and 2001).



## The Implications:

In the light of the above discussion, and considering the results of the study, which revealed that the Islamic work ethic is directly related to organisational commitment and job satisfaction (Yousef, 1999), some theoretical and managerial implications can be highlighted.

Firstly, from a managerial perspective, managers need to understand and be aware of the changes in employee perception of the work environment. They must consider the change in the WE factors that may influence employee behaviours, attitudes and work outcomes. So what can managers do to optimise employee performance? Drawing on the well-known concept of marketing mix (product, place, promotion, and price), it can be suggested that the right mix of work environment (4P's) is likely to enhance employee performance in Islamic banks. These 4P's are people, place, principles, and product. The Islamic bank must care for the people, the place they work in, the Islamic principles and the products and services they produce. If the employee feels that he/she is treated well, all Islamic principles are performed and the work places are well looked after, then he/she is more likely to meet organisational expectations regarding his/her performance. It should strive to provide the right conditions that may improve employee motivation, competence, employee-supervisor relationship and innovation because they are closely related to employee performance.

Secondly, researchers must re-conceptualise the WE variable in Islamic banks in light of the current change in employment and organisational conditions on the one hand and take into account ethical and religious factor on the other. A new measure of the WE should be developed which directly affect the outcome of the employees and considers their beliefs and ethical values.

Finally, the positive findings of the WE factor pointed out that KFH has an optimistic environment to start a reengineering program because the employees' ways of doing work were affected by rules and procedures in the bank.

### 9.2.3 The UCMO:

The study findings proved that there was a clear understanding of the mission statement and the strategic goals and objectives by KFH's employees, but the top management monopolised the responsibility of setting the mission and goals. Moreover, the findings show that most employees agreed that goals and objectives in KFH are achievable and measurable. However, one of the remarkable results found was that most of the employees said that before doing any action they paid attention to the mission statement and strategic goals and objectives.



Adopting BPR program in banking industry in general and in Islamic banking in particular is supported by the above results because one of the requirement is a forceful vision of the new organisation, including the values that will support that vision and the set of an understandable mission and well measurable goals that map out and measure progress toward achievement of the vision (Andrews and Stalick, 1994).

### The Implications:

Both management and researchers of Islamic banking might benefit from the implications of this variable's results. First, KFH should develop its mission statement collaboratively to reflect the primary position of the bank and its values, such as commitment to excellent services, innovation, diversity, creativity, honesty, integrity, comprehensive awareness of Islamic principles and so on, however, the differences between the bank's preferred values and its true values (the values actually reflected by members' behaviours in the bank) also have to be mirrored by the statement.

Also the findings of the case study show that there were no sub-level missions for divisions and departments, so all sub-level missions should be written and they must be congruent with the bank's main mission. The employees must be empowered by the management to set their departments' missions and objectives also they might be asked to participate in setting the main bank mission statement and strategic goals.

In addition, the significant employee understanding of the current mission and strategic goals and setting achievable and measurable objectives may encourage KFH and its management to be dependent on its employees to carry out the future programs, such as SQ and BPR.

Finally, researchers should study the differences between Islamic and interest-based banks in terms of setting mission statements and strategic objectives and the effectiveness of the current mission statement in KFH on performance in general and employee behaviours when statement changed.

### 9.2.4 The OC:

In reviewing the findings, the study has attempted to highlight some of the specific issues for the organisation culture not to measure it. The issues, which have been emphasised, were:

1. The bank offers excellent services to its employees.
2. The employees view culture as a belief system because most of their answers were based on their beliefs of building the organisational culture on the bases of providing free interest



loans to the community and to the businesses also the bank encourages the domestic savings in the State. According to Davis (1984) and Schneider (1988), corporate culture offers a contrast to the past rigidity of management models and they argued that culture refers to (a) the pattern of shared values and beliefs that lie beneath what the organisation rewards, supports and expects; (b) the norms that surround and/or underpin the policies, practices and procedures of organisations (c) the meaning incumbents share about what the norms and values of the organisation are. That gives employees of the organisation meaning and provides them with the rules for behaviour in their organisations.

3. The bank has built the culture of receiving positive or negative feedback with an open mind and positive attitude.
4. The organisational system has been described as an open and closed system, which gives the employees and customers alike the opportunity to benefit from its facilities.

The other view regarding the OC is cited by Thompson and Luthans (1990, p. 323) who state that Smircich (1983):

*...attempts to clear up the confusion surrounding the definition of culture by categorising three approaches to culture: Culture can be viewed as an independent variable (or external variable) brought into the organisation, as an internal variable within an organisation, or as a root metaphor for conceptualising organisations.*

### The Implications:

To make these issues more meaningful for this study's objectives, the following implications (questions) should be realised (answered) by the bank and researchers also must pay attention to them.

Culture can bind people together inside and outside the work environment through their belonging to ethnic groups, religious or social organisations, local communities, etc., however, the culture change through the actions and behaviour of leaders is touted by many management consultants and academics rather than a process they prescribe for setting of those actions to create an environment. Therefore, the bank management or leadership needs to help the employees or teams to learn some of its cultural assumptions and learn new assumptions (Schein, 1985). Hammer and Champy's (1993) view of culture can be classed as an outcome, sometimes an inhibitor, and an internal variable influenced by actions that change behaviour and the leaders role is to create the right atmosphere. Davenport (1993, p. 115) clearly states that:

*...employees not expected to be committed to their jobs may be more appropriately killed in a control-oriented culture. Control in such an environment ensures the quality*



*and efficiency of the work and guarantees that the knowledge does not reside solely with employees.*

In order to adopt BPR, the study will draw the following implications: first, before a reengineering program can start, the question that needs to be answered is whether the culture is fitted for major changes or not? Second, can Islamic bank managers identify the end culture before introducing SQ and BPR programs? Third, the Islamic bank management should clearly concern about any ethical considerations in changing the employee values and beliefs. Finally, how do Islamic banks manage the fit between organisational culture and strategic direction?

### 9.2.5 The SMS:

The study has classified this factor into three categories:

#### 9.2.5a Senior Management-Employee Relationship:

The findings have provided an overview of the relationship between senior managers and employees in KFH and several of these findings seem to merit particular attention. Results represented under this category demonstrate that a senior management leadership style based only on power might lead to employees rating the employee/senior management relationship negatively.

Thus, the implication here is that the senior managers should advance their relationship with the employees because SQ and reengineering programs might require what is called transformation leadership style (Covin, et al., 1997) which is more recent leadership style. This is based on moving forward and down to build positive relationship with employees and being aware of their values and beliefs.

The leader in this style is the one who motivates employees to work for transcendental goals, for higher-level and self-actualising needs, instead of working through simple exchange relationships with his employees (Burns, 1978). Two key aspects of transformational leadership are charisma and inspiration. Charisma has been defined as the leader's ability to instil pride, faith, and respect, or the leader's ability to generate great symbolic power with which the employee wants to identify (Bass, 1985; 1990; Hater, et al., 1988 and Bass, et al., 1993). Inspiration however describes how the leader passionately communicates a future idealistic organisation that can be shared (Bass, et al. 1990).

To succeed, BPR must be based on a bank long-term commitment from senior management and their personal behaviour should support the effort of reengineering (Davenport, 1993; Marchand



and Stanford, 1995 and Moad, 1994) because as discussed in chapter five, reengineering will be successful only when driven from the top to the most levels of an organisation (Hammer and Stanton, 1994).

#### 9.2.5b Supervisor-Employee Relationship:

For this category, findings show that the relationship between employees and their supervisor was positive because most of the answers described the supervisors as open, supportive and considerate; supervisors in KFH try to challenge employees to do interesting work; build their confidence and coach them to achieve the bank goals. As can be seen from the results, they also recognise their good work (recognition), build knowledge and skills, offer suggestions for improvement (SSD) and be realistic when evaluating and asking them to do work (WE). Therefore, employees in KFH are able to communicate with their supervisors who also have the ability to motivate and delegate them.

One of the implications of this result was the feedback affect of employee motivation because they should know what they have done well, what needs improving and what is expected of them in the future. The findings indicated that there is a positive and dynamic middle and front line leadership level in KFH that might support the need for starting a BPR program with the current employees and supervisors.

#### 9.2.5c Team Working:

The findings in general have shown that the management has developed and encouraged working as a team. The employees have been given a clear direction to the team's goals, objectives and priorities. This is a focal point for BPR because the role of the workforce in organisations that may go through a BPR program is generally said to be quite different compared to traditional organisations (Hammer and Champy, 1993). Hence, Davenport (1993, p. 97) said: "teams are considered an important element in order to achieve all the benefits of a process-orientated organisation". He also said that another benefit deriving from the use of teams is related to the improvement of the quality of the work life due to the increased possibility of social interaction. According to the above findings, KFH employees rated working as a team positively. This was mainly due to the atmosphere of trust existing in the bank.

The implication for management is to continue building, improving and training teams for better achievement and to build team-working culture in the future.



### 9.2.6 The DMP:

As discussed above, KFH may be described as a centralised organisation because the top management makes most of the bank's decisions. The findings here revealed that in KFH, employees are involved to some extent in the decision-making process only in their departments and to some degree they are also involved in the planning process for the performance of their work tasks. However, a highly significant number of them believed that they have problem-solving skills. The findings revealed that KFH has built an environment for establishing effective teams. Concepts behind this environment include, skilled employees, information sharing, planning and decision-making involvement, problem solving skills, and contingency thinking. Actually, this finding make good sense in view of the elements of centralisation decision making that includes: (1) most important decisions are made by top management (Marsh, 1992; Calabrese and Zepeda 1999); (2) not every member of a function unit is involved in important decision making (Marsh, 1992); and (3) employees are required to report to fewer management than they did before adopting BPR (Hammer and Champy, 1993).

### The Implications:

The implications, which related to the study's objectives are summarised below:

1. KFH may need to build a new program of empowered employees, especially in customer decisions or operational decisions.
2. It may also need to train employees, for newly empowered employees tend to focus on a linear, logical sequence of steps leading to choice between alternatives.
3. It should be acknowledged that other aspects of decision-making might be addressed within the focus on team process.
4. The question of what the extent of the bank management influence of employee involvement in decision making recommended to be answered by researchers.
5. As Dale and Cooper (1992, p. 94) indicate, "Individuals need to base their decisions on facts and data, not on opinion and sixth sense". Although the systematic use of data in decision making is not in itself a new idea, the availability of computer technology has extended the type of data which can be used in operational statistical techniques and problem-solving debates (Dawson and Palmer, 1995). Thus, the new program is suggested to be based on up-to-date information and IT facility.



6. The SSB has a significant level of influence or affect on decision making in Islamic banks, hence, researchers have an opportunity to study this effect and to look at the differences between decision-making policies in both Islamic and conventional banks.

### 9.2.7 The WSAM:

This variable's findings revealed that the bank provides its employees with clear and easy operational manuals with achievable and measurable operations' goals. The employee answers, regarding the time spent in operations during working hours, presented different judgments (42% of them spend over 80% of their time in operation and 36% of them just spent less than 60% of their time in the bank in operations). This however, mirrors that the monument should increase the overall employee time in operations. This seems to be one of the dilemmas in KFH. That encourages KFH to adopt BPR program reduce the wasting time and as a consequence to reduce the cost by reducing the employees number in every process.

### 9.2.8 The KIF Implications:

The findings presented in chapter eight, may address different implications related to this study aims, as discussed below:

First, Islamic banking system is required to serve customers who believe that the interest is prohibited. With the increase in Muslim customers and their awareness of Islamic values, there is a greater demand for Islamic banking and interest-free finance from Muslim consumers, traders, investors, and businessmen. Therefore, there is a significant importance for putting Islamic principles first when adopting any system in those banks especially in management side, such as quality system as discussed in chapter seven and reengineering. The findings of this variable revealed that employees were aware of these principles when dealing with customers.

Second, employees in Islamic banks can not provide efficient banking products and services to customers if there is a lack in their appropriate knowledge about Islamic products and services and knowledge on the appropriate banking laws, and regulations. Thus, the appropriate knowledge in products and services and in relevant laws and regulations are very important to be examined and improved before starting any revolutionary program, such as BPR. However, researchers here should develop a standardized knowledge measurement for Islamic banks.

Third, the findings proved that while KFH employees believe there is a difference between riba and interest, most Islamic scholars disagree. For example Abdul Gafoor (1995) in his book



‘Interest-free Commercial Banking’ suggests that the interest (the Cost of borrowing) charged by non-Islamic banks today consists of six distinct mechanisms. It can be put in a simple equation as:

***Cost of Borrowing** = interest paid to the owner of funds + cost of services + cost of overheads + a risk premium + compensation for inflation + remuneration to the bank for providing the service.*

Here the depositor is considered to be the real lender, and the bank an intermediary between the lender and the borrower. “When we go back 1400 years ago, we see that most of these components drop out, leaving only the interest paid to the owner of the funds as the cost of borrowing which is strongly prohibited by Quran and Sunnah.

This model is exploited to provide an interest-free commercial banking system that is free of riba and is yet fully viable and compatible with the conventional system by dropping out the interest paid to the owner and change it to a lawful component such as profit gained from investing the fund. This system simply avoids all the problems faced by “Islamic Banks” due to their current practices. The proposed system requires no changes in either the laws of the country or in that of commercial banking. Therefore banks based on this model can be opened and operated in all countries of the world. KFH should provide its employees with extensive program on principles and definitions of riba and interest. It should include the similarities and differences between both concepts. This will reduce the small portion of them who believed that the bank is paying and taking interest from its customers.

In addition, the findings show the power of the SSB to influence employee actions in the bank, so the SSB should be one of the central functions to involve in any reforming programs, such as SQ and BPR.

Finally, the result revealed the strong positive-relationship between the SSB and the BOD. Hence, it is a focal point for the bank if there is any desire of starting BPR program because most of the employees believed that there is a co-ordination between both boards.

#### 9.2.9 The KMS:

The findings show that most employees believed that they have good managerial skills that include planning and scheduling, setting performance goals, decision-making and problem-solving, evaluation and PC skills. KFH’s managers and employees rated their managerial skills positively, which is a strong point for the bank to start a BPR program. The implications for managers and researchers are that they should do the comparison of the managerial skills of high



and low performing managers on the first hand and between managers in the low levels of the bank's structure and those in the top levels on the other. Moreover, KFH should train its employees to be multi-skilled because of the change which may occur if BPR program will be carried out. Devenport and Short (1990) and Hammer and Champy (1993) stated that typical organisational changes that happen during BPR are: (1) jobs change from simple to multi-dimensional work; (2) work units change from functional departments to process teams; (3) organisational structures change from hierarchical to flat; and (4) reorganisation along process lines. The bank must be prepared to be a truly supplier of training, consulting and knowledge to its stakeholders, with appropriate people and structure to perform this new responsibilities.

#### 9.2.10 The SSD:

As discussed in chapter three, the HRD has been centralised as one of the corporate support functions in KFH. It consists of training, recruitment, finance, etc. The findings highlighted the following facts:

1. Generally, the employees were not satisfied with the corporate support functions, such as HRD, IT division, BOD meetings, etc. because their job-related needs are not met by those functions.
2. They also believed that the HRD is working far from their needs because of the lack of knowledge on their personal issues in that department.
3. In addition, they believed that the HRD did not do enough in terms of training and development, but the training programs which are carried out, were adequate, appropriate and effective because more than a half of them believed they meet their needs.
4. The recruitment system might be believed to be unfair and ineffective, because the HRD did not do what the employees expected in terms of posting new opportunities in the bank.
5. As noted in the findings, more than a half of the employees believed that they are not paid fairly in KFH for the work they do.
6. The bonus program in KFH was judged by the employees to be far from their needs and work motivation.
7. Most of the employees were not satisfied with compensation programs in KFH.
8. Finally, the rewards program ranked better than other financial program in the bank because half of the employees believe that it is fair and effective.



## The Implications: -

There are several implications, which might benefit both managers and researchers in Islamic banks.

First, the case study conducted by the researcher shows that not all functions and departments were designed in specific or appropriate ways, there was a lot of experimenting going on to find a satisfying structure for splitting the work between the headquarter and branches on the one hand and between the HRD and other departments on the other. This also involved changes and the distribution of the training program among employees in different locations. Thus, the training program should be redesigned and relocated to be more effective, comprehensive and based on the bank and employee needs in all locations.

There is a critical issue for the HRD in KFH in terms of training programs. It should include teaching employees the quality culture because there is no central quality control with unified standards, which would assure a sufficient and a similar quality level for all services across all levels and geographical locations or branches. The HRD should update its training program to be more effective to meet employee job-related needs and service development in the banking industry in general and Islamic banking in particular. As noted out in chapter seven, it is important to have effective and up-to-date training programs if the bank plans to adopt SQ programs or any transforming program. Researchers on the other hand should study the effective of current programs and develop them to be appropriate for the new situation.

In terms of “training teams” (how to work in a team, how to analyse and solve problems within the team, how to overcome opinion differences, etc.), the majority of bank managers who had been interviewed stated that they never received training in SQM and BPR. It was also felt that additional training is necessary to increase communication between managers and team members allowing an open discussion on common problems. So, training programs in the bank should consist of team-building exercises and team building events.

Secondly, the HRD must pay attention to employee personal needs and the bank should sponsor more researches to know its employees personal needs and whether they are similar with the one in commercial banks or not.

Third, the findings above and from the case study show that the employees were not satisfied with the system in the bank which consists of a mixture of policies giving divisional and departmental managers the authority to recruit the staff they need. The HRD may only complete the application



procedures with the result that it sometimes only finds out about the candidate after he/she has been accepted in the department. This may cause a conflict between both departments and increase the time of recruiting. As a result, managers should drop or weaken employment "rules" and approvals to decrease the time of hiring new employees. They must identify things that slow down the hiring process and make sure there is a job description in order to hire someone. To fill the gap of employee dissatisfaction with the recruitment system, managers should develop a system for internal candidates to increase the number of internal transfers and also to increase retention rates. Finally they should talk to the HRD before recruiting any employee because officially, it has the authority to hire new recruits. Researchers should find out whether the Islamic literature includes a definite recruitment system or not and compare it with a western system and the system adopted in Islamic banks.

Forth, there is increasing criticism, even from some managers in the bank, that the bank compensations, bonuses and salaries or wages systems are not fair in comparison to the work they do. However, the wages or salaries in KFH are not based on job performance but based on the combination of seniority (age, experience, educational background) and nationality. Kuwaitis in all level of the structure are paid more than non-Kuwaiti employees who sometime are more qualified and perform more processes. This is against a basic Islamic value of workers equality and there is no difference between people according to their nationalities or their colours but the difference should be considered in their quality of performance. Therefore, KFH should adopt HR strategies based on Islamic principles that distinguish itself from other interest-based bank in the State.

Moreover, one of the main reasons presented for the difficulty in successfully implementing BPR projects is an apparent lack of consideration towards the human issues; the starting point for KFH managers is to consider recommendations regarding good human resource management practice and how the people issues are managed in organisations that have implemented reengineering programs. For instance, the wages structure needs a significant reform to avoid all above weaknesses, the bonus and rewards programs should be linked to performance and motivation and compensation programs should connect to the achievement of personal and organisational targets which are generally translated into quantifiable measurements agreed with people involved in the processes.

Finally, researchers should link bonuses and rewards to measurements, such as economic value added (the net contribution that remains after subtracting the cost of capital employed in the business from profit after tax) and share value and see whether it is negative or positive.



### 9.2.11 The REC:

Recognising and rewarding employees is critical factors for success of any business and its managers. The findings revealed that the majority of KFH employees evaluated the recognition as presented below:

1. The majority of employees believed that they are treated with respect in the bank.
2. Regarding the fairness of the recognition program in KFH, the results show that less than half of the employees were satisfied with this matter.
3. More than a half of the employees said the bank recognises them for their good jobs.
4. The relationship between recognition and the level of accomplishment is found to be negative.
5. The recognition program also does not support working as a team.

Gines (1998) observes that companies must foster employee motivation through acknowledging achievements that are in line with corporate long-term objectives as well as activities that generate immediate results. This is best accomplished by incorporating the company's culture and values into the training regime. It is anticipated that the employees will, ultimately, internalise into their day-to-day activities.

It has been found that there is no formal program of recognition in KFH as expressed by Al-fadly in the interview dated 4/10/2000. However, most of the employees positively rated the level of respect and more than half of them believed that they are recognised and appreciated by their managers for the good jobs they performed because several branch and department managers do that informally.

Disturbingly, recognition is often perceived as a costly and non-essential practice that generates no significant benefit to organisations (McConnell, 1997). However, McConnell states that by recognising employee accomplishments, many psychological and motivational needs are met, resulting in enhanced performance.

### The Implications:

The implications of the above discussions for both managers and researchers are represented in the following lines.

First, KFH's managers should build a recognition program which aims to recognise and appreciate the service of its employees who do a good job and may honour them in an appropriate



manner because the findings show that overall employees were satisfied with bank as a good place to work and they are treated with respect but they also indicated that they need to be recognised for their good work and link the program to the level of accomplishment.

Second, according to Wilson, (2001), a recognition program must fit the bank culture or it will not be work. Most human resource experts offer the following tips for managers to create a recognition program. They should:

1. think first about the bank environment and culture, which is very businesslike;
2. determine the program's objectives, which must benefit the bank in the short and long term;
3. find out what managers and employees expect from the program, clearly define the criteria for each reward, and provide examples of award-winning behaviour;
4. specify the people who will be recognised and distribute authority and responsibility for the rewards throughout the organisation; and
5. keep the selection process clear and change programs regularly to keep them fresh.

In addition, as recognising team performance is also a vital aim of adopting a reengineering program, managers should choose the best way to achieve this aim, such as public recognition of team results, either through formal systems (e.g. public presentation of the use of the bank's magazine, or an electronic bulletin) or informal ones (e.g. word of mouth - as one of the interviewees pointed out, the transfer of information was eased by an informal atmosphere and the use of cross-functional teams).

Moreover, improvements should be focused on individual departments and branches rather than the bank as a whole, because using this way will help recognise people more for what they do.

Finally, researchers should develop theories and models of recognition programs in Islamic banking that may include clear objectives, criteria and processes.

#### 9.2.12 The CBN:

In the banking industry, tough competition drives banks to use technology to maintain their competitive advantage. As the manager of Information Centre explained that KFH, a high successful Islamic bank, is constantly reassessing itself and implementing new technologies and procedures aimed at implementing a competitive edge. The study examined how KFH managed information and how that information was updated, distributed and accessed.



The results presented in chapter eight highlighted the following information about communication and network in KFH:

1. The bank has a satisfactory level of technology compared to other banks in the state and half of the employees believed that most communication methods in the bank have been automated.
2. The findings proved that KFH has a communication and banking network, described by half of the employees as well structured but ineffective compared to other banks in the State.
3. One of the bank's competitive advantages that emerged from the results was that most of the employees could easily follow the instructions and guides of the network.
4. There was a satisfactory level for the information spread between divisions, departments and to outside the bank. Also the majority of the employees agreed that the network allows everyone to have an open-two-way channel to communicate with others in any level of the bank but few of them believed that the information were reliable and up-to-date.
5. The findings distinguished between six dimensions of communication in KFH:
  - a. Corporate-communication includes items that measure the extent to which managers at the top of the hierarchy let middle managers know what needs to be achieved, describe the strategic changes and long term plans. More than half of the employees believed that corporate communication keeps them informed.
  - b. Department or task communications includes items that measure the extent to which the middle managers let supervisors know what needs to be done, describes changes in the workplace, and indicates policy. Also it ranked positively by more than half of the employees.
  - c. Communication with the SSB which includes taking regular advice, getting answers to questions, distributing the newsletter of the SSB to all departments, etc. KFH's employees believed that they had access to see and take advice from the SSB members.
  - d. Performance communication contains items that assess the degree to which managers transmit information about the quality of the work and the feedback to their staff.
  - e. Career communication has items that measure the extent to which the supervisors review training opportunities with subordinates and provide them with career advice.
  - f. Communication responsiveness deals with the degree to which managers listen to employees and respond to issues raised by them.
6. Less than half of the employees thought that they get information at the time they needed.



## The Implications:

The study can draw several implications for both managers and researchers if KFH is to considering reengineering or SQ programs as presented below:

First, to improve its competitive advantage, KFH should find ways to make appropriate information available to its employees and customers. The information must be up-to-date and accurate than previously possible conventional printing. The distribution and updating of hundreds of paper manuals and add them to its banking computerised system are also required. The investigation of the possibility of making the information even more user friendly is important for the bank and its staff.

The findings and interviews with different managers suggest that the employees depend on crucial information from various sources that need to be up-to-date and have easy access. However, those who produced the documentation in KFH were concerned that employees were not inserting the needed updating for the bank manuals and as a consequences, chances were high that the employees were using outdated information. Also some interviewees said the information they wanted was too hard to find in the manuals, making them frustrated and less inclined to use the manuals. Therefore, without up-to-date and complete information, KFH faced the risk that policies would not be properly followed and mistakes would be made. Both could seriously impact its businesses. In an interview, Al-Ssrawi, the manager of Al-salimaiah branch, said: “KFH should add all operations and processes manuals to the computer network, that will help it to update their contains easily, help all employees to obtain easily access and will reduce the operations or process time”.

Second, through the examination of the CBN, findings and case study show that the network is often disconnected due to technical faults. Therefore, the bank needs to improve its banking network for better and ease of use, improved efficiency, and better decision-making capability. Ease of use is a necessary foundation for increased efficiency, because employees will actually have information available in a format that allows them to get what they need quickly. To achieve this and to enforce all the necessary procedures, KFH should have a carefully planned IT structure to permit real time communications between different levels in its organisation.

Third, the study also found that paper-based communication was not a very effective tool in helping the employees to follow procedures. For instance, the employee takes at least 10 minutes



to remove and replace paper pages with updates once in the manuals. This includes the time it takes to get and unwrap material and review and correct any errors.

Fourth, the researchers should carry out a study to answer the following questions: how much time the employee can offer to finish the process successful. How long do the financial closeouts and reporting cycles take and what the best time to schedule a consolidation? How can Islamic bank improve their communication and banking networks?

In addition, timely, accurate information has become as critical to each bank as a working capital that feeds the bank, the first step KFH can take towards more efficient data gathering is to automate information-reporting tasks. The advantage is to let an employee download reports directly to his PC when needed. For instance, when employees arrive in the morning, the various reports needed for the day's forecasting and decision-making can be accessed by the scheduler, and automatically stored on the PC's local drive. The timesaving generated by this process can be significant, depending on the number of reports the bank accesses daily.

Moreover, the establishment of an automated information flow link between KFH and Islamic investment companies in the State on the one hand and with Islamic banks in the region on the other, will create a remarkable opportunity for managers on both sides to be more creative and communicate easily with each other. Researchers, however, should do more research to make this project possible.

Furthermore, the above implications provide the need for adopting a revolutionary program in KFH and proved that the IT infrastructure strategies are needed to ensure effective and success the BPR initiative (Venkatraman, 1993; Grover et al., 1993; Martinez, 1995 and Kettinger et al., 1997).

Finally, in order to adopt BPR, KFH should know the following facts: (1) effective communication is considered as a major key of the success of any BPR program and effort (Davenport, 1993; Jackson, 1997; Zairi and Sinclair, 1995; Hammer and Stanton, 1995; Carr and Johansson, 1995; Arendt et al., 1995; Dawe, 1996). Therefore, communication should be open, honest, and clear (Davenport, 1993; Janson, 1992), especially when discussing sensitive issues related to change such as people or cost reductions (Davenport, 1993). (2) Communication is needed throughout the change process at all levels and for all employees (Davenport, 1993), even with those not involved directly in the re-engineering project (Dixon et al., 1994). (3) Effective communication between stakeholders inside and outside the organisation is necessary to market a



BPR programme (Talwar, 1993; Hinterhuber, 1995) and to ensure understanding of the structural and cultural changes needed (Berrington et al., 1995) as well as the organisation's competitive situation (Cooper and Markus, 1995). (4) Communication should take place frequently (Janson, 1992; Davenport, 1993 and Carr, 1993) and in both directions between those in charge of the change initiatives and those affected by them (Davenport, 1993; Jackson, 1997; Grugle, 1994; Talwar, 1993).

### 9.2.13 The OS:

As discussed in chapters two, three and five, the Islamic bank OS may vary greatly that based on market positioning, expenditure of resources, staffing levels, management philosophy, corporate policy, and purposive segmentation. As a consequence, most Islamic banks have small structures with few well-trained staff compared to interest-based banks.

Nevertheless, because reengineering creates new processes that define jobs and responsibilities across the existing organisational functions (Davenport and Short, 1990), there is a clear need to study the current organisational structure which determines what the hierarchy looks like, how human resources are integrated, and how jobs and responsibilities are formalised.

The summary of study findings is set out below:

1. The equation of authority and responsibility is understood by more than half of the employees, with a substantial number of them believing that the authority given to them is not equal to their responsibilities.
2. The confusion between departments in understanding responsibilities was judged by employees to be a crucial point affecting their performance. This finding was supported by most the interviewees.
3. It has been believed by the majority of the employees that things in other departments affect their jobs and ways of implementing processes.
4. One of the competitive advantages in KFH was the employees' understanding of OS lines and most of them believed that these lines are clear.
5. The employee involvement of OS was found to be negative.
6. As discussed in chapter three, the OS in KFH has been improved and changed many times in the last twenty years, but all improvements were functional based ones. The employees considered this fact in their answers.
7. The results finally indicated that there is level of integration between divisions and departments, which reflects the co-operation and co-ordination between them.



## The Implications:

Various implications may arise as a result of the above findings that will be presented in the following lines.

First, as noted in chapter three and discussed above, KFH follows classical approaches when it developed and redesigned its organisational structure, i.e. functional and departmental structure is dominated the bank's approach. However, recent work in organisational design suggests that traditional thinking, approaches and structural forms will not be adequate to address increasingly complex and turbulent environments (e.g. Keating, 2000, p. 185). Considerable effort has gone into the organisational design of how responsibilities and authorities are differentiated horizontally and vertically (Cao, et al., 2000), rather than thinking beyond the processes, which are carried out through functional structure. Kueng (2000, p. 79) also states that other "coordinating mechanisms" may be present, in addition to processes and functions. Thus, a softening of the function-process boundaries is likely to lead to an environment where boundaries are ill defined and "where extensive communication is likely to be common among different parts of a networked organisation" (Mukherji and Mukherji, 1998). Thus, the bank's management should discuss the authorities and responsibilities of both managers and employees and make sure that each work unit has to be responsible for, and carry out, a separate specialist process and try to reorganise people around function-processes that will enable them to control their own activities.

Second, the development and improvement of the OS should be carried out in KFH to reduce duplication of activities, encourage technical expertise, increase co-ordination between divisions and departments, and balance conflicting objectives of the organisation.

Third, in order to adopt BPR, the development of the organisational structure is considered to be the first step in developing a more network-based organisation (Zairi and Whymark, 2000a, b). So it becomes a condition of successful adoption of BPR to have formal and clear descriptions of all jobs and responsibilities that reduce the conflict between functions in the bank. One of the main reasons for conflict in the function-process arena is that functions are caricatured as old fashioned, status quo, hierarchical and resisting business growth and change while processes are more modern, empowering and business development orientated. Andreu et al. (1997, p. 123) argued that "functional bias can only be done by adopting process orientation to gain substantial business improvement".



Fourth, according to the researchers, much of the existing literature in Islamic banking organisational structure (e.g. Kabbara, 1988; Al-Hawari, 1996; Al-Herran, 1996; Othman, 1998; etc.) reveals that there are differences of functions and tasks between Islamic and interest-based banks as discussed in chapters two and three. Also reengineering literature (e.g. Kottler, 1995; Hammer and Champy, 1993) indicted that changing role of the functions in the organisation and focusing on business processes characteristics have an effect on the OS. However, there is a lack of research on two major issues. First, why is the function-process interface in organisations often an area of acrimony and conflict? Second, why the reductionism function-process perspectives when many differing organisational groups and interfaces are often present? Future studies should draw proposals for Islamic banks to reduce their functions with less conflict, which might mirror the benefits of transformation to process-oriented program.

Finally, there is a need to investigate further the dynamics of organisational change when developing and redesigning bank structures to measure the functions interface continuum. There is also a need to develop tools and techniques to enable banks to progress along this continuum.

#### 9.2.14 The CCDS:

In chapter eight, the following facts were found in this variable's results:

1. It has been believed that any department in KFH works as a unit on its own under the bank structure.
2. There was a dissatisfactory tendency among most of the employees regarding the degree of cooperation they are received from other departments in the bank however, more than half of them believed that there is cross-function co-ordination and co-operation between departments only on important and specific projects.
3. The integration between departments was positively considered by the employees. This indicates a competitive advantage for the bank to start any revolutionary program. The most considerable integrative departments were the Branching Division, HR, Internal-auditing, Banking Operations, Private Banking Section IP, VIP and Ladies Division, whereas the less integrative departments were International Real Estate, Investment Division, Direct Investment, Local Real Estate and Strategic Planning and Products Development.
4. The findings show that there is a significant difference between the degrees of integration among KFH's departments.
5. They indicate that it is important for most of KFH's departments and divisions to be integrated with each other. Departments, such as HR, Banking Operation, IP, Public Relations, Internal Auditing departments, Branching and IT divisions were the most



important to be integrated with all other departments and division in the bank. While, International Real Estate, Investment Division, Letters of Credit and Local Real Estate departments were believed to be the less important departments to be integrated with others.

The above findings are supported by management literature, which attempts to link between all these notions. Donnelly et al. (1995, p. 4) define management as “the process undertaken by one or more individuals to coordinate the activities of others to achieve results not achievable by one individual acting alone.” However, Hellriegel and Slocum (1996, p. 302) define coordination as “integration of the activities performed by separate individuals, teams and departments”. Hence, we can argue that coordination is the basic principle of managing organisations, because without it there would be no HRM and no organisation at all.

To date, there is not a great deal of evidence to suggest that any of the Islamic banks have attempted to adopt integrated programs among their departments. However, an organisational structure that does not create a seamless linkage in all its arenas of decision-making cannot possibly integrate the continuum of services (Porter, 1990). Generally, because of the need for decisions in Islamic banks to be made closer to the point of customer service, structure design must support the move of a flatten hierarchical structure with a high degree of department co-operation and co-ordination. To operate and provide quality products and services in an Islamic bank, this usually requires high level of integration between departments, co-operation from other employees and effective and broadly based bank network.

### The Implications:

Some basic implications are emerging to provide a framework of values to enable Islamic banking to start reengineering programs:

First, if KFH prefers to stay with its current organisation, adoption of a matrix structure of its divisions and departments is recommended because of the bank will gain advantages, such as the main processes managers will have a role of co-ordination in terms of resource negotiation and allocation (with other managers). This type of structure also allows and encourages team working and assures more autonomy to employees than other functional structure.

Second, point-of-providing-quality-service will require the bank to focus its energy and resources on integrating departments and divisions in the manner that will effectively support the point-of-providing-quality-service activities effectively. For instance, linkage between the Branching division and employees in the front offices will be essential to the efficiency of the bank. The



current system in KFH might not work as in a highly integrated organisation or as the employees want that is based on the empowerment approach and challenges the way of integrated departments. Therefore, coordination between departments in the delivery of service is becoming a serious challenge. Managers and employees must be able to use the banking network and the service delivery approach as a basis for determining efficiency and effectiveness. They must be able to respond in a manner that is fast, fluid and flexible as the demands of the customers and the results of the collected data indicate.

Third, most of the employees stated that the bank has cross-functional co-ordination on specific projects, but there is a lack of cross-functional co-ordination teams among the bank. Generally, senior managers should form these teams according to the business strategy/plan. This plan is then translated into projects given to more junior managers for a further specification. The teams are cross functional because they are formed of people coming from different functions and working on projects crossing the entire organisation and not just specific areas, however, they are formed on specific issues. The bank should build teams for all its projects and train its employees to co-ordinate for all its activities instead on co-ordinating on specific projects.

Also, employees tend to be part of cross-functional teams working on several projects embracing the entire process, even though there is no formal job rotation. This requires that the organisation has had to revisit its training programme in order to give people the skills needed. Teams are autonomous in their projects, however they are not likely to have been trained in team working.

In addition, the results of the survey revealed that it is necessary for the management to integrate activities among departments; so all departments must be integrated into the processes and structures that affect what they do and the way of doing activities. Because integration is a big challenge for the bank, therefore, top-level commitment is required. Also, well-defined activities are necessary for integration, and managers and employees should be informed about the status of all those activities.

Finally, we can therefore conclude that elements, such as structure, the use of cross-functional teams, integration, co-operation and co-ordination between departments, empowerment, etc. had to be considered together. It is not possible to modify one element without considering its repercussions on the others. The danger of considering a few elements is to create conflicting objectives within the organisation and thus become unable to achieve the desired benefits.



### 9.2.15 The WPPR: -

Formalization of procedures is the extent to which job responsibilities are expressed in written rules and regulations, and employees are evaluated based on the written procedures (Calabrese, and Zepeda, 1999). Also, a set of written comprehensive rules and procedures help to handle decision-making and business processes (Motwani, et al., 1998). The formalization of procedures includes documentation of the operations rules, policies and procedures. The rules are used to control and coordinate operation processes and employees follow operating and quantifiable procedures which are used to measure work unit performance. As discussed in chapter three, KFH has developed over 23 years, in many cases operations today are carried out the same way they were 10 years ago and the findings in chapter eight revealed the following facts:

1. The way of doing jobs in KFH seems to be the same all the time (routine jobs) and it is difficult for an employee to change his job for an innovative career.
2. There is a positive effort to standardise tasks and work processes in KFH which means there is a possibility of reducing time and cost of doing those processes.
3. The employee performance of work processes has evaluated and found to be effective.
4. The bank has invested significant sums to develop and improve the way of doing jobs (work processes).

The above facts show that KFH is informally undertaking a program of processes standardisation, which demands little direct supervision and helps in automation. The standardisation effort is unfortunately taken with more routinisation and bureaucracy that may reduce opportunities for independent action and creative expression.

#### The Implications:

The implications, which may reveal to assist management to adopt BPR, are presented below:

Over the years, KFH has become so highly specialised that many of its performed jobs are oriented to a single task or function, i.e. there are a multiple small departments and elaborate hierarchies. Methods have not changed for years (since Citibank helped in mid eighties in designing the operations manuals) and problems continue to contribute to customer dissatisfaction and the high cost and time of services. The management needs to look at the methods again and try to identify processes, decide what need to be eliminated and determine where to start.



In addition, the bank management must also focus on standardising skills and knowledge through education and training before or after an employee joins the bank. When the bank invests in systematic policies, rules and values, they will be easy to be communicated to employees and through them to customers.

Finally, to create an environment for reengineering, on the other hand, the routine work and centralised decisions are recommended to be replaced by more automations and empowerment to obtain effective productivity and creativity. Accountability, responsibility, and authority for task decision-making will evolve from the manager to the employee, in partnership with customers on the other.

#### 9.2.16 The RCNW:

The RCNW is very important in achieving an innovative organisational environment, which must be driven by the needs of the customer (Malhotra et al., 1996). Studies have shown that 60%-80% of successful innovations and revolutionary programs were in direct response to customer needs (Knight, 1985; Van De Ven, 1986; 1995; 1999; 2000). Robert Janson (1992) points out that one of the basic foundations for organisations seeking to be reengineered is to make its customers the starting point for change by identifying customer wants and creating the infrastructure to support their expectations.

The findings in chapter eight proved that most of the employees in KFH are dealing with outside customers, they also indicated that a significant number of them (34%) meet few numbers of customers and perform few processes. In addition, the employees try to build a positive relationship with customers in terms of helping them to success in their businesses and keeping promises to them. Finally, it is believed that the bank's products and services met the customers' needs and wants and the branch network increases the use and consumption of those products and services.

Overall impressions indicate that much more research is needed in this area, as there are many gaps in terms of knowledge and understanding the customer focus in Islamic banking management. However, the findings reflect a need for KFH to increase efficiency of its employee performance to serve more customers weekly. Generally, the employees believed that the bank is doing well to serve the existing customers. Most of the managers who been interviewed believed that it would be long way to reach the innovative environment to serve and to respond to customer needs effectively.



## The Implications:

In addition to the implications presented in chapter seven, the findings disclose the following implications, which may help KFH to adopt BPR:

1. It should identify, attract and retain its target customers and should know their expectations (Stewart, 1993).
2. The processes of marketing and sales operations should be shared across many areas in the bank's organisation.
3. Customer satisfaction should be an ongoing requirement from all employees in the bank.
4. The development of products and services is necessary and the bank should determine what products and services should be offered and develop the infrastructure to deliver them to customers.
5. Employees who serve customers effectively should be trained, motivated and rewarded.
6. If the bank wants to improve products and service design, and deliver more complex operations, the value of employee know-how and problem-solving ability should be recognised. Improving skill levels enables them to undertake more complex work (guided by policies and commitment to the quality standards that are being sought) rather than direct and constant supervisory intervention. Unnecessary monitoring of employees should be eliminated and to ensure that he is doing his job, focus of each employee's responsibilities within the team is recommended.

### 9.2.17 The IPS:

The results indicated that the employees believed that all products and services in KFH are important, but that there are degrees of importance among those products and services. The implications of this variable's results may benefit both management and researchers.

The most important products and services should be introduced in all branches of the bank and the bank's management should differentiate between products and services that are important in the female employee eyes and those in the male employee eyes in order to manage the male and female branches properly.

As shown in chapter seven, male and female customers rated the important of products and services the customer survey, the customer and employee findings give the bank an opportunity to prioritise its quality and reengineering program and to decide which products and services it should start with. Researchers in the other side might found an opportunity to study the reasons of



ranking the products and services this way and to compare between employees' and customers' ratings.

### 9.2.18 The AI:

As discussed in chapter five, the AI was defined as the extent to which an organisation allocates resources to the management of its output (Price, 1997, p. 305). Through manager decision making, coordinating, and controlling, they are indirectly involved in producing the output of the bank. The findings of this variable reflected that KFH has an insignificant degree of administrative intensity due to the difficulties of resource allocation among its divisions and departments. Even the bank with a high degree of administrative intensity is sometimes said to have a relatively large “administrative apparatus” or “supportive component”. Thus, the bank management should reallocate available resources among the departments and geographical locations according to their importance, productivity, profitability, and number of staff before starting a reengineering program.

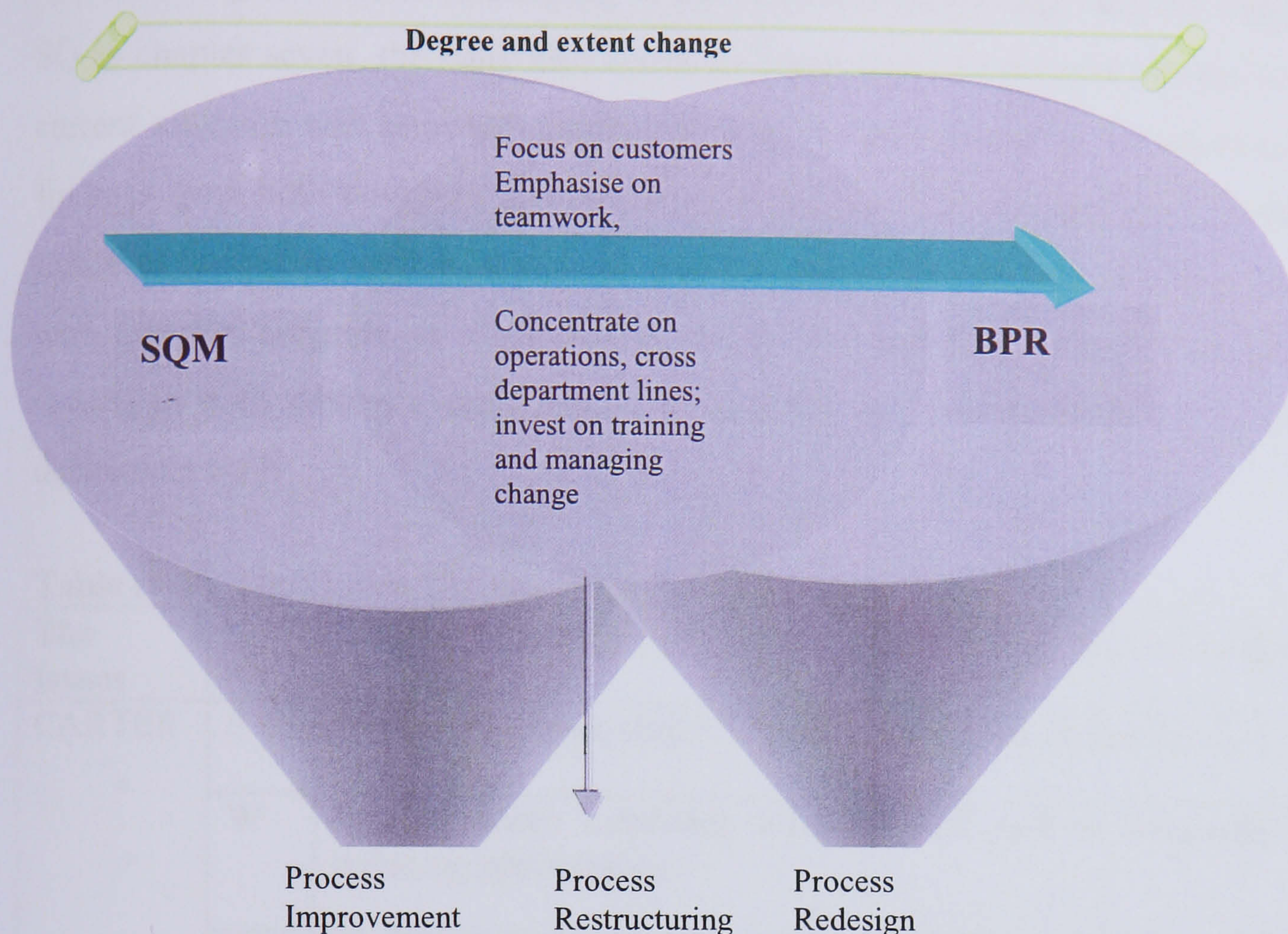
### 9.3 From SQ to Reengineering:

As discussed in chapters four and five, providing a direct access to customers is one of the BPR principles and the way to achieve that is to adopt a SQ program as argued in chapter seven. Thus, as stated in the literature, the developing of reengineering methodology may first begin by using SQ approach which forces people in the organisation to think before they act and to examine the assumptions that shape their behaviour (Andrews and Stalick, 1994).

SQ management and reengineering are relatively new applications in the banking industry (Mauil and Childe, 1994; Drew, 1996; Avkiran, 1999 and Yavas and Yasin, 2001). This newness and the lack of significant literature on the subject (Mauil and Childe, 1994 and Yavas, and Shemwell, 1997a&b) has left many administrators confused about the similarities and the differences between the two approaches. The link between the two approaches is clarified by the idea that SQ and process reengineering are two ends of a continuum (Lowenthal, 1994) and both are needed in an organisation.

Figure (9-1) describes this link and indicates that both approaches begin with customer needs and work backwards to achieve their objectives. They emphasise the need to pull together the people who are involved in the processes under review. As a result, team working and skills are essential to successful implementation. In addition, both methods focus on processes.





**Figure (9-1):** SQM and BPR common ground and the process continuum adapted from (Stewart, 1993).

The figure above captures the overlap between the SQM and the BPR. As can be seen from the figure, it is helpful if an organisation has adopted SQM before it tackles a reengineering program (Stewart, 1993), because the SQM environment is the one that is already described as customer oriented, committed to teamwork, and focused on processes. Furthermore, it is the environment in which the leadership recognises that continuous education and change are essential if an organisation is to succeed in the current competitive and dynamic market place.

Before reengineering can happen, it is vital that comprehensive, long and critical examination of the bank's internal situation should to be undertaken. This assessment lays a solid foundation for the overall reengineering efforts. It implies that the bank could face the realities of the evaluation of the current situation. It is often a painful process, but a necessary one if a radical change is to occur and also it must be honest for a successful reengineering program.



9.4 The study Implications to Adopt BPR:

As we have gained an understanding of the customer views regarding the importance of adopting SQ in chapter seven, the bank also needs to listen to its employees’ voices to examine the bank current situation and knowing successful ways to gain customer satisfaction. In retrospect, the findings from both customer and employee surveys can be summarised according to their issues, indictors (strengths and weaknesses) and to critical factors that enhance the need to adopt a reengineering program as illustrated in tables (9-1 and 9-2). When first looking at the critical factors in both tables, a combination of benefits are shown which may lead to reengineering decision in KFH.

**Table (9-1):** The Critical Factors from the Customer Survey:

The Issues	S/W **	Critical factors for the need of KFH to reengineer its operations.
CARTER	S	Increase the bank ability to customise products and services.
	W	Process more customer requests and deliver competitive prices without reducing profitability.
	W	Break organisational boundaries, bringing customers into the information channels through communication, networking and computer technologies.
	S	One of the main factors when adopting CARTER and BPR is to increase the awareness of Islamic principles inside the bank.
CS	S	Increase CS with product and services
SE	W	Decrease response time to customers, eliminate errors and complaints, and reduce delivery cycle time.
	S	Make it easy and pleasant for customers to do business with bank.

\*\* Strengths and Weaknesses (S/W)

In order to meet customer needs, to discover what would increase their satisfaction, to understand the real causes for dissatisfaction, and to focus employee efforts on improvement of services and the creation of new products and services, the effectiveness of bank and employee management, especially support functions management is needed, the following table presented the critical factors revealed from the employee survey.



**Table (9-2): The Critical Factors from the Employee Survey:**

The issues	S/W **	Critical factor for the need of KFH to reengineer its operations.
ES	S	The bank could start the program with current employees and train them to be more skilled, creative and productive.
Satisfaction with working schedules	W	The rescheduling of work should be carried out to make it more reliable and flexible.
WE	W	The bank should simplify its rules and procedures to make jobs more interesting and easier to perform.
UCMO	W	The bank should involved employees in developing its mission, vision and goals. Divisional and departmental missions are also required.
OC	W	The bank should emphasis the notion of quality and customer-supply chain (Deming, 1986).
	S	Open communication with strong leadership should be encouraged.
SMS	W	Senior managers should inspire employees by listening to them; helping them plan and understand; encouraging ideas and demonstrating what needs to be achieved.
	W	The bank should develop and encourage the culture of people working together as a team.
DMP	W	The new management environment should be created with no bureaucracies, full access to accurate information, clear understanding of policies and procedures. Employees can then act quickly in responding to customer needs and the role of management should shift from supervisor to coach and from boss to facilitator.
WSAM	W	The bank should monitor employee time spent in operations by charting the flow of transactions and physical movement within the bank operations.
KIF	S	The influence of Islamic law and Islamic scholars emerge as a critical factor for day-to-day operations in the bank. So, the employees should have a significant knowledge of Islamic finance and the bank should inform and train them to be aware of this factor.
	S	The involvement of the SSB for any revolutionary program is a crucial issue in Islamic banks.
KMS	W	A decisive knowledge and skills in management and computer are required for more understanding of how to support the new environment and to perform each managerial job.
	W	Creating and executing employee development plans should be defined.



SSD	W	The SSD should meet employee needs in all levels of the structure.
	W	The employees must be committed to the best performance and quality they can deliver. Their personal requirements also need to be recognised.
	W	The quality of management in the bank needs improving through a high degree of training, not just for new skills but also for new attitudes. The new training courses should concentrate on inter-personal skills and attributes to manage in a changing environment. The assessment of training needs should be comprehensive.
	W	The recruitment policy should concentrate on skilled candidates.
	W	The present structure of formal and informal rewards and motivations should be restructured and replaced with something more supportive, widespread, and fair in order to encourage harmony among employees.
	S	The bank should improve the quality of work life.
	W	The bank needs human resource systems that lead employees to be more accountable to customers.
REC	S	Develop an environment in which the employee is respected and managers listen, help him grow and create an atmosphere in which taking risks is encouraged and innovation is valued.
CBN	S	The IS/IT should function as a partner and enabler of any reengineering program in the bank.
	W	The investment in technology should be utilised to increase productivity and improve quality.
	W	The bank should define all communication channels that might be used for change because “communication is the oil of change” (Obolensky, 1995 p. 127). Also the communication system should be frequent, consistent, and relevant, as keeping employees informed is one of the effective features of the system.
	W	A comprehensive assessment of the bank network infrastructure and capabilities is essential to identify key opportunities for leveraging network technology and applications that align with the bank’s business objectives.
	W	Any data and information which is required in order to take decisions within the bank, should be reliable, available on time, and spread smoothly to the employees.
	S	All employees should have a direct access to the SSB and the BOD.



OS	W	The bank should focus first on defining the gap between authorities and responsibilities, non-hierarchical reporting relationships, fluid organisation, boarder job accountabilities, self-managing teams, process management responsibilities and managerial and supervisory roles.
	W	The effectiveness of OS, the span of control, policies, procedures and decision making processes should be assessed and the bank must simplify the OS by reducing layers of management that caused delays.
	W	Decentralisation has been a common motivation for adopting a reengineering program, from both a structural and technological viewpoint (Fairchild, 1998, p. 3).
	W	The adequate integration is a critical success factor of implementing BPR in the bank.
CCDS	W	The lack of cooperation between departments and the employee considerations of the importance department integration reflect the need of adopting BPR in the bank.
	W	A cross-functional co-ordination is needed to look at how stakeholder needs are currently met and how they should be improved.
WPPR	W	Processes with too many steps should be redesigned to improve the cycle time. Outdated procedures and policies need to be evaluated, simplified or eliminated when they longer serve any useful purpose (Endosomwan, 1996, p. 21).
RCNW	S	The customer who receives the work output is the arbitrator of whether or not the quality, prices, delivery, schedule, services and other specifications are exceeded and met (Endosomwan, 1996, p. 33).
	S	Develop partnership with customers using open discussions and consensus building (Andrews and Stalick, 1994, p. 42).
AI	W	The bank should ensure that its resources including assets, knowledge, people, etc. are used efficiently.
	W	Improve the sharing and utilizing of the organisational knowledge.

\*\* Strengths and Weaknesses (S/W)

As a result of the above presentation, the bank is asked to define the term of success, to demonstrate positive outcomes, and to keep up with changing demands and strong competitors. An effective way of doing this is to start by utilizing team or building structures that increase employee capability for success by working together in groups, increase shared accountability, foster interdependence and collaboration, provide continuous learning, and allow for increased productivity and innovation (Fairchild, 1998 and Van de Ven, 1999; 2000). However, creating teams or work groups is not enough, the management should provide them with a system for



focusing and evaluating their efforts from the customer perspective, helping teams to gather data from customers, create quality standards, plan individual and team efforts to meet these standards, and take ownership for measuring the results of their work.

In conclusion, the bank needs to provide organisational systems that engage employees in planning, support them in focusing on performance and knowing how to measure it, and help them develop the new knowledge and skills. The new system should aim to satisfy internal and external customers, lead to effective ways of performing processes, achieve considerable reduction in time and cost and increase productivity and profitability. This solution has ranged from improved training for employees providing the service, to implementing technology that eliminates steps in the process and reduces the possibility of error, to scheduling appropriate level workers to handle the peaks and valleys of work demands, to outsourcing to a more cost-efficient provider of higher quality products, to restructuring work teams to better utilise employees time, to eliminating redundant and non-value added steps in existing processes. The next section highlights this system or solution for Islamic banks to reach these aims.

## 9.5 Reengineering Islamic Banking:

As pointed out in chapter seven, it is of little value to discover where services and products fall short of customer expectations if we cannot analyse the causes and increase the quality of results for customers. The CARTER methods may enable managers and employees to understand more fully the desires of customers, the bank's strategic planning processes and team strategic frameworks based on customer expectations. They also need to develop the ability to pay attention to the way of implementing the process. Before the bank management can improve the system, it must listen to the voice of that system, then understand how inputs affect the outputs of the system and be able to change the inputs (and possibly the system) in order to achieve the desired results.

Thus, the scenario plan to adopt CARTER indicated that problems might exist in what the bank is providing for its customers, i.e. it has unpredictable processes. Thus, an Islamic bank must first examine its processes and understand how they might improve their ultimate results for customers.

When the bank begins to gain the skills to assess needs, listen to, and co-operate with the customers in designing products and services according to their constantly changing needs and



expectations, it needs to learn how to re-engineer and improve processes that what may produce desired results.

As discussed in chapter five, this hybrid approach to BPR has been adapted from studying the experience of many organisations which have adopted BPR and looking at many studies which have highlighted reengineering approaches (e.g. Misser, 1993; Hatch, 1994; Motwani, et al., 1998, etc.). It can also be applied here using the following phases and steps which can lead to an analysis of the root causes of problems and the application of solutions that can change the perceptions of customers about their satisfaction. It can also enhance the strengths and eliminate or decrease the weaknesses in tables (9-1 and 9-2). The following scenario includes five phases and twelve steps as represented below:

### 9.5.1 Creating a Culture for Change Phase:

KFH should first create an appropriate culture for change and name the main players for reengineering as described in chapter five.

### 9.5.2 The Assessment Phase:

The assessment is based on the study findings which presented the current problems KFH is facing, its internal weaknesses and the threats and opportunities based on external analyses. The general manager (reengineering leader) may take a decision to start the first stage of reengineering (assessment stage) and names the members of the reengineering team. The team will diagnose the bank's current situation using different tools. The reengineering leader should then name the members of the steering committee and choose the external and internal consultants to guide the reengineering program. Steps one; two and three below suggest what this team should do to employ this stage.

#### Step one:

The team should analyse and diagnose the bank current situation in order to facilitate decision-making within the bank, especially in senior managers level. This might be carried out by gathering information at individual and small group level, through focus groups, interviews, and short, focused surveys, on what issues the customer has with the processes under study. Include in this assessment a picture of what would be "ideal" from the customer perspective. Often customers cannot pinpoint a problem (only we know why something is happening) but they can describe what it would look like if the process was giving them what they need and value. The use



of many tools should be applied, such as customer or market tools (five Cs' and Ps', SWOT, competitive position, Porter's five forces, etc.) employee analysis (turnover, sickness, productivity, OS, values, culture, behaviour influence, etc.), shareholder tools (balance sheet analysis, key ratios analysis, cash flow analysis, etc.) and process analysis.

### Step two:

The determination of product and service qualities is the next step for the team to look at. The CARTER model can be used to measure SQ in the bank, examine the customer expectations and adopt quality program within the bank.

### Step three:

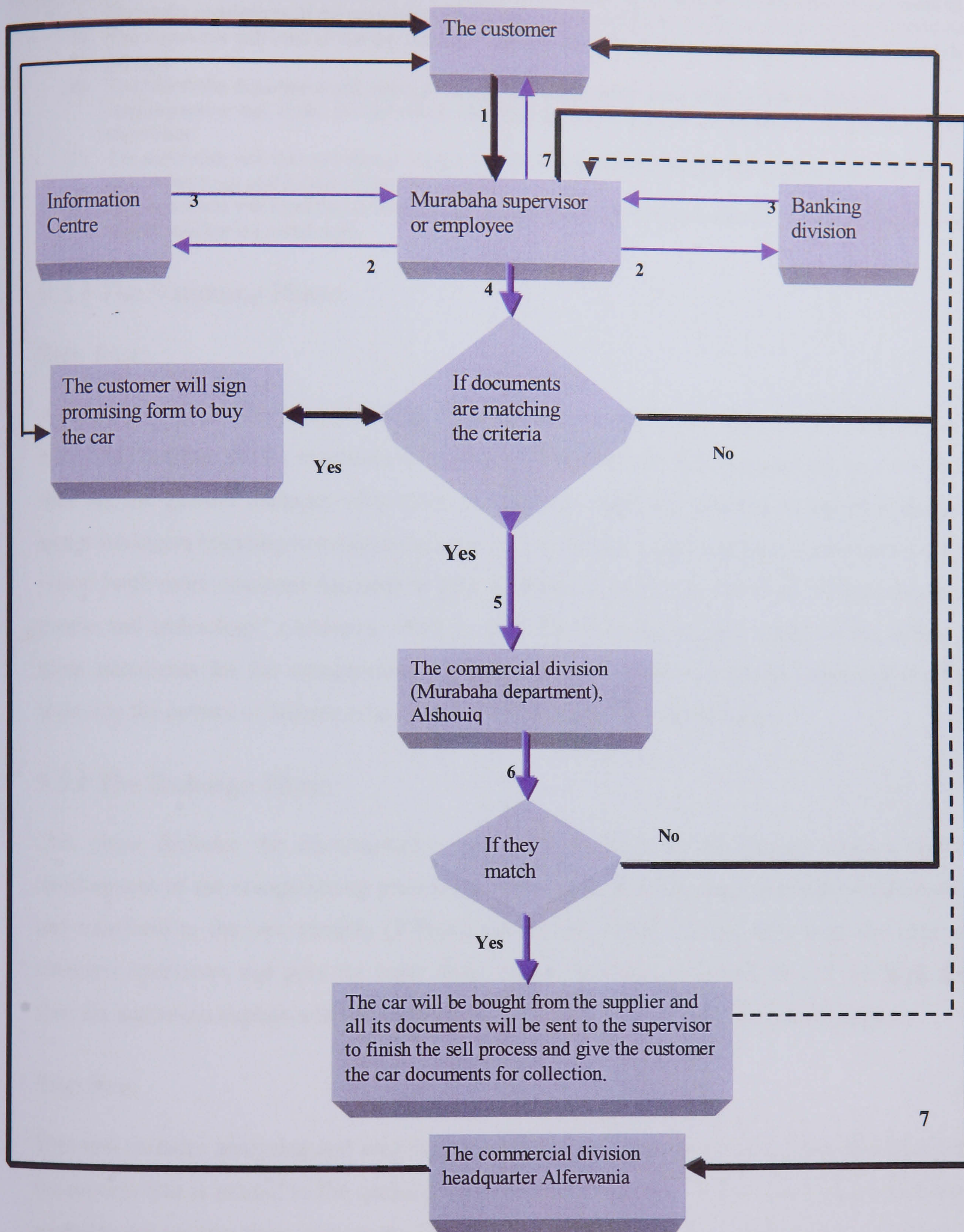
Current processes should then be mapped using the present workflow in steps associated with the accomplishing of the processes. For example, figure (9-2) maps the Murabaha process.

The core team here usually separates work activities into well-defined tasks, roles, rules, and procedures which regulate most of the work in operations and the office (Georgakopoulos et al., 1995; Agostini et al., 1994; Mentzas, 1993; Swenson et al., 1994; Dinkhoff et al., 1994). Many insights surface during the process mapping that begin to point out possible problems. This step often reveals duplication of effort, lack of clarity as to who does what, differing methodologies for completing a step in the process, and the identification of "non-value-added" checking or approving work that is mostly correct to begin with.

This step also often reveals that some staff do not know to whom their part of the work is handed off, and what is done after they finish their part in it. The process of mapping allows the staff to hear the "actual voice of the process" at the step or task level (Lawton, 1993).

At the end of this phase, the team may realise the best reengineering category (deep trouble, trouble coming, or peak condition) that described the bank current situation, in order to decide how quick and radical change is needed. The team should then identify and prioritise the major processes that create value to the customers. From this list of processes, targeted ones for reengineering should be defined along with the require change mechanisms, levers or driver, that align the process with vision (see appendix 6) (Misser, 1993).





**Figure (9-2):** The Murabaha current workflow:

- 1) The customer may come to AlRaka Branch to buy a car using Murabaha product; he/she should bring documents, such as ID, salary certificate, the price of the car if he wants specific one from specific supplier and bank statement.
- 2) The supervisor will require general and historical data about the customer from Information Centre and Banking division.
- 3) The feedback from the Information Centre and Banking Division.



- 4) The supervisor then will check his documents, study the data and information collected and calculate the Murabaha instalments. If the customer matches the criteria, the promising to buy form will be signed by him.
- 5) The supervisor will send all the documents to commercial division (murabaha department to complete the process.
- 6) The Murabaha department will check all documents again and decide whether it match the bank requirements or not, if yes, the car will be bought from the supplier and all documents are sent back to the supervisor.
- 7) The supervisor will then sell the car using a Murabaha sale contract and give the customer the relevant documents to go and collect it from the supplier.
- 8) The supervisor will send the customer file to the commercial division headquarter in Alfurwania to follow-up and monitor the instalments.

### 9.5.3 The Visioning Phase:

#### Step four:

As stated in chapter five, reengineering is driven from the BOD or management committee in the bank and therefore places emphasis on significant involvement from top executives. So it is now time for the general manager who asked the team to study the situation in the first phase and senior managers (steering committee) to meet and develop a mission statement and create a future vision (with more customer focused) to give a picture of the future that truly “integrates process, people and technology” (Andrews, 1994, p. 42). The meetings should create vision, values and goals statements for the reengineering program that also must mirror the values of the bank, including the control of Islamic principles and background of its operations.

### 9.5.4 The Redesign Phase:

This phase includes the documentation and understanding of the current process and then development of the reengineering process. It is the most difficult stage because of the creativity and transform to the new process (Wheelwright, et al., 1992). During this stage the core team conducts interviews and asks for input from across the function boundaries of the bank. Steps five; six and seven explain what the core team might do to move to the implantation phase.

#### Step five:

This step includes analysing and studying the current processes by gathering data from and about the process that is related to the qualities desired by the customer. This can include information related to the process time, such as the time for the process to go through the entire workflow (the example of the Murabaha process it takes between three to seven days to finish); the number of “problems” bounced to a supervisor; an analysis of complaints; volume of transactions per day or week, and charting of peak periods and slow periods. Gathering and charting this data will demonstrate how employee perceptions of how a process works are often inaccurate, especially as



relates to the variability or predictability of the process. Costs related to staffing and staffing allocations are also significant data to identify the process in the banks.

#### Step six:

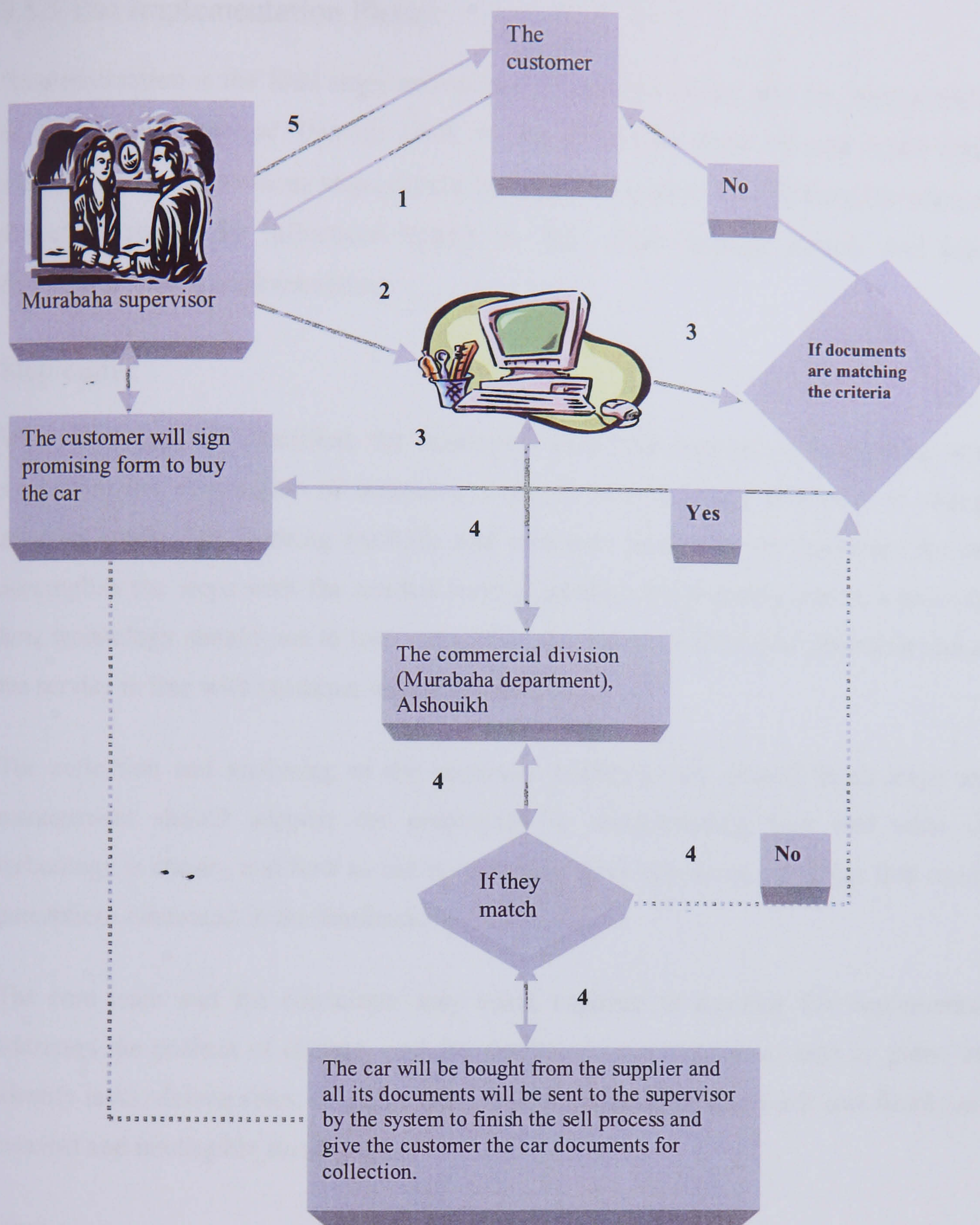
Then the move of using tools to display the data in such a way as to make the patterns, trends, and interpretations grounded in reality. Using statistical process control charts can be very helpful in analysing time series data and pointing to the actual occurrences of variation and limits of the current process. In other words, in this step, the team may move to create the new process that should bring into practice the tenets of the vision (Hatch, 1994). In our example the researcher has redesigned the Murabaha operation as shown in figure (9-3).

As can be seen from the figure, the processes have been reduced to five and the operation might be finished in the same day because all processes have been automated.

#### Step seven:

To gain acceptance of the new processes from those who may be affected by the change, the core team should involve those who carry out the tasks in the analysis of the charts. This will often reveal that staff are aware of problems, but feel unable to change the situation. The chart gives the employees a view of the actual process they do not often see. They are used to thinking in terms of a perceived average time and the chart lets them see that rarely is the actual Quality Standard actually met. Recognition that this is the actuality of the process and conversations about “why” this is happening begin the root cause analysis phase.





**Figure (9-3):** The Redesign Murabaha workflow

- 1) The customer may come to AlRaka Branch to buy a car using Murabaha product; he/she should bring documents, such as ID, salary certificate, bank statement if his/her account in other banks and the price of the car if he/she wants a specific one from a specific supplier.
- 2) The computer system or bank network will give the supervisor all the historical data and information required.
- 3) The supervisor then will check his documents, study the data and information collected and calculate the Murabaha instalments. If the customer matches the criteria, the promising to buy form will be signed by him.
- 4) The system also will be used to send the order to the Murabaha Department to complete the process by checking the data and decide whether it match the bank requirements or not, if yes, the car will be bought from the supplier and all documents will be sent back by the system to the supervisor.
- 5) The supervisor will then sell the car using a Murabaha sale contract and give the customer the relevant documents to go and collect the car from the supplier.



### 9.5.5 The Implementation Phase:

“Implementation is the final stage and includes the introduction, start-up, rollout and stabilisation of the redesign process” (Hatch, 1994, P. 36). What has been planned in all discussions and meetings or in the previous steps should become reality now. Establishing the team and planning the effort should be influenced largely by this stage because success and failure will be determined during implementation.

#### Step eight:

When all causes are identified, the employees should be engaged in developing new processes, suggesting the elimination of unneeded steps of accomplishing processes or changes them to effective steps. The learning methods and customer feedbacks are important for employees to accomplish the steps with the needed level of quality or timeliness and to answer the question, how technology should use to help streamline processes, or how new processes can add value to the service in line with customer expectations.

The collection and analysing of the customer feedbacks are crucial in all steps and the bank management should support the employees in understanding how and what to do, what technology is chosen and how to use it, and what work processes outcomes that contribute to the perceptions contained in the feedback.

The core team and the consultant may come together to develop the implementation, which addresses the politics of change, and the details of implementation activity plans which clearly identify tasks, deliverables, roles, accountabilities, timetables and costs and finally put them into succinct and intelligible documents.

#### Step nine:

The team then may choose the optimal solutions, pilot them, and evaluate the new results from the customer perspective. Then, following the “Plan, Do, Check, Act” cycle described in chapter seven, continue to listen to the voice of customers and adjust and innovate the process. Aim at providing predictable, ever improving quality service that addresses changing demands and needs.



#### Step ten:

The steering committee with the core team should ensure that all stakeholder executives have the opportunity to become involved in decision making for the implementation that may requires a scheduled presentations or meetings of key decision making groups in the bank.

#### Step eleven:

The core team should meet regularly to share learning, monitor implementation progress and solve problems as they arise. The outcomes or results measurement is important to show the movement toward the reengineering goals as stated in the visioning phase.

#### Step twelve:

The continuous improvement processes, skills and knowledge are very important for the bank and its reengineering program to be successful.

### 9.6 Training:

The culture of change phase may include the change of training programs but training should be carried out in all parts of the bank and start at the first stage. The development of training program is also essential to meet all needs.

### 9.7 Concluding Remarks:

This chapter aimed at presenting and discussing the findings that were generated from analysing the primary data in chapter eight. The implications for both Islamic bank managers and researchers were also discussed. The chapter also attempted to discuss the strengths and weaknesses revealed from the internal diagnosis to draw the critical factors that might influence the bank management to reengineer all or some operations.

It began by discussing the employee survey findings implications. The ES was considered as a vital variable to examine the relationship between the employees and the bank in general, the work place, productivity, and profitability. The most important implication reflected by the finding was that the ES is influenced by the extent of exercising and following Islamic law and principles and the fairness of formal and informal financial and non-financial rewards programs in the bank. Thus, managers should reform the way of comply with these law and principles and all rewards programs to be more effective in order to increase the ES in the bank.



This was followed by highlighting the findings and the implications of the WE and the UCMO and the OC. However, the positive and negative indicators pointed out that the bank has the culture and the environment which may drive the bank management to begin reengineering program on the first hand. Researchers on the other should re-conceptualise those factors to fit the new culture and environment.

The chapter also detailed the lessons taken from examining variables such as the SMS and the DMP, which may enhance the need of the bank top management to improve its relationship with the employees, develop team working culture, increase empowerment and decentralisation and encourage the involvement in decision making and planning processes, to implement successful BPR program.

As well as the WSAM variable revealed that the bank management is recommended to reduce employee wasted time outer operations. The reengineering program is one of the solutions to reduce wasted time.

In addition, the implications of the KIF and KMS were discussed in this chapter with a clear explanation of an interest-free banking model. In order to adopt BPR, the bank should move forward to build a knowledge culture program, which may aim to update its learning programs, enhance new plans, achieve objectives, improve performances and to satisfy employee needs.

Moreover, the SSD (mostly rated negatively by the employees), the REC, the CBN the OS, the CCDS, the WPPR and the AI variables were discussed and various implications were introduced for managers and researchers. The bank is advised to reform the HRD to provide effective work to the employees and to adopt the REC program, which also was provided in this chapter. Moreover, the bank needs in first side to flat its organisational structure and to upgrade its banking and communication networks in order to be more informative and facilitate the implementation of SQ and BPR programs. Researchers on the other hand should build and examine new models for Islamic banks and do more investigations in this field to consider the differences between Islamic and interest-based banks. Finally, the creations of standardisations skills were also discussed to make the environment of reengineering possible.

Furthermore, the chapter presented the results and the implications of the RCNW variable, which proved that the bank should identify and segment its current and targeted customers, train all employees in the front offices and other departments, on the marketing and sales skills, and make customer satisfaction an on going process for all employees in the bank.



The chapter linked between the SQ and BPR by considering the differences and similarities between SQM and BPR and argued that both approaches start with customer requirements and work backward to achieve better performance, reduce costs and increase profits. The discussion led to the conclusion that the study supported the idea of implementing SQ program before undertaking any reengineering efforts in the bank.

In order to examine the need for KFH to begin SQ and reengineering programs, the chapter tabled or summarised the findings and implications of the study. The discussion here included the reengineering critical facts, which were also observed as strengths or weaknesses, and how these facts apply for the need of reengineering program in the bank.

The chapter concluded by addressing the scenario plan to adopt a reengineering program in the bank. This consisted of four phases (assessment, visioning, redesigning and implementation) with twelve steps. The Murabaha operation was chosen as an example to examine the validity of this approach.

After presenting, discussing and understanding the implications of the findings in chapter seven and this chapter, the next chapter will provide some recommendations for effective Islamic banking management in general, and KFH in particular, and for future researchers in this field, summarise the chapters of the study and present the conclusion for the whole study.



## Chapter Ten:

### The Study Conclusion and Recommendations

#### 10.1 Introduction:

The previous chapters have presented and discussed the study findings and the implications of the results for both managers and researchers in the Islamic banking industry. On the grounds of those empirical findings, this chapter aims at providing some recommendations for the managers in the industry, especially those who work in KFH and Islamic banks in the Gulf Cooperative Council (GCC) and also to researchers in that field.

This chapter is split into four main parts. The major points discussed in each chapter of the study as well as the overall conclusion of these chapters are summarised in the first part. The second part provides some recommendations for managing an Islamic bank in today's competitive market. Drawing on the outcome of the study, the third part discusses some guidelines for future researches in this field. The last part provides a conclusion to the whole study.

#### 10.2 Study Chapters' Summaries:

The study has tested the significance of adopting SQ and BPR programs in Islamic banking management and reveals the link between these concepts and benefits, which may be achieved by the Islamic bank when exercising these programs. Nine chapters were developed to introduce the study which may be grouped into review of the literature and theoretical framework which includes highlight the concept of Islamic banking in general and evaluate KFH in particular, describe both concepts SQ and BPR in more details and discuss the research methodology and draw the relevant variables and hypotheses in the one hand and present the survey and case study results and discuss the findings and implications on the other.

##### 10.2.1 Chapter One:

The aim of this chapter was to introduce the study and the importance for Islamic banks to gain competitive advantages and differentiate themselves from their competitors by providing high quality products and services. It argued that most Islamic banks are under pressure to cope with their fast changing markets and environments, but they cannot improve and measure the employee performance because of the issue of mismanagement in the Arabic world organisations. It has suggested that despite the high levels of capital and technological investments, they have reported



weak productivity, mainly because of lack of a scientific approach to management, such as SQ and BPR.

The chapter also presented the problem of the study and argued that there is a lack of studies in Islamic banking management and this research could be useful for academic and practitioners alike. From an academic perspective, the chapter suggested that the study would improve understanding of Islamic banking management and encourage them to build and examine theories and new models, which link new management's concepts and issues to unique Islamic banking environments and cultures. It also argued that no study has attempted to examine the possibility of adopting SQ and BPR in Islamic banking and there are few who know about these concepts. Therefore, this study will help Arabic researchers and scholars to understand the nature of these concepts in general and their items or dimensions and provide them with the basic knowledge for the future studies in these fields. Moreover, it shed light on the importance of making cross-cultural comparisons between western and Middle Eastern study outcomes in order to reach more generalisable conclusions about management concepts.

From a practical perspective, the study will provide Islamic bank managers, especially those in KFH, with valuable information about the importance of adopting SQ and BPR in their banks and how to manage the changes when implementing these programs.

The chapter finally discussed the layout of the thesis and highlighted each chapter contents.

### 10.2.2. Chapter Two:

The chapter aimed at introducing and defining the concept of Islamic banking. It commenced by discussing the banking system development through history and argued that the Islamic civilisation contribution to this development is significant in terms of terminology, products, services and legislation system.

The chapter also presented the fundamental concepts behind establishing an Islamic banking system, such as distribution of wealth among all individual to secure at least basic needs, the God is the real wealth owner, justice to meet human needs and provide equal opportunities, the concept of money in Islam and the prohibition of interest or *riba*.

In addition, it highlighted how Islamic banking ideas, literatures and establishments have been started and developed, and indicated that between the late forties and early seventies, the ideas and



literatures of Islamic banking have been build by Islamic scholars and economists. This was followed by establishing the IDB and other private Islamic banks.

Moreover, the chapter provided a comprehensive definition of the concept, which covers different sides, such as the fulfilment of Islamic principles and requirements of sound banking, creativity and progressive financial engineering programs. It also indicates that a bank should provide efficient and competitive products and services to its customers, such as direct and indirect investments, trade finance, commercial and real estate financing products.

Furthermore, the chapter discussed the main differences between Islamic and interest-based banks and presented them in terms of their nature, forms of finance, the techniques of projects' evaluation, risk facing, reserves deducted, paying zakat, the existence of the SSB and importance of the 5Cs.

The chapter grouped the operations of Islamic banking under four principles, namely profit sharing principles (Mudarabah), profit and loss principles (Musharakah), sales-based and debit-based principles and ancillary principles. It has argued that the PSP and the PLSP are the least popular modes of financing in most of the Islamic banks while most Islamic banks' operations today are based on the sales-debit-based principles which include products, such as Murabaha and ijara. Based on the above principles, the chapter explained in more details operation processes in Islamic banking.

The chapter ended by arguing the ways of building the organisational structure in Islamic banking and underlined special departments, such as the SSB, the legal, social and commercial departments.

### 10.2.3 Chapter Three:

This chapter used the case study methodology to examine KFH, one of the most successful Islamic banks in the world. In the beginning of the chapter, the KFS was highlighted that includes the CBK, 7 commercial banks, 3 specialized banks, one Islamic bank (KFH), more than 25 investment companies, more than 20 insurance companies, a number of Money Changes and Exchange Houses and the Kuwait Stock Exchange (KSE).

The chapter argued that the establishment of KFH in the late seventies was the response to Kuwaiti consumer desires to save and invest with a free-interest banking system.



Also it discussed the bank organisational structure and highlighted the different stages of structure changes and developments, and it argued that Mintzberg's structure of five elements (strategic apex, the middle line, technostructure, support staff, and operating core) might be used by KFH management and expertise to design and develop these stages.

In addition, the chapter presented all sector operations and gave details of the processes that might be used by customers. It described first, the Banking Sector organisational structure and products and services provided by this sector, for instance, current, saving, investment accounts in different currencies and various period, foreign remittances and money transmission services, safe lockers, the LG, TTBS, ATM and Internet banking. Second, the banking cards department provides credit cards, ATM card, Visa (classic, Sundus, platinum and gold) and Master Cards (silver, Sundus, platinum and gold). Third, the Investment Sector organisational structure, which consists of the IID, the Treasury Department and the IRD, was discussed in this chapter. It presented the forms of investments and the products and services provided by each department and provided some examples for investment portfolios and projects in KFH. On the other hand the finance sector includes Credit Department, Documentary Credit Department, Private Banking Service Department and Local Real Estate Department. The Credit Department provides products such as, leasing, Murabaha L/C, Istesna'a and co-op marketing. The L/C department provides different types of L/Cs and L/Gs while the LRED has designed to supervise and trade residential and commercial real estate for the benefit of KFH and its customers. Finally, the Commercial Sector consists of in addition to Sundus Division and the Research and Study Unit, Car, Murabaha and Commercial Operations Support departments.

Finally, the growth and performance of KFH was evaluated in this chapter and it was argued that KFH has rapidly grown in terms of assets, capital, profits, reserves, shareholders equity, customers' accounts and numbers of branches and ATMs. This growth also mirrored the performance of the bank's shares in the market. The financial ratios and general assessment of the bank performance, which included its strengths and weaknesses were discussed in this chapter and concluded that KFH has strengths and opportunities more than weaknesses and threats.

#### 10.2.4 Chapter Four:

The chapter aimed to provide and build a theory for service quality in Islamic banking by presenting the appropriate SQ literature. First, the argument supported some scholars' opinions and discussions regarding the differences between the service and manufacturing sectors in order to apply different quality programs. Second, it argued that word "quality" is vague and the



literature includes different definitions of the quality, TQM and SQ but an excellent SQ is not an optional strategy for any company because of the strong competition and open markets.

Third, the importance of adopting quality programs in Islamic banks is more important than those in interest-based banks because of the strict orders from the God to provide products and services with high quality.

Fourth, the chapter presented SQ literature, looked at during the period of this study.

In addition, the chapter also discussed the development of the SQ dimensions that have been developed by different writers and scholars. It argued that among the most popular assessment tools was SERVQUAL which was introduced by the Parasuraman, Berry and Zeithaml in the mid and late eighties. This model includes five dimensions, namely, Tangibles, Reliability, Responsiveness, Assurance and Empathy with 22 items. Also the model uses two different forms, one to measure expectation and the other to measure perception. It also used the five gaps model that might help this assessment. SERVQUAL was criticised by many quality writers but it is still one of the most important methodologies for measuring the SQ in service industry.

Moreover, the chapter builds a proposed methodology and model (CARTER) for Islamic banking industry in order to measure SQ. The researcher added one dimension to the SERVQUAL model compliance with Islamic law and principles.

Furthermore, the chapter argued that it is important for the Islamic bank to build clear and meaningful quality standards to help bank employees to measure their performances and get effective and quick feedbacks.

Finally, the chapter explained the multidimensional factors perceived by customers and argued that there is a strong relationship between the SQ, customer satisfaction and service encounter.

### 10.2.5 Chapter Five:

This chapter aimed to answer questions, such as what is BPR and who, why and how should reengineer. The literature revealed answers for those above questions. Different definitions of BPR were highlighted and most of them involved critical issues such as, radical changes should be occurred, most parts of the company should be affected, the central unit of reengineering is the process, improvement in performance, profitability, productivity and reduction in time and cost are the outcome of implementing a reengineering program. Also the argument led to the



conclusion that every company is a candidate of reengineering program because of the benefits which can be gained in terms of continuous improvement, implementing cultural change, meeting increased customer expectations, achieving a corporate strategic vision, to combat increased competition and to meet changing market needs.

In addition, the chapter presented different approaches of reengineering which enclose various phase and steps, such as visioning, assessment or “as-is” step, redesign and implementation including continuous development. The comparison between these approaches proved that there were differences between the approaches in terms of priorities of starting steps or phases but Endosomwan’s approach covers most of them. The suggestion was made that reengineering methodologies might be placed around the concepts of knowledge management, change management, the learning organisation and the employee empowerment. In this context BPR should not be considered as a panacea with rigid phases.

Moreover, the chapter split reengineering enablers into IT and organisational enablers. Parker, (1996) pointed out that IT enablers permit changes in business processes including information empowerment, networking, delivering values, any time and any where workplace, transformational justification and measurement, etc. on the other hand the organisational enablers consist of different elements which affect the organisation’s business and should be managed during implementing the reengineering program. They include organisational culture, management style, organisational structure, rewards system, training, change management, customer focus and resource management.

Furthermore, the chapter has described the main reengineering players, such as a reengineering leader, steering committee, core team, process owner, core team leader and the consultant bodies.

On the basis of the above discussion, it was explained that reengineering in the banking industry is required to build a unique approach because of the variety of bank processes, the need for efficient distribution, the need for automation and the IT and IS play crucial work and central part in today banking.

Finally, the chapter discussed in detail banking reengineering principles and provided an approach for banks to reengineer their processes starting by creating a reengineering culture through redesigning current processes and implementing proposed new processes.



### 10.2.6 Chapter Six:

This chapter aimed at discussing the methods used to examine the study hypotheses. It began by arguing the data collecting methods, including both primary and secondary sources. It presented the reasons for choosing KFH, such as its experience, successes and creativity in terms of Islamic banking products and services and geographical expansions locally and internationally and also the result of the pilot test mirrored the need to develop the study questionnaire to be more understandable to customers and employees in KFH.

The chapter also described the study samples and explained the way of choosing it. the Systematic Random Sampling (SRS) system was used to select the study samples (customers and employees) and 500 customers and 250 employees received the study questionnaires and only 360 customers and 160 employees sent back to the researcher. This indicated the fittingness of that figures for statistical analysis.

In addition, the chapter defined the study hypotheses and variables. The variables were grouped into independent, mediating and dependent variables on the one hand and demographical and quality and internal diagnosis variables on the other hand. Based on this categorisation, the chapter explained how the study will measure those variables using the survey questionnaires.

Moreover, the chapter then has discussed the tools of statistical methods which were used to test the study hypotheses. The SPSS software has been used and different measures, such as descriptive statistics, factor analysis, ANOVA, mean tests and correlation test were defined. The reliability test was carried out and proved that the instruments used to measure and examine the study variables are acceptable.

Finally the chapter presented the results of the normality test and concluded that customer and employee data are nearly normally distributed and the parametric methods will be used to test the study hypotheses with 0.95 level of confidence.

### 10.2.7 Chapter Seven:

The aims of this chapter were to examine the importance of implementing SQ programs in Islamic banking management, examine the validity of CARTER model and provide a proposal summary for Islamic banks to adopt an SQ program. The chapter proved in the beginning that most of the CARTER's 34 items were loaded in the FA test and they should remain in the model with 6 dimensions and 34 items. The central tendency revealed that all items are important and the



compliance rated the most important dimension among all dimensions. This provided implications for both management and researcher to pay more attention to religious and cultural factors in Islamic banks.

The study findings indicated customer views regarding the importance of providing quality products and services in Islamic banking and argued that Islamic banks should be reformed to be more customer-oriented. This could only happen when management adopts quality programs and systems based on assessing a general understanding of customer needs and an internal understanding related to the bank's operations, specific services, geographical locations, or counters' designs and balancing between them in the one hand and between customer expectation and perception on the other. On the same line, the chapter provided an Islamic banking customers cultural model which defines the bank operation system to provide products and services to customers, its interests and the customers' interests.

The chapter has found a positive relationship between service quality, satisfaction and service encounter. The study considered them in Islamic banks as a system of the CARTER-items processes inputs and overall satisfaction outputs.

Finally, The scenario plan to adopt SQ in KFH has been explained in the end of this chapter to answer the question of how can an Islamic bank adopt SQ program in its management?

#### 10.2.8 Chapter Eight:

This chapter illustrated the employee survey results. It examined the internal diagnosis variables, such as ES, WE, DMP, KIF, KMS, OS, OC, CBN, etc. The chapter revealed the bank's strengths and weaknesses in those variables areas. A general indication of this chapter results represented in the following points:

1. The overall employee satisfaction with working for KFH, was positive because of their religious beliefs. However, working conditions and financial rewards programs were rated negatively by the employees.
2. The centralisation dominates decision-making policies, setting mission, objectives, aims, policies, structures, procedures and plans, methods of operations and HR policies.
3. The employees were unsatisfied with corporate support functions, including HRD and its functions, such as recruitment, training, pay-rolls, rewards, etc.
4. Knowledge management need to be advanced as a corporate strategy in the bank.
5. The employees spent less time in operations.



6. The results revealed how KFH invest heavily in its banking network and the efficient of its communication system but the untimely information still exists.
7. The results also show the need of co-ordination and co-operation between divisions and departments in the banks with highly level of integration between them.

### 10.2.9 Chapter Nine:

This chapter aimed to link the study variables and analyse the results presented in chapter eight.

It began by discussing results presented in chapter eight and built the link between the SQ and BPR and argued that both approaches begin with customer needs and both of them have a share common in the end; namely “continuous improvements”. Also it suggested that it is better to adopt the SQ before carry out the reengineering program.

The tools of internal diagnosis assessment including the measure of quality levels were examined in order to observe some critical factors to test the need for Islamic banks to adopt or start a reengineering program. The assessment ended with a tabled summary of these factors and highlighted which factors are characterised as strengths or weaknesses.

At the end of the discussion of each variable and drawing its implications, it was recommend that the bank needs to create a new organisational and operational system that may encourage employees to be involved in visioning and planning, increase their focusing on operations and performance and knowing how to measure it. The system should also include knowledge management that will lead the bank to be more successful and employees to be more creative, innovative and productive. It should also advance the IT to facilitate effective communication and banking networks and to assist the co-operation and integration between different functions in the bank. Moreover, the main focus of this system is how to perform a process, eliminating process steps, reduce time and cost, increase productivity and profitability and aim in the end to please employees and customers. Finally, it requires improving and training employees, implementing new technologies, building a fair and advanced pay-roll, bonus, compensation, rewards and recognition programs and manage and allocate the bank’s resources effectively. The chapter concluded that this system can be achieved by adopting reengineering program in the bank management using the approach available.



### 10.3 Recommendations:

Based upon the study findings and implications, the following recommendations should be considered by Islamic bank managements.

1. The examination of the CARTER model pointed out the importance of the cultural or religious dimension and all future quality programs in the Islamic banking industry should include this dimension. The bank management is recommended to prioritise the model dimensions and items according to the bank culture, current situation and the availability of resources.
2. Islamic banks should adopt a quality program because of their need to reduce the time allocated to each process, to increase work intensity, expand service capacity and build a framework of customer perceptions and expectations. Therefore, one of the main recommendations here is to implement the scenario program, based on the CARTER model, in order to help the management to achieve these aims.
3. The bank should encourage, reward and retrain employees in the front offices to be efficient and satisfy customers in order to meet their expectations, especially in quality of services and time of operations.
4. The Islamic bank management must also ensure that the front offices have the proper infrastructure to support effective management of technology, knowledge, and risk. Banks that are successful in applying these imperatives will gain competitive advantage in the industry and satisfy their customers.
5. The study assumed that there is bridge between adopting SQ and BPR and therefore the Islamic bank's management is recommended to adopt an SQ program before taking a decision to reengineer its processes.
6. In order to adopt BPR through SQ, Islamic banking managements in general and in KFH in particular should:
  - a) Understand and anticipate the change in external environment on the one hand and customer needs and expectations on the other.
  - b) Adopt a quality program and build a delivery system to satisfy these needs/expectations and motivate employees to deliver a quality service.
  - c) Generate high, growing and fair real wages and financial and recognition programs and develop the work environment to be more attractive.



- d) Preserve and .improve the quality of employees currently working in the bank by developing training and professional development programs and the bank's systems and manuals.
  - e) Plan, develop, and implement recruiting strategies, hiring plans, and personal policies.
  - f) Create a supportive and innovative organisational structure, and new work environment with less bureaucracies, encourage empowerment, more involvement in decision making and business planning, support employees to respond quickly to customers needs and the role of management should shift from supervisor to coach and from boss to facilitator.
  - g) Develop processes and procedures to allow the team to be successful and effective.
  - h) Encourage future research in these areas and establish a R&D department, study other banks' successes, learn from them and develop mechanisms by which the bank can learn from others.
  - i) Create an integrated and dynamic organisational culture based on the integration of bank values and Islamic law and principles in all activities and operations.
  - j) Implement a technology infrastructure that integrates all the activities prior to order innovation (e.g. data-gathering, knowledge management, investment analysis, and risk management) with other activities such trading, finance, banking, investment, etc.
  - k) Create an effective integration system that requires more than technical skills. In addition to moving the data and information, the bank needs to understand what data and information should be moved, why and what kind of decisions they will support.
  - l) Develop and execute a comprehensive social marketing plan and advanced relationships with government, the central bank, local banks, Islamic banks and media bodies.
  - m) Develop new products and services, adopt new technologies and enter growing, high value-added industries.
  - n) Develop its business climate to be more hospitable and inviting for customers.
7. The banking network and its tools that facilitate communications, integrations between divisions and departments and feedback systems should be strengthened and provided with significant additional resources to add all manuals and procedures to the system. So it becomes more of a partner and enabler of others delivering operations and financing activities.
8. When the bank invests and advances technology, it should make sure that the new technology will enable and help employees, especially in the front office to have quick and efficient access to data and information, support investment decisions to be taken efficiently and at lower costs, enable straight-through processing, better risk and knowledge management capabilities and lower costs through increased efficiencies.



9. Because many investment companies offer Murabaha products and services in the local market, departments, such as Murabaha should be encouraged immediately to reengineer their operations and business plans to provide incentives and developing partnerships with various bodies, using the reengineering approach provided by this study.
10. Islamic banks, including KFH are recommended to adopt a reengineering program using the suggested scenario in chapter nine or hybrid approach in chapter five. The important points here are to create a culture of reengineering, carry out an efficient external and internal assessment program, rewrite the mission, vision and objectives, analyse and map the current processes, redesign and implement them.
11. The bank should define the IT applications needed to support the banking reengineering approach. This will help to facilitate all its phases and steps, to integrate activities and operations not only within the boundaries of the bank organisation, but also with external customers, reduce transaction costs and risk exposures and allow future growth in business. This also includes: standardizing, automating and integrating key functions, developing an overall data strategy, incorporating an internet banking, and considering how the overall IT architecture supports the business strategy.
12. Internet banking may help in the adoption of a reengineering program because activities carried out by employees, such as portfolio managers, traders, administrators in the front offices and research analysts rely on the Internet for a more efficient and reliable means of receiving market data.

#### 10.4 Future Researches:

This study has highlighted that there are many opportunities for future research in this field. This includes the following prospects:

1. Researchers are recommended to re-examine the CARTER model validity in other Islamic banks located in different cultures and have varies of activities and operations. However, they should re-conceptualise its dimensions and items in the light of any change in the culture or background of these banks.
2. The bridge between SQ and BPR also needs to be re-examined in a banking industry by choosing any bank that exercised SQ first and moved to reengineering program and answer question how the SQ help it to adopt the reengineering program.
3. The study has provided different models of quality and reengineering facilitators as well as building theories and drawing various implications, related to the models and issues of Islamic bank performance, environment and culture. More research needs to be carried out to ascertain



how quality and reengineering relates to the Islamic banking industry and who is responsible for implementing them in Islamic banks, (e.g. board of directors, general managers, middle management or all). In terms of implementation, research needs to be done to identify and eliminate the regulations, attitudes, policies, etc., which may be an impediment to continued improvement.

4. The instruments or tools of the internal diagnosis also need to be developed and examined in Islamic banks with different cultures and geographical locations.
5. The multidimensionality of the internal diagnosis variables, such as the ES, the WE, the OS, the DMP, etc. need to be examined in Islamic banks to know how many items will load in each variable.
6. Given the fact that this was the first research into quality and top-down radical change in the Islamic banking industry, many questions need to be answered. For instance, how sustainable is this change for Islamic banks? How far have managers and employees in Islamic banks absorbed the change in current leadership style, new staff roles and employment expectations? How will the management and employees react to the new ways of working, reductions in bank staffs and changes in business culture? How will the bank resolve the tension between sales and customer service or between “hi-tech” delivery via the telephone or computer and “face-to-face” delivery in the branches? Is a differentiation strategy based on quality of service sufficient to cope with a highly complex, competitive and turbulent financial services environment?, etc.
7. There is an opportunity for researchers in the IT field to test and develop different reengineering approaches in Islamic banking industry and build different IT applications to facilitate reengineering implementation.

## 10.5 The Conclusion:

An Islamic banking industry is being established in many Muslim and non-Muslim countries with hundreds of institutions offering banking and investment products and services based on customers' religious beliefs and cultural characteristics of their societies.

As with other new industries, it has enjoyed an impressive growth in recent years, about 15% to 20% per annum, especially in the Arabian Gulf States, and this expansion is expected to continue. This rapid growth might reflect the idea of seeing it as a viable alternative to interest-based banking in the future, especially in Islamic countries.



This study was carried out in KFH, one of the biggest Islamic banks in the world, located in the State of Kuwait. It also looked at the current situation of the Islamic banking system of Kuwait from the perspective of the theories of modern financial intermediation and Islamic financial contracting. The limited information on the banking system of Kuwait reveals that KFH is the first and the only Islamic bank provides most banking and investment products and services. The success of KFH was significant because it controls roughly more than 20% of the market share. The financial services industry, however, remains extremely competitive and Islamic banks face formidable challenges from interest-based banks and investment companies.

The reason behind choosing KFH was because it does business in retailing and investment banking, in direct and indirect trading, and has established vital links with local and foreign institutions. It uses modern financial engineering to design new products and services while simultaneously reducing its risk exposure. The growth in bank businesses, assets, capital, profits, reserves and share price in the market indicated clear management and strategic vision for the bank's future.

The Islamic banking industry, including KFH, faces many challenges and the lack of innovative solutions for some managerial and operational issues has appeared as a major problem for Islamic banks. However, it would be unfair to compare their progresses to that of established interest-based banks. Therefore, they might benefit from experiences of both manufacturing and service companies and gainfully employ quality and process improvement philosophies with proven road records in both industries. Besides these specific benefits, Islamic banks can derive several other benefits from the implementation of the SQ and BPR, such as increased competitive advantages, reducing real process costs and hidden costs associated with lost business (e.g. customers switching banks due to the poor quality) and improve employee and customer satisfaction. It should be noted that the SQ model and BPR approach discussed here are not new and they have time-honored traditions in the manufacturing and other service industries. However, they were new in Islamic banking industries.

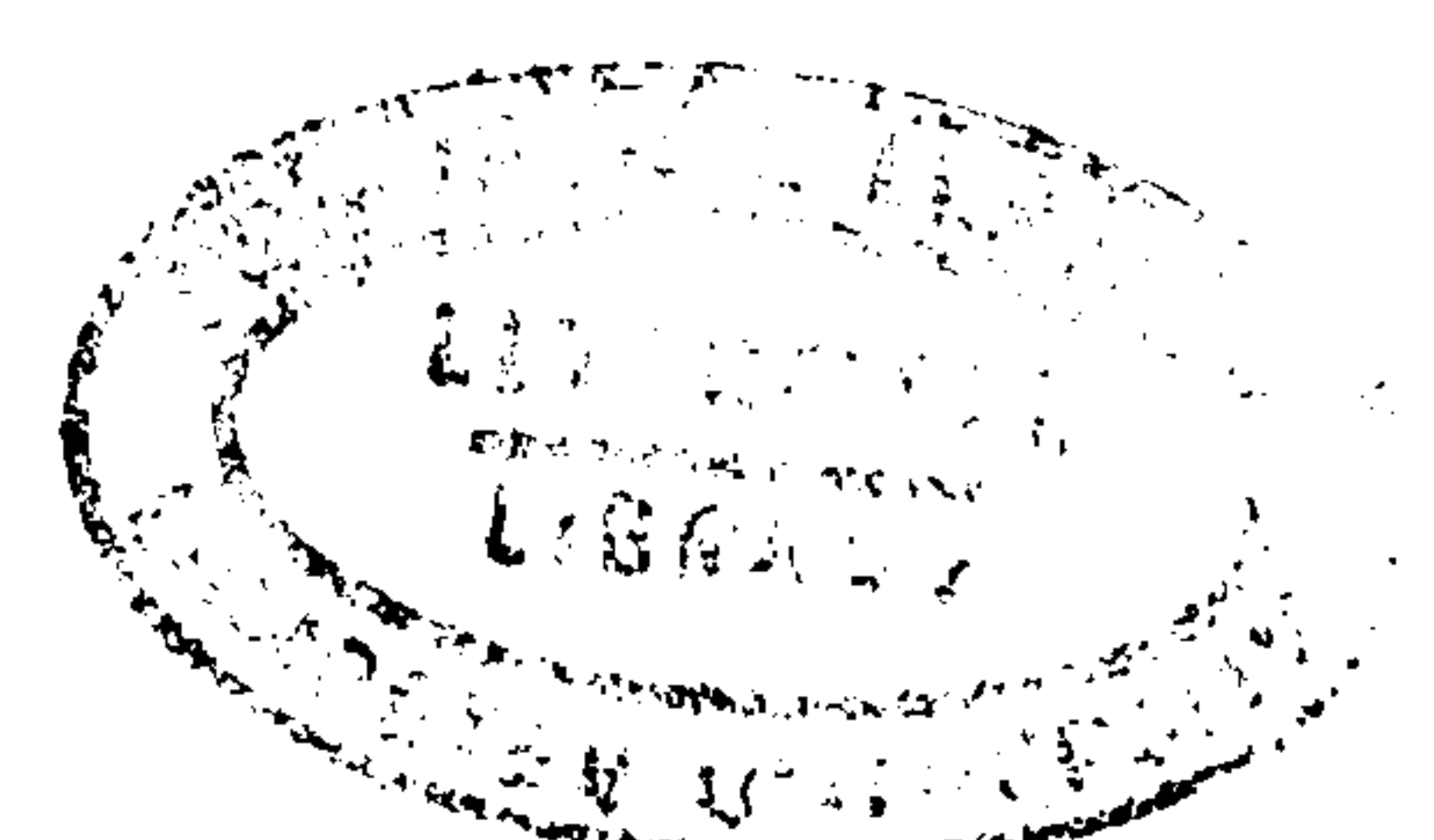
The study showed that a management decision to adopt SQ and BPR programs will be a very strong and compelling symbol of the bank commitment to both internal and external customer satisfaction. The suggested quality model and reengineering approach is an effective way to make clear to all bank employees what its objectives and priorities are, and therefore enhance their actions toward bank's vision, objectives and priorities. The CARTER model focuses on the issue of customer satisfaction and service encounter as the main drivers of any adoption and



implementation quality program in the bank and transforms the quality into a culture issue in all operations and processes. Also it enables Islamic bankers to address and deal with issues pertaining to their operations in the back and front offices systematically. While the existing methodologies of reengineering rely on modeling approaches which center on the issues of satisfying internal and external customers by structuring all operations around processes. Due to the high risks involved in reengineering, an Islamic bank needs a modeling method that efficiently supports a reengineering program and its objectives.

As can be seen from the study's results, it is in the hand of the management whether the Islamic bank is going to be successful in the journey to adopt SQ and BPR programs or not. Managers are able to monitor and control all elements that influence internal and external customer satisfaction and although the journey is not an easy one for Islamic banks. It will only be when all bank employees are conscious of the quality and reengineering agendas and committed to be part of this journey that the bank will be able to aspire to any significant results.

Finally, the key to the success of Islamic bank to be customer-oriented is dependent on how effective management is to anticipate and respond to change in the environment and how effective the management decisions are in influencing the key elements of customers' perceptions and expectations.





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## APPENDIXES



## Appendix one:

“In the name of Allah, most merciful, most compassionate”

### KUWAIT FINANCE HOUSE A KUWAITI SHAREHOLDING COMPANY

### MEMORNDUM OF AGREEMENT AND ARTICLES OF ACCOCIATION

Decree Law No. (72) of the Year 1977 Licensing the Establishment of A Kuwaiti Shareholding Company Named: "KUWAIT FINANCE HOUSE"

We, Sabah Al-Salim Al-Sabah, Amir of the State of Kuwait, having regard to Amiri Order issued on the 4th of Ramadan 1396 AH, corresponding to 29th August 1976 AD, concerning the revision of the Constitution, Article 2, 20 and 13 of the Constitution, Law No.15 of the year 1960, promulgating Commercial Companies Law and its amending Laws, Law No.2 of the year 1961, promulgating the Commercial Law, as amended by Law No.7 of the year 1962 and Law No.32 of the year 1968 concerning monetary, the Central Bank of Kuwait and the Organizing of Banking Business, and upon recommendation by the Minister of Awkaf and Islamic Affairs, the Minister of Commerce and Industry, the Minister of Justice and the Minister of Finance, and upon approval by the Council of Ministers, hereby promulgate the following Law:

#### Article (1):

The Ministry of Awkaf and Islamic Affairs, the Ministry of Justice (Department of Minors' Affairs) and the Ministry of Finance are hereby authorized to set up a Kuwaiti shareholding company under the name of "Kuwait Finance House", with a capital of K.D. 10,000,000 (Kuwaiti Dinars Ten Millions).<sup>1</sup>

#### Article (2):

The founders shall, within their capacity, abide by the provisions of the Memorandum of Agreement and Articles of Association of the Company, of which official copies are attached hereto.

#### Article (3):

This Licence shall not confer any monopoly or concession for the Company, nor shall it result in any liability on the part of the Government.

#### Article (4):

The Ministers, each in so far as he is concerned, shall enforce this Decree which shall be effective as of the date of its publication in the Official Gazette.

Amir of Kuwait: Sabah Al-Salim Al-Sabah<sup>2</sup>

Prime Minister: Jaber Al-Ahmed Al-Jaber Al-Sabah

Minister of Awkaf and Islamic Affairs: Yousef Jasim Al-Hajji

Minister of Finance: Abdul Rahman Salem Al-Ateeqi

Minister of Justice: Abdullah Ibrahim Al-Mufarrej

Minister of Commerce & Industry: Abdul Wahab Yousef Al-Nafisi

<sup>1</sup> The Capital has been amended in accordance with the amendments mentioned afterwards.

<sup>2</sup> Issued at Al-Seef Palace On the 3rd of Rabee' II, 1397 AH. Corresponding to March 23rd, 1977 AD. This Decree was Published in the Issue No.1133 -The 23rd Year.



## Explanatory Memorandum For the Decree Law Concerning the Establishment of A Kuwaiti Shareholding Company Named "KUW AIT FINANCE HOUSE"

Commercial and financial activities in Kuwait are conducted in accordance with a set of legal rules embodied in Commercial Companies Law No. (15) of the year 1960, Commercial Law No. (2) of 1961, and Law No. (32) of 1968 concerning monetary, the Central bank of Kuwait, and the Organizing of Banking Business. In general, these rules conform to modern practices which provide ample room for usurious transactions between parties involved in business activities, particularly transactions between banks and their customers.

The Islamic Shari'ah Law, on the other hand, inhibits the practice of usury as well as all usurious transactions, in compliance with the word of Allah:

*"O ye who believe! Observe your duty to Allah, and give up what remaineth from usury, if ye are believers. And if ye do not, then be warned of war from Allah and His messenger. And if ye repent, then ye have your principal. Wrong not, and ye shall not be wronged".*

A number of opinions rendered on the question of usury is still and continue to pose controversy among Islamic Shari'ah scholars. Debates and arguments are still going on in Islamic conferences and researches & Islamic studies centres to decide what is or is not usurious, what is interest and what is the judgement of interest, profit and yield in business contracts, particularly such new types of business transactions and investment, and economic activities conducted by governments or juristic persons.

Nevertheless, it has been the tendency, at present, to resort to Islamic Shari'ah Law as a basic source of legislation. Hence, the constitution of the State of Kuwait was one of the first modern constitutions to codify this course.

In line with the above concept, the Government of Kuwait has taken the initiative to establish a Kuwaiti shareholding company which could engage in financial, insurance and various forms of investment activities without practising usury or charging interest, as specified in the Articles of Association of the Company.

As the establishment of such company could only take place through a special legislative act that would allow it not to abide by the existing laws as may be inconsistent with the nature of its activities, or with the text of its Articles of Association while complying with such laws as regard other matters, it has therefore been decided to promulgate this Law.



# "KUWAIT FINANCE HOUSE" A KUWAITI SHAREHOLDING COMPANY MEMORANDUM OF ASSOCIATION<sup>1</sup>

## **Article (1):**

The Ministry of Awkaf and Islamic Affairs, the Ministry of Finance and the Department of Minors' Affairs have, by this instrument, formed a Kuwaiti shareholding company to be governed by the Articles of Association attached hereto.

## **Article (2):**

The name of the company and its legal address shall be: "Kuwait Finance House", a Kuwaiti shareholding company.

## **Article (3):**

The head office and legal domicile of the Company shall be in the City of Kuwait, and the Board of Directors may institute branches, offices or agencies for the Company inside and outside Kuwait.

## **Article (4):**

The duration of the Company shall be unlimited, and shall begin from the date of issue of the Decree authorizing its incorporation. The Company shall be dissolved for any legal reason dictating dissolution.

## **Article (5):**

The objectives of the Company shall be as follows:

1. To conduct all banking operations and services for its own account, or for the account of third party, without practising usury, whether in the form of interest or in any other form.
2. To carry out investments activities directly, or purchase or finance projects or activities owned by others, on non-usurious basis.

The Company may cooperate with other organizations which are engaged in activities similar to its own, or which may assist it to achieve its own objectives. The Company may further participate in such organizations, or associate with them in one way or the other through agency or procreation or integration, and may join any consortium recognized by law or by custom, covering holding, subsidiary or associated companies and corporations.

## **Article (6):**

With respect to banking services and operations, the Company may for example:

1. Receive various types of cash deposits, either for safe-custody or for conditional or unconditional re-investment, provided that this shall be on non-usurious basis.
2. Purchase and sell gold bullion, supplying foreign currencies, and sell or purchase drafts of such currencies.
3. Provide short-term financing against collateral in the form of commercial papers and at an agreed commercial yield not involving usury.
4. Open letters of credit and provide banking facilities, with or without security.

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<sup>1</sup> Based on agreement contracts and the articles of association in the attached contract under no. 198/B/Book -on Sunday 20/2/1398 corresponding 29/1/1978.



5. Issue guarantees in favour of third party, with or without security.
6. Collect the value of drafts, promissory notes, cheques, bills of lading and all other instruments against commission for the account of permanent customers and others.
7. Receive subscription related to the establishment of new shareholding companies or capital increases.
8. Purchase shares, certificates of investment and similar financial papers, either for the account of the Company or for the account of others (on non-usurious basis).
9. safe-keep all kinds of currencies, precious metals, jewellery, documents, packages and parcels, and rent safes for private use, and
10. Act as trustee and agent, accept agencies and appoint agents with or without commission.

In general, the Company may carry out all banking operations and services as well as other operations permissible by law, regulations and statutes observed by banks, on condition that such operations shall not be on usurious basis.

### **Article (7):**

With regard to investment operations, the Company may for example carry out the followings:-

1. Establish new companies, or participate in or provide financing to companies in existence.
2. Provide individuals, organizations and governments with studies, expertise, researches and advice on capital placements, and providing all services concerning such operations.
3. Open documentary credits, and provide all banking facilities against participation in commercial yields with or without personal security.
4. Engage in various activities related to overland transport and marine and air navigation, or finance such activities for fleet construction or operation.
5. Engage in all kinds of activities related to import and export of crops and various commodities.
6. Finance trade in commodities and movables intended to be offered for sale or rent.
7. Store all kinds of commodities and crops by traditional methods or in cold storage or in warehouses and in other modern means.
8. Purchase lands and other real estate either for the purpose of selling them in their original condition or after parcellation, or for renting them as open land or including installations, buildings and equipment added thereto.
9. Establish mutual or co-operative associations subject to Islamic Shari'ah provisions to insure the Company's own funds, cash deposits, and all other fixed and movable assets, as well as mutual insurance organizations for the benefit of other parties.
10. Invest funds in construction activities and related engineering industries as well as in electrical, mechanical, electronic and related activities.
11. Invest funds in activities related to metal and oil extraction, quarries, fertilizer fields and other natural resources.
12. Invest funds in all agricultural enterprises related to natural crops, fruits and forests, or to animal husbandry or dairy or wool projects.
13. Invest funds for the construction, expansion and re-planning of towns and related infrastructure of in towns transportation and housing.
14. Invest funds in fisheries, sponge-dredging, pearling and other marine or riverine resources.
15. Invest funds in building ships, tankers and boats of all kinds and sizes, and for construction of dry-docks, floating docks and in ships maintenance and repairs.
16. Invest funds in digging, widening, cleaning, dredging and maintaining canals, and
17. Invest funds in media projects, such as newspapers, magazines, radio, television and cinema, and in projects for verification, publication and dissemination of human heritage, as well as in activities related to archeological excavations and exhibits.



In general, the Company may carry out all such activities as may assist it to realize its banking and investment objectives whether directly or through co-operation with other organizations, companies and governments provided that it shall not do so on usurious basis.

#### **Article (8):<sup>1</sup>**

The capital is K.D. 10,000,000/- (Kuwaiti Dinars, Ten Millions) divided into ten million shares of one Dinar value of each.<sup>2</sup> All shares shall be nominal and be paid for in cash.

#### **Article (9):**

The founders shall subscribe to the capital of the Company by four million nine hundred thousand shares to be divided amongst them as follows:

- Ministry of Awkaf and Islamic Affairs: Nine hundred thousand shares to the value of nine hundred thousands Dinars.
- Ministry of Finance: Two million shares to the value of two million Dinars.
- Department of Minors' Affairs: two million shares to the value of two million Dinars.

They shall undertake to deposit 25% of the shares' value in any of the banks *operating* in the State of Kuwait. The remaining shares shall be placed for public subscription in Kuwait.

#### **Article (10):**

Expenses which the Company shall incur for the process of foundation are estimated to be about fifty thousand Kuwaiti Dinars, which shall be deducted from the general expenses account.

#### **Article (11):**

The founders shall take all measures to finalize the establishment of the Company and to do all related procedures for placement of shares for public subscription. They may entrust these formalities to a Committee to be formed by a decision of their own, but they shall specify in their decision those individuals assigned to produce the required documents and those entitled to deposit subscriptions amount, effect withdrawals from the Company's establishment account and finalize allocation process in proper manner.

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<sup>1</sup> The Capital has been amended by the consequent resolutions of the Extraordinary General Assembly. Increased on 27/7/1982 to the amount of K.D. 15,000,000; Increased on 28/2/1983 to the amount of K.D. 18,750,000; Increased on 20/4/1986 to the amount of K.D. 20,571,401; Increased on 30/3/1987 to the amount of K.D. 23,142,826; Increased on 28/3/1988 to the amount of K.D. 26,151,393; Increased on 28/3/1989 to the amount of K.D. 28,505,018; Increased on 19/3/1990 to the amount of K.D. 31,070,470; Increased on 26/7/1993 to the amount of K.D. 38,838,880; Increased on 18/5/1994 to the amount of K.D. 42,443,624; Increased on 15/3/1995 to the amount of K.D. 44,990,241; Increased on 18/3/1996 to the amount of K.D. 47,689,656; Increased on 10/3/1997 to the amount of K.D. 50,551,035; Increased on 16/3/1998 to the amount of K.D. 53,584,097; Increased on 5/4/1999 to the amount of K.D. 56,799,143 and Increased on 20/3/2000 to the amount of K.D. 61,343,574

<sup>2</sup> The nominal value per share has been reduced to hundred fils instead of one Dinar according to the Extraordinary General Assembly resolution on 30/4/1987



# ARTICLES OF ASSOCIATION

## CHAPTER ONE: ESTABLISHMENT OF THE COMPANY

### I-FUNDAMENTALS OF INCORPORATION

#### Article (1):

In accordance with the provisions of Law and this Articles of Association, a Kuwaiti shareholding company is hereby established under the name: "Kuwait Finance House", by and between the shareholders, as per the rules of ownership set hereinafter and without prejudice to such rules which exempt the Company from laws in force, as explained in these Articles, and which are confirmed by the Law issued with respect to the establishment of the said Company.

#### Article (2):

The head office and legal domicile of the Company shall be in the City of Kuwait, and the Board of Directors may institute branches, offices or agencies for the Company inside and outside Kuwait.

#### Article (3):

The duration of the Company shall be unlimited, and shall begin from the date of issue of the Decree authorizing its incorporation. The Company shall be dissolved for any legal reason dictating dissolution.

#### Article (4):

The objectives of the Company shall be as follows:

1. To conduct all banking operations and services for its own account, or for the account of third party, without practising usury, whether in the form of interest or in any other form.
2. To carry out investments activities directly, or purchase or finance projects or activities owned by others, on non-usurious basis.

The Company may cooperate with other organizations which engage in activities similar to its own, or which may assist it to achieve its own objectives. The Company may further participate in such organizations, or associate with them in one way or the other, through agency or procreation or integration and may join any consortium recognized by law or by custom, covering holding, subsidiary or associated companies and corporations.

#### Article (5):

With respect to banking services and operations, the Company may for example:

1. Receive various types of cash deposits, either for safe-custody or for conditional or unconditional re-investment, provided that this shall be on non-usurious basis.
2. Purchase and sell gold bullion, acquire foreign exchange, and sell or purchase drafts in such exchange.
3. Provide short-term financing, against collateral in the form of commercial papers and at an agreed commercial yield not involving usury.
4. Open letters of credit and provide banking credit facilities, with or without security.



5. Issue guarantees in favour of third parties, with or without security.
6. Collect the value of drafts, promissory notes, cheques, bills of lading and all other instruments against commission for the account of permanent customers and other parties.
7. Receive subscription payments related to the establishment of new shareholding companies or capital increases.
8. Purchase and sell shares, certificates of investment and similar financial papers either for the account of the Company or for the account of other parties (on non-usurious basis).
9. Safe-keep all kinds of currencies, precious metals, jewellery, documents, packages and parcels, and rent safes for private use, and
10. Act as trustee and agent, accept agencies and appoint agents with or without commission.

In general, the Company may carry out all banking operations and services as well as other operations permissible by law, regulations and statutes observed by banks, on condition that such operations shall not be on usurious basis.

### **Article (6):**

With regard to investment operations, the Company may for example carry out the followings: -

1. establish new companies, or participate in or provide financing to companies in existence.
2. provide individuals, organizations and governments with studies, expertise, researches, and advice on capital placements, and providing all services concerning such operations.
3. open documentary credits, and provide all banking facilities against participation in commercial yields with or without personal security.
4. engage in various activities related to overland transport and marine and air navigation, or finance such activities for fleet construction or operation.
5. engage in all kinds of activities related to import and export of crops and various commodities.
6. finance trade in commodities and movables intended to be offered for sale or rent.
7. store all kinds of commodities and crops by traditional methods or in cold storage or in warehouses and in other modern means.
8. purchase lands and other real estate either for the purpose of selling them in their original condition or after parcellation, or for renting them as open land or including installations, buildings and equipment added thereto.
9. establish mutual or co-operative associations subject to Islamic Shari'ah provisions to insure the Company's own funds, cash deposits, and all other fixed and movable assets, as well as mutual insurance organizations for the benefit of other parties.
10. invest funds in construction activities and related engineering industries as well as in electrical, mechanical, electronic and related activities.
11. invest funds in activities related to metal and oil extraction, quarries, fertilizer fields and other natural resources.
12. invest funds in all agricultural enterprises related to natural crops, fruits and forests, or to animal husbandry or dairy or wool projects.
13. invest funds for the construction, expansion and re-planning of towns and related infrastructure of in-towns transportation and housing.
14. invest funds in fisheries, sponge-dredging, pearling and other marine or riverine resources.
15. invest funds in building ships, tankers and boats of all kinds and sizes, and for construction of dry-docks, floating docks and in ships maintenance and repairs.
16. invest funds in digging, widening, cleaning, dredging and maintaining canals, and
17. invest funds in media projects, such as newspapers, magazines, radio, television and cinema, and in projects for verification, publication and dissemination of human heritage, as well as in activities related to archeological excavations and exhibits.



In general, the Company may carry out all such activities as may assist it to realize its banking and investment objectives whether directly or through co-operation with other organizations, companies and governments provided that it shall not do so on usurious basis.

## **11- CAPITAL OF THE COMPANY:**

### **Article (7):<sup>1</sup>**

The Company's Capital is sixty one million, three hundred forty three thousand and five hundred seventy four Dinars divided into six hundred thirteen millions and four hundred thirty five thousand and seven hundred forty shares, and the value of each share is one hundred fils, and all of which are paid-up shares.

### **Article (8):<sup>2</sup>**

The founders shall subscribe by 4,900,000 shares (four million and nine hundred thousand shares) in the capital of the Company, and undertake to pay 25% of the nominal value, amounting to four million and nine hundred thousand Dinars, by depositing in one of the registered banks in Kuwait. The remaining shares, amounting to five million and one hundred thousand, shall be placed for public subscription in Kuwait, and the founders shall specify the procedures and conditions for subscription.

### **Article (9):<sup>1</sup>**

The shares of the Company shall be nominal and shall not be owned by non-Kuwaitis, and in exception of this, the Gulf Cooperation Council citizens are allowed to own numbers of shares not to exceed the percentage of 49% of the whole company shares.

### **Article (10):**

Each subscriber shall pay 25% of the shares' value at the time of subscription. The remaining value must be paid within a maximum period of five years from the date of issue of the establishment Decree, on such dates and in such manner as may be determined by the Board of Directors. In case of default by any subscriber, the Board of Directors shall have the right to sell the shares for the account of such shareholder, on his own responsibility and without need for any advance official notification, provided that such sale shall be by auction. The Board shall then have priority to collect from the proceeds of the sale the value of installments due plus all relative charges, and refund the balance to the defaulting shareholder. In case the proceeds of the sale are insufficient to cover the amount due, the Company shall have the right to set claim against the shareholders' private funds.

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<sup>1</sup> The original text of the article stated the following:

"The Company's Capital, is ten million dinars divided into ten million shares, the value of each share is one dinar, all of which are paid-up and nominal. The amount of the Capital had been amended by consequent resolutions of the Extraordinary

General Assembly. See article 8 in the MEMORANDUM OF ASSOCIATION above.

The nominal value per share has been reduced to hundred fils instead of one Dinar according to the Extraordinary General Assembly resolution on 30/4/1987.

<sup>2</sup> This text is relevant to subscription in the Company's Capital at the initial stages of establishment when the Capital was ten million Kuwaiti dinars and was increased to the amount mentioned in article (7) of the above mentioned Articles of Association

<sup>1</sup> Amended according to the resolution from Extraordinary General Assembly on 18/5/1994, the original text was "The shares of the Company shall be nominal and shall not be owned by the non-Kuwaitis."



### **Article (11):<sup>2</sup>**

No person has the right to subscribe in more than fifty shares or to own at any time more than 1,000,000 shares (one million shares) unless by inheritance or will, or bonus, and in exception to the limit referred to earlier, shares which the companies buy for government can increase this limit for companies which own investment fund management as per their request and this resolution by Board of Directors includes the increase in maximum limit for declaration conditions.

### **Article (12):**

The Board of Directors shall issue each shareholder a temporary certificate representing the shares he owns, within three months from the date the incorporation of the Company is declared final. Final delivery of shares shall be effected by the Board within three months from the date of payment of the 1st instalment.

### **Article (13):**

Ownership of shares shall ipso facto purport acceptance of the Articles of Association of the Company and the resolutions of its General Assembly.

### **Article (14):**

Each share shall entitle its holder to such right in share equal to that of other shareholders in both unprivileged ownership of the assets of the Company and in dividends distributable in the manner indicated hereinafter. As the Company's shares are nominal, the last owner whose name is registered in the Company's records shall solely have the right to receive the share earnings, whether in the form of dividends or equity in the Company's assets.

### **Article (15):<sup>1</sup>**

The capital of the Company may not be increased unless the value of the original shares has been paid in full. New shares may not be issued at less than their face value, but when such shares are issued at more than that value, the difference outstanding after paying off the expenses of the issue shall be added to the statutory reserves. The General Assembly shall have the right either to determine priorities related to subscription to new shares issues or forego such priorities or restrict them with any restriction.

As an exception from the above provisions, the company's capital may be increased in order to encourage competent employees to continuous working the company according to "Shares parches option system" as prepared by the Board of Directors. The priority in the additional shares of the company's capital shall be to the employees who met the condition of the benefiting from

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<sup>2</sup> Amended according to the resolution passed by Extraordinary General Assembly on 18/05/ 1994, whereas the original text is as mentioned in the Memorandum of Agreement (No person has the right to subscribe in more than fifty shares or to own at anytime more than 4000 shares (four thousand shares) unless by inheritance of will.) The maximum number of shares be owned by any shareholder was increased to twenty thousand shares on 11/03/1985. The limit was increased to (500,000) shares on 30/04/1987. On 18/05/1987 the text was amended as shown below:

No person has the right to subscribe in more than fifty shares or to own at anytime more than one million shares unless by inheritance of will or bonus and the board of Directors can increase the maximum limit referred to earlier for some companies as per their request. This article was amended according to the resolution passed by Extraordinary General assembly on 10/03/1998 and text is amended as shown above.

<sup>1</sup> Amended according to the resolution from Extraordinary General Assembly on 5/4/1999, the original text was "The company's capital shall not increased the full settlement of the value of the original shares, and the new shares may not be issued at less than their nominal value, and if issued at more than that value, the difference shall be added to the statutory reserve after settlement of issuance expenses. The General Assembly shall determine the priority rights for subscription in the new shares, assigning them or being under restriction."



such option. The shareholders shall waive their right of priority regarding the employees shares according to the above system.

## **CHAPTER TWO: MANAGEMENT OF THE COMPANY**

### **I. BOARD OF DIRECTORS:**

#### **Article (16):<sup>1</sup>**

The Board of Directors is to be responsible for the management of the Company and shall consist of ten members. The founders shall appoint six members by the general assembly, whereas the other members are to be elected, by a private ballot.

Membership duration of the members of the Board of Directors is three years and it is allowed to re-elect the member.

#### **Article (17):<sup>2</sup>**

The member of the Board of Directors should personally own or be representative of an owner who owns a number of shares not less than seventy five thousand.

If at the time of election, the member was not an owner of that amount of shares, he should within one month from his election become an owner of it or otherwise he would lose his membership. This amount of shares is specified to secure the management of the member, and it should be deposited within one month from date of appointment in the company. This deposit should continue and not be used until the end of the membership period, and after the Balance sheet of the last fiscal year in which the member was active is authenticated.

If the member fails to present the guarantee as previously described, he will lose his membership. As to the First Board of Directors, the member of this Board should deposit shares as guarantees of membership within three months from the date of issuance of the company's first balance sheet for twelve months at least.

#### **Article (18):**

A member of the Board of Directors may not be a member of the board of directors of any similar or competitory company, nor may he be a merchant engaged in business similar to or competition with that of the Company, or have any direct or indirect interest in contracts or transactions concluded with the Company, or for its own account, or have an interest conflicting with the Company's unless he is given special authorization by the General Assembly, and under the same conditions as the Company may apply to deal with third party.

Neither the Chairman nor any member of the Board of Directors - even where he represents a Juristic entity - may use any information acquired by virtue of his position, for his own benefit or for the benefit of others, nor may he sell or buy the Company shares during the term of his service as member of the Board of Directors.

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<sup>1</sup> The text was amended according to the Extraordinary General Assembly resolution on 30/3/ 1987. The text before the amendment was:

The Board of Directors is to be responsible for the management of the Company and should consist of ten members. The founders appoint Five of them whereas the other members are to be elected by private ballot. The text was membership duration of the members of the Board of Directors is three years and it is allowed to re-elect the member.

<sup>2</sup> The first paragraph of this text was amended according to the resolution of extraordinary General Assembly at 28/3/88. The text of this paragraph as mentioned in the Memorandum of Agreement is:

.'The elected member of the Board of Directors should personally own or be representative of an owner who owns a number of shares not less than five hundred shares.'



### **Article (19):**

In the event of the post of an elected member of the Board of Directors becoming vacant, it shall be occupied by the unsuccessful candidate who had obtained the highest number of votes in the latest election.

In the event of vacant posts being equal to one quarter of the original number of posts, and no qualified candidates are available, the Board of Directors must convene the General Assembly of shareholders within two months from the date on which the last post became vacant for election of members to fill the vacant posts. In all such cases, the new member shall only serve up to the end of the term of his predecessor.

### **Article (20):**

The Board of Directors shall elect its Chairman and Chairman Deputy by a secret ballot for a three-years term.

### **Article (21):**

The Chairman shall represent the Company before judicial authorities and shall be responsible for the execution of resolutions passed by the Board.

The Chairman Deputy shall replace the Chairman in his absence as well as in case he is incapacitated.

The Board of Directors may appoint one or more of its members as Managing Director, and may also appoint a General Manager for the Company and determine his duties.

### **Article (22):**

Authority to sign solely on behalf of the Company shall be given to the Chairman of the Board of Directors, or to his deputy in his absence, or to any other member assigned for this purpose by the Board of Directors.

Article (23): The Board of Directors shall convene at the request of the Chairman at least once every three months. It shall also convene if requested to do so by at least three Board members. At meetings of the Board, quorum shall consist of the majority of members, but attendance by proxy shall not be held valid.

Article (24): Resolutions of the Board of Directors shall pass by majority of the votes of the members present, and in case of a tie, the Chairman shall have a casting vote. Minutes of the Board meeting shall be recorded in a special register to be signed by the Chairman, and any dissenting member may request that his opinion be recorded therein.

### **Article (25):**

A member of the Board of Directors shall lose his post for any of the following cases:

1. If he fails to attend four consecutive meetings without valid justification upon a resolution by the Board of Directors.
2. If he submits his resignation in writing.
3. If he becomes incapacitated. 4. If he is declared bankrupt.
4. If he occupies any salaried position in the Company, other than the
5. post of Chairman, Managing Director or General manager.
6. If he is convicted of an offence involving dishonesty or misconduct.



#### **Article (26):**

Without prejudice to the provisions of the Law of Commercial Companies, the Ordinary General Assembly shall fix the remunerations of the Board of Directors Members will fix the remunerations of the appointed Board of Director members and the salary of the General Manager.

#### **Article (27):**

The Board of Directors shall have full authority to manage the Company and to conduct all such activities as may be required to realize the objectives of the Company. The Board's authority shall only be limited by restrictions provided for by Law, by these Articles, or by such resolutions as may be issued by the General Assembly.

The Board of Directors may, in particular, pay all initial fees and expenses required for the establishment of the Company, including fees and expenses related to registration, publications and implementation of requirements embodied in the Memorandum of Agreement. It may also carry out all legal procedures required for these purposes, fix the general expenses for the Management, draw-up Company by-laws and work procedures and appoint managers, supervisors, officers, deputies and assistants of all administrative levels. Furthermore, the Board may draw-up job descriptions, specify staff authorities and responsibilities, and fix their salaries and bonuses.

#### **Article (28):**

The Board of Directors shall have the power to purchase and sell movables and real estates, and to dispose the Company's assets in whole or in part by sale or through indemnity contract, against such price as it may deem profitable, or in exchange for shares, stocks or other financial papers issued by any other company. The Board shall also have power to borrow or acquire money in such manner as it may deem suitable, inside or outside Kuwait, and to conclude lease or rent agreements or any and all transactions it deems suitable and within the Company's objectives. The Board of Directors may further sell or mortgage the Company's real estate; and provide guarantees and grant loans guaranteed by the company real estate provided that all this shall be effected on non-usurious basis. Moreover, the Board may give permission for filling law-suits or defending the interests of the Company before courts, whether the Company is plaintiff or defendant. It may also endorse reconciliation and arbitration, quash entries, waive rights -with or without recompense -and decide how the company's assets including reserves should be used. In general, the Board shall manage the Company in the most appropriate way.

#### **Article (29):**

The members of the Board of Directors shall not be personally held liable for Company undertakings by reason of performing their duties within the limits of their competence.

#### **Article (30):**

The Chairman and members of the Board of Directors shall account to the Company, the shareholders and third parties for any fraudulent act, misuse of authority, violation of the Law or the Articles of Association or mismanagement.

No vote by the General Assembly shall absolve the Board of Directors from responsibility, or prevent the filling of law-suit against it for liability.



## II -GENERAL ASSEMBLY:

### **Article (31):**

Invitation for meeting of the General Assembly, of whatever nature, includes the agenda be sent to the shareholders by any of the two following ways:

1. Dispatching registered letters to all the shareholders at least one week before the meeting is held.
2. Advertising two times in at least two daily news papers issued in Arabic. The second advertisement about the meeting should be at least after one week of the date of first advertisement published in the newspapers and before at least one week of the meeting of the General Assembly in two official journals and two newspapers. The agenda for the Constituent General Assembly shall be prepared by the founders, but the agenda of the Ordinary and Extraordinary General Assembly shall be prepared by the Board of Directors.

### **Article (32):**

Each shareholder shall be entitled to a number of votes equal to the number of shares he owns. Attendance of meetings by proxy shall be allowed, and minors and interdicted persons shall be represented by their legal conservators.

No shareholder or representative by proxy may vote on his own behalf or on behalf of the person he represents on matters connected with his personal interest or on disputes between him and the company.

### **Article (33):**

Shareholders shall register their names in a special record to be prepared for this purpose at the Head Office of the Company, at least twenty-four hours prior to the date set for the meeting of the General Assembly. Each shareholder shall be provided with an admission card indicating the number of votes he is entitled to.

### **Article (34):**

Quorum for meetings of the General Assembly, and for the majority of votes necessary to pass resolutions shall be subject to the provisions of the Law of Commercial Companies.

### **Article (35):**

Voting at General Assembly meetings shall be carried out in such a manner as may be prescribed by the Chairman unless the General Assembly decides otherwise. The election and discharge of the members of the Board of Directors shall be conducted by a secret ballot.

### **Article (36):**

The founders shall -within thirty days from the date of closing the subscription -invite the shareholders to meet as Constituent General Assembly, and shall submit a report on the formalities of Incorporation of the Company, together with the relevant supporting documents. The Constituent General Assembly shall ascertain the correctness of such documents and their conformity with the provisions of the Law, the Memorandum of Agreement and the Articles of Association. The Assembly shall also look into reports which may be submitted by the ministry of



Commerce and Industry in this connection, and elect the members of the Board of Directors, appoint the auditors, and announce the final incorporation of the Company.

**Article (37):**

The Ordinary General Assembly shall convene upon invitation by the Board of Directors at least once a year, but within three months from the end of the fiscal year of the Company. The Board of Directors may call this General Assembly whenever it deems necessary, and shall also convene it whenever is requested to do so by a number of shareholders owning not less than one tenth of the capital. The General Assembly shall also convene if so requested by the Ministry of Commerce and Industry.

**Article (38):**

The Ordinary General Assembly shall have power to consider all matters related to the Company's activities, except for those matters which by law and/or the Articles of Association are to be considered by an Extraordinary Assembly or by the Constituent Assembly.

**Article (39):**

The Board of Directors shall submit to the Ordinary General Assembly a full report on the operations of the Company and its financial and economic position, including the Balance Sheet, Profit and Loss Account, the Board of Directors' remunerations, the auditors' fees, and a proposal for the distribution of dividends.

**Article (40):**

The Ordinary General Assembly shall consider and decide on the report of the Board of Directors, and shall review the auditor's report, and the report of the Ministry of Commerce and industry, if any. It shall also elect the members of the Board of Directors and determine their remunerations and appoint the auditors for the next year and fix their fees and bonuses.

**Article (41):**

The Extraordinary General Assembly shall convene either upon invitation by the board of Directors or upon a written request from a number of shareholders holding not less than one-quarter of the Company's shares. In the latter case, the Board of Directors shall convene the General Assembly within one month from the date on which the Board receives the request.

**Article (42):**

The following matters shall be considered only by the Extraordinary General Assembly:

1. Amendments to the Memorandum of Agreement or the Articles of Association of the Company.
2. Sale or disposal of the Company's entire project.
3. Dissolution of the Company, or its merger or affiliation with any other company or entity.
4. Increase or decrease of the Company's capital.

However such amendments, disposal, merger, affiliation or any other action aimed at bolstering the Company's financing capability shall not under any circumstances infringe the concept of not dealing with usury in any form whatsoever.



Moreover, no amendment to the Articles of Association of the Company shall be considered effective except after the Ministry of Commerce and Industry has approved it, and all requirements in the Law concerning monetary, the Central bank of Kuwait and the Organizing of Banking Business, and the Law of Commercial Companies have been satisfied. Furthermore, no amendment involving the name of the Company, or its objectives or capital, (excluding increase of the capital through issue of shares against profits realized by the Company, or as a result of adding non-blocked reserves to the capital) shall be considered effective if a Decree is issued in connection therewith.

### III. OPERATIONS OF THE COMPANY

#### A. DEPOSITS

##### **Article (43):<sup>1</sup>**

The Company shall receive two kinds of deposits: -

Deposits not committed for investment; which shall take the form of current accounts.

Deposits committed for conditional or unconditional investment.

##### **Article (44):**

Deposits not committed for investment may be withdrawn from the Company in whole or in part at any time.

##### **Article (45):**

Deposits committed for investment shall be included within funds assigned for investment in projects carried out by the Company itself, or for financing third-party projects. Commitment of deposits may either be limited to investment in anyone particular project, e.g. real estate, industrial, financial or any other type of Company projects, or made open and unconditional.

The deposit agreement shall specify whether the deposit is for limited or unlimited term.

Where a deposit is intended for an unlimited term, the deposit agreement shall specify the period of notice to be served to the Company in advance of withdrawal and settlement of the deposit investment account. Deposits made for limited periods shall, in essence, not be withdrawable before the date specified in the deposit agreement. As an exception to this rule, they may be withdrawn before such date under special circumstances upon request of the depositor, and with the approval of the Board of Directors, provided that the depositor, and with the approval of the Board of Directors, provided that the depositor shall relinquish his profits either for the whole fiscal year during which withdrawal took place or for part thereof as may be decided by the Board of Directors.

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<sup>1</sup> Amended according to the resolution of Extraordinary General Assembly on 15/3/1995. The original text was "The Company shall receive two kinds of deposits:

a- Deposits not committed for investment which shall take the form of current account. saving books and ordinary deposits.

b- Deposits committed for conditional or unconditional investment.



### **Article (46):<sup>1</sup>**

Profits on deposits committed for investment shall be calculated on the basis laid down by Board of Directors.

## **B -ROUTINE BANKING OPERATIONS**

### **Article (47):**

The Board of Directors shall lay down special by-laws for the Company's banking services specifying, in particular, the rates of fees and commissions which the Company shall charge for such services, provided that such rates shall not be usurious in any manner whatsoever.

## **C -FINANCING**

### **Article (48):**

The Board of Directors shall lay down a plan for investment of the Company's own funds as well as the funds of deposits in different economic sectors on short, medium and long terms and in such way as to achieve the Company's objectives within the framework of public interest.

### **Article (49):**

The Board of Directors shall form a permanent ad-hoc committee to assist it in implementing the plan referred to in Article (48).

### **Article (50):<sup>1</sup>**

The Board of Directors shall specify the ceiling percentage of the capital to be used for financing any new or existing project, even for one project or for all medium and long-term projects.

### **Article (51):**

The Board of Directors shall decide the percentage for the Company participation in any new project or for financing any existing project, provided that such percentage shall be within the limit permissible by the financial position of the Company and the technical considerations required by law or custom.

## **IV-ACCOUNTS OF THE COMPANY:**

### **Article (52):<sup>2</sup>**

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<sup>1</sup> Amended according to the resolution of Extraordinary General Assembly on 15/3/1995. The original text was as follows:

"Profits on deposits committed for investment shall be calculated on pro rata basis with the capital of the Company. If the rate or profit distribution exceeds twenty percent, an extra rate of profit not exceeding ten percent may be assigned to the capital and any surplus shall be added to the reserves."

<sup>1</sup> Amended according to the resolution of Extraordinary General Assembly on 15/3/1995. The original text was "The Board of Directors shall specify the percentage of the working capital to be used for financing any new or existing project, provided that such percentage shall not exceed 5% for any one project or 30% for all short, medium and long-term projects."

<sup>2</sup> Amended according to the resolution of Extraordinary General Assembly on 15/3/1995. The original text was "The Company shall have one or more certified auditors whose appointment and fees shall be decided by the General Assembly, and who shall be responsible for auditing the accounts for the fiscal year for which he is appointed."



The Company shall have two or more certified auditors whom appointment and fees shall be decided by the General Assembly, and who shall be responsible for auditing the accounts for the fiscal year for which they are appointed.

**Article (53):**

The fiscal year of the Company shall commence on the 1st of January and end on the 31st of December each year, with the exception of the first fiscal year which shall commence from the date of final incorporation of the Company and end on the 31st of December the following year.

**Article (54):**

The auditor shall have such power and carry out such obligations as stated in the Law of Commercial Companies. In particular, he shall have access to all books, records and documents of the Company at all times, and may request any information he may deem necessary. He shall also have the right to ascertain the assets and liabilities of the Company, and in the event he is obstructed or unable to exercise these powers, he shall report the fact in writing to the Board of Directors and to the General Assembly. He may also invite the General Assembly to convene for this purpose.

**Article (55):**

The auditor shall submit to the General Assembly a report stating whether the Balance sheet and Profit and Loss Account reflect fairly the actual financial position of the Company; whether the Company keeps proper books of accounts, whether inventories were conducted in accordance with established practices; whether the information given in the report of the Board of Directors is in agreement with the books of the Company; whether any violations of the Law or the Company Articles of Association were committed during the fiscal year in such a way as to materially affect the Company's activities or financial position; and whether, to the best of his knowledge, such violations continue to exist. In his capacity as agent for all shareholders, the auditor shall be responsible for the accuracy of the information contained in his report, and any shareholder may, during the General Assembly meeting, discuss and request clarification on the contents of the auditor's report.

**Article (56):**

A percentage of the gross profits shall be deducted and allocated by the Board of Directors for formation of special reserves such as debt reserves, currency fluctuation reserves, in addition to depreciations, reserves and allocations required by law or custom or under the provisions of these Articles.

**Article (57):**

A percentage of the gross profits shall be deducted by the Board of Directors for ammortisation or depreciation of the Company's assets. Such deduction shall be used for purchase of materials, machines and constructions necessary for their repair. Moreover, a portion of the gross profits shall also be recommended by the Board of Directors and approved by the Ordinary General Assembly, to be deducted to meet the Company's obligations under Labour Laws.



### **Article (58):<sup>1</sup>**

The net profits shall be distributed as follows;

1. Ten percent to be allocated to the Statutory Reserve Account.
2. Ten percent to be allocated to the Voluntary Reserve Account. The Ordinary General Assembly by a decision of Board of Directors can increase the percentage mentioned in the previous two sentences, as it sees suitable, as well as can stop this allocation by a decision of the Board of Directors.
3. A five percent deduction shall be set aside as first required portion of the profits to be distributed among shareholders.
4. An amount not exceeding 10% of the net profits shall then be set aside as remunerations for the Board of Directors, pending for approval by the Ordinary General Assembly.
5. The remaining portion of profits shall either be distributed among ! shareholders as an extra profit, or carried forward to the following year on the recommendation of the Board of Directors or to be allocated for formation of a reserve for settlement of profits to insure appropriate distribution in such years where the net profit is I inadequate, or for formation of extraordinary allocations

### **Article (59):**

Dividends shall be paid to shareholders at such place and time as may be specified by the Board of Directors.

### **Article (60):**

The reserve funds shall be utilized upon decision by the Board of t Directors to the best interest of the Company. The statutory reserve shall [not be distributed among shareholders, but may be used to secure distribution of profits to shareholders, amounting to five percent in such years where the profits of the Company do not facilitate distribution of such percentage.

If the statutory reserve exceeds half the capital of the Company, the General Assembly may decide to discontinue deductions or to use the excess amount in such a manner as it deems appropriate and in the interest of the Company and its shareholders.

### **Article (61):**

Cash funds of the Company shall be deposited with such bank or banks as may be specified by the Board of Directors. The Board of Directors shall fix the maximum limit for cash which the treasurer may t hold in the Company's safe. All such arrangements shall be made in addition to legal provisions concerning deposits with the Central Bank of Kuwait.

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<sup>1</sup> Sentence 5 in the text mentioned above amended according to the resolution of Extraordinary General Assembly on 15/03/1995. The original text was: "The remaining portion of profits shall either be distributed among shareholders and investment depositors as an extra profit, or carried forward to the following year on the recommendation of the Board of Directors or allocated for formation of a reserve for settlement of profits to insure an appropriate distribution in such years where the net profit is inadequate, or for formation of extraordinary allocations.

Also the sentences (1), (2) amended according to the resolution of Extraordinary General assembly on 18/03/1996. The original text before amendment was:

(1) Ten percent to be allocated to Statutory Reserve account (2) Ten percent to be allocated to Voluntary Reserve Account This allocation shall be stopped by a decision of the Ordinary General Assembly on the recommendation of the Board of Directors.



## **CHAPTER THREE CONSULTATIVE BODIES:**

### **Article (62):**

The Company shall retain consultative bodies specialized in economic, financial studies and legal affairs. Such specialized body may be composed of a number of experts of international repute. For certain specialities, the Company may retain only one expert or counsellor, but the appointment of all such experts and counsellors shall be effected by decision of the Board of Directors. The relationship between such appointees and the Company shall be limited to such studies as may be assigned to them, and their researches and recommendations shall be submitted either to the Chairman of the Board of Directors or to such Board members as may be delegated by the Chairman.

### **Article (63):**

Consultative bodies, experts and individual consultants shall basically execute their assignments in Kuwait. However, consultation sessions may in special cases be held outside Kuwait, under a decision to be issued by the Board of Directors covering each and every case per session on the recommendation of the Chairman or the Managing Director. In this respect, the Board's decision shall specify the person who should represent the Board of Directors at such session or sessions outside Kuwait.

### **Article (64):**

The Board of Directors shall, upon recommendation by the Chairman or the Managing Director, determine the terms of reference for the consultative bodies, experts and individual consultants, regardless of whether their relationship with the Company is permanent or occasional. Moreover, the Board of Directors shall lay down rules within the Company's by-laws concerning such activities and assignments.

## **CHAPTER FOUR: DISSOLUTION AND LIQUIDATION OF THE COMPANY**

### **Article (65):**

The Company shall, be dissolved and liquidated for any of the reasons provided for in the Law of Commercial Companies.

### **Article (66):**

On dissolution, the Company's holdings shall be liquidated in accordance with the relevant provisions of the Law of Commercial Companies, and the Law concerning monetary, the Central Bank of Kuwait and the Organizing of Banking Business.

### **Article (67):<sup>1</sup>**

The Board of Directors is authorized to purchase not more than 10% of the total number of the Company's shares according to a Decree Law No.132 issued in the year 1986 and resolution of the Minister of Commerce and Industry No.10/1987, which was issued to execute it.

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<sup>1</sup> This Article was added according to the resolution of the Extraordinary General Assembly dated 30/3/1987.



## Appendix Two:

### SERVQUAL 22 Items:

1. Modern looking equipment
2. Visually appealing physical facilities
3. Neat-appearing employees
4. Visually appealing materials associated with the service.
5. Keeping a promise to do something by a certain time
6. Showing sincere interest in solving a customers' problems
7. Performing the service the service correct at the first time.
8. Providing the service at the time the service was promised.
9. Insisting on error-free records.
10. Employees telling customers exactly what services will be performed.
11. Employees giving prompt service to customers.
12. Employees always being willing to help customers.
13. Employees are never being too busy to respond to customers' requests.
14. The behavior of employees instilling confidence in their customers.
15. Customers feeling safe in their transactions.
16. Employees being consistently courteous with their customers.
17. Employees having the knowledge to answer customers' questions.
18. Giving customers individual attention.
19. Operating hours convenient to all their customers.
20. Employees giving customers personal attention.
21. Having the customers' best interest at heart.
22. The employees understanding the specific needs of their customers.



## Appendix Three: KFH Customer Survey

Dear Kuwait Finance House's Customer,

I, AbdulQawi Othman, Ph.D. student at the University of Wales Lampeter, in the field of management science, am conducting a survey on Islamic Bank Management and The Relevance of Adopting Business Process Re-Engineering (BPR) and Service Quality Management in Islamic Banks Management: A case study between theories and reality. I would like to know your opinion about the level of your satisfaction of KFH products and services.

I would like to gain knowledge of KFH organisational structure, management performance and service quality. Your help is extremely appreciated by completing and returning the enclosed survey to the researcher.

I assure you that all data and information you give will be kept confidential for academic purposes only and no names will be recorded or involved.

Your co-operation is very important for the results of this study that will be used to develop new techniques in Islamic bank management in order to improve Islamic banking products and services to better meet the need of customer.

Thank you in advance for your consideration.

Sincerely,

AbdulQawi Othman



University of Wales, Lampeter  
Department of Management and Information System (DOMIS)

KFH Customer Survey

For official use only
Date and time of receiving the survey: -----/-----/2000 at.....
Checked on ...../ ...../.....

**Part One: Overall Satisfaction and Service Quality**

*Please rate KFH services and performance by circling the number from the 5-point scale below that reflects your satisfaction level:*

**KEY:**

- 1. = *Extremely dissatisfied*
- 2. = *Somewhat dissatisfied*
- 3. = *Neutral*
- 4. = *Somewhat satisfied*
- 5. = *Very satisfied*

**Start Here**

1. The overall satisfaction with KFH services?	1	2	3	4	5
2. I am very satisfied with my personal contact with KFH staff.	1	2	3	4	5
3. KFH comes up to my expectations of a good bank	1	2	3	4	5
4. KFH is close to being the ideal bank	1	2	3	4	5
5. The profit comparing with commercial banks	1	2	3	4	5
6. the customer counter & waiting area are clean and comfortable	1	2	3	4	5
7. Variety of products and services that provided by KFH	1	2	3	4	5
8. The Quality of Service.	1	2	3	4	5
9. Mailing service in KFH.	1	2	3	4	5
10. Credit cards services & ATM.	1	2	3	4	5
11. Field service has been done at the scheduled time.	1	2	3	4	5
12. Provide the service you need when you say you would.	1	2	3	4	5
13. Time spent in the process that means the number of hours or days spent by KFH staff on your business activity to finish it.	1	2	3	4	5
14. The time required contacting someone and receiving an answer for your case through KFH system and network.	1	2	3	4	5



## Part Two: KFH features

The following statements will describe KFH and your behaviour, Please **circle** the correct number to show how much you agree or disagree with each statement using the following scale:

*KEY:*

- 1. = *Strongly Disagree*
- 2. = *Disagree*
- 3. = *Neutral*
- 4. = *Agree*
- 5. = *Strongly Agree*

15. Well known bank.	1	2	3	4	5
16. Closer to work & home.	1	2	3	4	5
17. Easy to reach and to find car park.	1	2	3	4	5
18. Many counters open at peak hours.	1	2	3	4	5
19. Courteous counter services.	1	2	3	4	5
20. Fast and efficient counter services.	1	2	3	4	5
21. Knowledgeable and experienced management team.	1	2	3	4	5
22. KFH has a wide and easy used network.	1	2	3	4	5
23. KFH should provide certain services to the customers.	1	2	3	4	5
24. the granting of interest-free loans by Islamic Banks is considered a contribution on the part of KFH to help the community in a just and efficient manner.	1	2	3	4	5
25. The elimination of pre-determined interest rates charged on loans provided for investment projects, housing construction, purchasing cars and financing on the basis of profit-loss-sharing between KFH and the borrower will be advantageous to the borrower.	1	2	3	4	5
26. Even though KFH raises its fees I will not switch to another Bank.	1	2	3	4	5
27. Even though KFH offers less attractive profit than the interest rates, I will not switch to another Bank.	1	2	3	4	5
28. customers can be influenced by some government decisions.	1	2	3	4	5
29. I intend to continue to do business with KFH now also in the future.	1	2	3	4	5
30. I tell positive things about KFH to other people.	1	2	3	4	5
31. I recommend my Bank to those who seek my advice about such matters.	1	2	3	4	5
32. I encourage friends and relatives to use KFH.	1	2	3	4	5
33. I complain to KFH if I experienced problems with my business.	1	2	3	4	5
34. If a commercial bank opens a special counter to provide Bank services according to Islamic principles, I will open an account.	1	2	3	4	5



### Part Three: The customer influences to use KFH:

Please indicate how much each of the following factors or criteria (were) are important to you or influence you to open an account or to do business with KFH by **circling** the number for each statement that most closely to your evaluation of the question using the following scale:

**KEY:**

- 1. = *Not important*
- 2. = *Somewhat not important*
- 3. = *Neutral*
- 4. = *Somewhat important*
- 5. = *Very important*

35. Better profit comparing with the interest in traditional Bank.	1	2	3	4	5
36. The size of Bank (in terms of asset and capital).	1	2	3	4	5
37. Bank's familiarity, reputation and image.	1	2	3	4	5
38. The number of branches available.	1	2	3	4	5
39. Confidentiality of Bank.	1	2	3	4	5
40. Confidence in Bank's management.	1	2	3	4	5
41. Able to fulfill individual/personal needs.	1	2	3	4	5
42. Mass media advertising or Bank's publicity.	1	2	3	4	5
43. Bank location.	1	2	3	4	5
44. Available parking space nearby.	1	2	3	4	5
45. Interior comfort in KFH.	1	2	3	4	5
46. Counter partitions in KFH.	1	2	3	4	5
47. External appearance of KFH.	1	2	3	4	5
48. A wide range of services provided (for example; bill payment, account reconciliation).	1	2	3	4	5
49. Quick service and Speed of transactions (transaction completed in short time instead of long time).	1	2	3	4	5
50. Convenience (short time for service anywhere).	1	2	3	4	5
51. Integrated value-added services using.	1	2	3	4	5
52. lower service charge.	1	2	3	4	5
53. Security of Transaction.	1	2	3	4	5
54. Financial counseling provided.	1	2	3	4	5
55. Overdraft privileges on current account.	1	2	3	4	5
56. Opportunity to get free interest loan.	1	2	3	4	5
57. Availability of credit on favorable terms.	1	2	3	4	5
58. Profit sharing investments.	1	2	3	4	5
59. Recommendation of relatives or friends.	1	2	3	4	5
60. Friendliness of Bank personnel.	1	2	3	4	5
61. Knowledgeable about your business.	1	2	3	4	5
62. Hours of operations.	1	2	3	4	5
63. No interest paid nor taken on saving and on loans.	1	2	3	4	5
64. Runs in Islamic principles.	1	2	3	4	5
65. It is the only Bank in the country that provides Islamic Banking products.	1	2	3	4	5
66. To deal with products that are accepted by Islamic Law.	1	2	3	4	5



## Part Four: Products and services:

First/ KFH offers a number of services and products, which of the following products and services do you use, Please **circle** the correct number for each product or service using the following scale:  
*KEY:*

1. =Do not used
2. =Somewhat not used
3. =Neutral
4. =Somewhat used
5. =Very much used

67. Current account.	1	2	3	4	5
68. Savings account.	1	2	3	4	5
69. Special investment account.	1	2	3	4	5
70. General investment account.	1	2	3	4	5
71. Mutajara, which includes all investment activities (buying and selling commodities, open new companies, build commercial centers, buying and selling land, etc.).	1	2	3	4	5
72. Musharakah (Partnership) products.	1	2	3	4	5
73. Profit-Loss-Sharing (PLS) Products (Murabaha).	1	2	3	4	5
74. Sale on credit.	1	2	3	4	5
75. Operation and purchase lease.	1	2	3	4	5
76. Mudarabah or investment accounts, which known as General Mudarabah.	1	2	3	4	5
77. Muzara'a.	1	2	3	4	5
78. Al-Qard Al-hasan.	1	2	3	4	5
79. International financial services.	1	2	3	4	5
80. Letter of credit.	1	2	3	4	5
81. Letter of guarantee.	1	2	3	4	5
82. Credit Cards services.	1	2	3	4	5
83. Automatic teller machine and ATM card.	1	2	3	4	5
84. Chequebook, a cheque guarantee card.	1	2	3	4	5
85. Bill payment facilities, and standing orders.	1	2	3	4	5
86. Investment management for others.	1	2	3	4	5
87. Investment advises and feasibility studies.	1	2	3	4	5
88. Bank pays Zakat on your behalf.	1	2	3	4	5
89. Separate counters or branches for women.	1	2	3	4	5
90. Safe deposits.	1	2	3	4	5
91. Check balances by phone and send statement.	1	2	3	4	5
92. Traveller cheques.	1	2	3	4	5
93. Money order/drafts.	1	2	3	4	5
94. personal Banking transaction activity.	1	2	3	4	5



Second/ KFH offers a number of services and products, please **circle** a number to show how much do you need from each product or service using the following scale:

**KEY:**

1. = *do not needed*
2. = *Somewhat not needed*
3. = *Neutral*
4. = *Somewhat needed*
5. = *Very much needed*

95. Current account.	1	2	3	4	5
96. Savings account.	1	2	3	4	5
97. Special investment account.	1	2	3	4	5
98. General investment account.	1	2	3	4	5
99. Mutajara, which includes all investment activities (buying and selling commodities, open new companies, build commercial centers, buying and selling land, etc.).	1	2	3	4	5
100. Musharakah (Partnership) products.	1	2	3	4	5
101. Profit-Loss-Sharing (PLS) Products (Murabaha).	1	2	3	4	5
102. Sale on credit.	1	2	3	4	5
103. Operation and purchase lease.	1	2	3	4	5
104. Mudarabah or investment accounts, which known as General Mudarabah	1	2	3	4	5
105. Muzara'a.	1	2	3	4	5
106. Al-Qard Al-hasan.	1	2	3	4	5
107. International financial services.	1	2	3	4	5
108. Letter of credit.	1	2	3	4	5
109. Letter of guarantee.	1	2	3	4	5
110. Credit Cards services.	1	2	3	4	5
111. Automatic teller machine and ATM card.	1	2	3	4	5
112. Cheque book, a cheque guarantee card.	1	2	3	4	5
113. Bill payment facilities, and standing orders.	1	2	3	4	5
114. Investment management for others.	1	2	3	4	5
115. Investment advises and feasibility studies.	1	2	3	4	5
116. Bank pays Zakat on your behalf.	1	2	3	4	5
117. Separate counters or branches for women.	1	2	3	4	5
118. Safe deposits.	1	2	3	4	5
119. Check balances by phone and sending statement.	1	2	3	4	5
120. Traveller cheques.	1	2	3	4	5
121. Money order/drafts.	1	2	3	4	5
122. personal Banking transaction activity.	1	2	3	4	5



### Part five: Bank performance

The following questions asked about your opinions about KFH performance and behaviour, please **circle** only one answer for each question that mostly corresponds to your evaluation of the question.

123. How long have you been with this Bank?

- a) Less than 6 months.      b) 6-12 months.      c) 1-3 years.  
d) 4-6 years.      e) 7 years or more.

124. How frequently do you visit your Bank branch per month?

- a) Less than 1.      b) 1 to 3 times.      c) 3 to 8 times.  
d) 8 to 12 times.      e) over 12 times.

125. Did you go with an appointment in your last visit?

- a) Yes.      b) No.

126. What is the main reason that you typically visit your Bank branch?

a) to make a deposit.	b) to get advice for investment options.
c) to inquire about a balance.	d) to withdraw cash.
e) other, specify	

127. In last visit, how long did you spend on the front office before you served?

- a) Less than 10 minutes.      b) 10-20 minutes.      c) 21-40 minutes.  
d) 41-60 minutes.      e) More than 60 minutes.

128. How long was your wait compared to what you expected?

- a) More than expected      b) Same as expected      c) Less than expected

129. In general, how courteous or discourteous was KFH employees during your last visit?

- a) Very discourteous      b) Discourteous      c) Neutral  
d) Courteous      e) Very courteous

130. How clearly did they explain and answer your questions during your visit?

- a) Not clearly      b) Somewhat clearly      c) Clearly



131. How clearly did they explain what you should do or what changes you should report to Bank?

- d) Not clearly                      e) Somewhat clearly              f) Clearly

132. How long do you think it is reasonable to expect to wait before being served when visiting one of our offices?

- a) Less than 10 minutes              b) 10-15 minutes              c) 15-20 minutes  
d) 20-30 minutes              e) More than 30 minut

133. In the past five years, other than for geographical relocation, how many times have you switched to a different Bank?

- f) Never.                      g) 1 to tow times.              h) 3 to 5 times.  
i) 6 to 8 times.              j) Over 8 times.

134. In addition to your Bank account in Islamic Bank, do you also have an account in traditional Bank?

- a) Yes.                      b) No.

135. If your answer yes, from the list below, please tick (✓) 4 main reasons why you keep account in commercial Bank:

a) Better interest rate.	
b) Bank location.	
c) The size of Bank (in terms of asset and capital.	
d) Salary paid here.	
e) Friendliness of Bank personnel.	
f) Lower service charge.	
g) Opportunity to get loan.	
h) Encouragement of relatives and friends	
i) Knowledgeable about your business.	
j) Fast and efficient services.	
k) Branches network.	
l) Confidentiality of Bank and its management.	
m) A wide range of services provided.	
Others, specify _____	

136. If no, what are the main reasons that you have not opened an account in traditional Bank yet?

- a) Haven't taken time to open an account.  
b) Don't see any real value in having this type of account.  
c) I fear Allah and I do not want to deal with any interest Banking.  
d) I like all products provided by Islamic Banks.  
e) My family will refused this kind of business.  
f) I have a cultural and social reasons not religious reasons.  
g) Others, specify, \_\_\_\_\_



137. How frequently do you use an Automated Teller Machine (ATM) per month?

- a) Less than 1.
- b) 1 to 3 times.
- c) 4 to 8 times.
- d) 9 to 12 times.
- e) over 12 times.

#### Part Six: Profile of Islamic Bank customers

We need information about you to enable us to make meaningful interpretation of the data obtained. Please circle the response that most closely to your evaluation of the question.

138. Gender

a) Male

b) Female

139. Your age category:

- a) Less than 20 years
- b) 20-29
- c) 30-39
- d) 40-49
- e) 50 or more

140. Which of the following describe your current qualification?

- a) No formal education
- b) Below secondary school
- c) Secondary school
- d) University degree/Bachelor
- e) Above College/Bachelor (Master or PhD).
- f) Others specify\_\_\_\_\_

141. Your monthly income category:

- a) Less than KD 200
- b) KD200-400
- c) KD401-600
- d) KD601-1000
- e) More than KD 1,000

142. Marital status:

- a) Married
- b) Single

143. Nationality:

- a) Kuwaiti
- b) Arabic countries
- c) Asian
- d) Others, please specify \_\_\_\_\_



144. Which of the following best describe your current occupation , please circle a letter in the front of the statement:

- 1) Professional (Doctors, lawyers, engineers, journalist etc.).
- 2) Administrative/managerial and executive officers.
- 3) Banking and finance.
- 4) Clerk /Police /Army.
- 5) Academic/ educators.
- 6) Marketing and sales.
- 7) Student.
- 8) Technician.
- 9) Own business.
- 10) Housewife.
- 11) Other, specify \_\_\_\_\_

145. In which sector do you work?

- a) Public sector
  - b) Private sector
  - c) Self employed
  - d) Semi-government agency
  - e) Other specify
-



بسم الله الرحمن الرحيم

الأكرم

الأخ عميل بيت التمويل الكويتي

السلام عليكم ورحمة الله وبركاته

وبعد/ أود إحاطتكم علما بأني باحث للحصول على درجة الدكتوراه في جامعة ويلز قسم الإدارة ونظم المعلومات، وأقوم حاليا بعمل دراسة ميدانية على إدارة البنوك الإسلامية وذلك بدراسة مدى أهمية تطبيق بعض المفاهيم كإعادة هيكلة الأعمال ، إدارة الجودة الشاملة والاستفادة من النجاح المحقق في القطاعات الأخرى في إدارة البنوك الإسلامية: دراسة ميدانية لمقارنة النظرية بالتطبيق.

وأودّ أن أعرف وجهة نظركم ومدى رضاكم عن المنتجات والخدمات التي يقدمها بيت التمويل الكويتي ، ومدى كفاءة وفاعلية الأداء الإداري والعاملين.

لذا أرجو منكم إكمال الاستبيان المرفق وذلك بالإجابة على الأسئلة وإعادتها للباحث وسوف تركز على معرفة وجهة نظركم فيما يخص مدى رضاكم عن بيت التمويل ومميزاته والخدمات والمنتجات التي يقدمها ، وأود أن أؤكد أن كل البيانات والمعلومات التي سأحصل عليها ستعامل بخصوصية تامة وستستخدم لأغراض البحث العلمي فقط ، أيضا أودّ التوضيح أن تعاونكم مهم جدا لنتائج هذه الدراسة والتي أمل أن تستخدم في تطوير مفاهيم جديدة في إدارة البنوك الإسلامية وذلك لتحسين الخدمات والمنتجات التي تقدمها لمقابلة حاجات العملاء المتزايدة.

أشكركم على تعاونكم

الباحث/

عبد القوي عثمان



جامعة ويلز – لامبتر  
قسم الإدارة ونظم المعلومات

دراسة استبيان عن عملاء بيت التمويل الكويتي:

للاستعمال الرسمي فقط الرقم-----
تاريخ تسليم الاستبيان: ----/----/٢٠٠٠ الساعة :-----
تاريخ استلام الاستبيان: ----/----/٢٠٠٠ الساعة :-----
تاريخ تدقيق وإدخال البيانات: ----/----/٢٠٠٠ الساعة :-----

القسم الأول: الرضا العام ونوعية الخدمات:

في الأسئلة أدناه الرجاء إعطاء الدرجة المناسبة وذلك بوضع دائرة حول الرقم المناسب من ١ إلى ٥ والذي ترى أنه يعكس درجة رضاك وقناعتك عن خدمات ومنتجات بيت التمويل الكويتي مستخدماً الدليل التالي:

١ = غير راضٍ على الإطلاق.

٢ = غير راضٍ.

٣ = محايد.

٤ = راضٍ إلى حد ما.

٥ = راضٍ جداً.

١	٢	٣	٤	٥	١. بصورة عامة ، أنا راضٍ عن خدمات ومنتجات بيت التمويل.
١	٢	٣	٤	٥	٢. أنا راضٍ جداً عن مدى اتصالي الشخصية في بيت التمويل.
١	٢	٣	٤	٥	٣. يصل بيت التمويل في درجة توقعاتي منه إلى أنه بنك جيد.
١	٢	٣	٤	٥	٤. قد يصل بيت التمويل في تقييمه إلى أنه بنك مثالي.
١	٢	٣	٤	٥	٥. أنا راضٍ عن أرباح بيت التمويل مقارنة بأرباح وفوائد البنوك الأخرى.
١	٢	٣	٤	٥	٦. صالة استقبال العملاء ومكان الانتظار نظيفين و مريحين.
١	٢	٣	٤	٥	٧. هناك العديد من المنتجات والخدمات التي يقدمها بيت التمويل.
١	٢	٣	٤	٥	٨. جودة المنتجات والخدمات التي يقدمها بيت التمويل الكويتي.
١	٢	٣	٤	٥	٩. خدمات البريد في بيت التمويل الكويتي.
١	٢	٣	٤	٥	١٠. خدمات بطاقات الائتمان (Visa and MasterCard) وآلات السحب الآلي (ATM).
١	٢	٣	٤	٥	١١. توقيت تقديم الخدمات للعملاء وزمن تقديم الخدمة.
١	٢	٣	٤	٥	١٢. يقدم بيت التمويل الخدمة أو المنتج لعملائه في وقت حاجتهم لها.
١	٢	٣	٤	٥	١٣. الوقت الذي تنجز فيه العمليات في بيت التمويل أي عدد الدقائق أو الساعات أو الأيام المستغرقة لإنهاء العملية الخاصة بك.
١	٢	٣	٤	٥	١٤. الوقت المتطلب للاتصال بأحد موظفي بيت التمويل واستلام الإجابة منه وذلك باستخدام شبكة البنك.



## القسم الثاني: مميزات البنك

العبارات أدناه ستصف بيت التمويل وسلوكك تجاهه ، الرجاء وضع دائرة حول الرقم الصحيح و الذي ترى أنه يعكس درجة موافقتك أو عدم موافقتك مع كل عبارة وذلك باستعمال دليل الإجابة التالي:

١ = غير موافق مطلقاً.

٢ = غير موافق.

٣ = محايد.

٤ = موافق.

٥ = موافق مطلقاً.

١٥ .	يتمتع بيت التمويل بشهرة واسعة.	١	٢	٣	٤	٥
١٦ .	موقع بيت التمويل قريب من بيتي ومكان عملي.	١	٢	٣	٤	٥
١٧ .	من السهولة الوصول إلى بيت التمويل والحصول على موقف للسيارة.	١	٢	٣	٤	٥
١٨ .	له القدرة على فتح العديد من الكاونترات أو شبائيك استقبال العملاء في وقت الازدحام.	١	٢	٣	٤	٥
١٩ .	هناك معاملة مهذبة من قبل العاملين في خدمة العملاء.	١	٢	٣	٤	٥
٢٠ .	هناك خدمة سريعة وكفؤة من العاملين في خدمة العملاء.	١	٢	٣	٤	٥
٢١ .	تتمتع إدارة بيت التمويل بالمعرفة والخبرة الجيدة.	١	٢	٣	٤	٥
٢٢ .	لدى بيت التمويل شبكة أعمال (Network) سهلة الاستعمال وواسعة النطاق.	١	٢	٣	٤	٥
٢٣ .	على بيت التمويل أن يقدم خدمات خاصة لعملائه.	١	٢	٣	٤	٥
٢٤ .	إن خدمة تقديم بيت التمويل للقروض الحسنة يعتبر إسهام فعال لبناء مجتمع قائم على العدل.	١	٢	٣	٤	٥
٢٥ .	إن إلغاء معدل الفائدة على قروض المشاريع الاستثمارية والإسكانية واقتناء السيارات والتمويل المبني على أساس المراقبة هو عمل في صالح المقترض.	١	٢	٣	٤	٥
٢٦ .	حتى إذا رفع بيت التمويل معدل أسعار خدماته فإنني لن أتحوّل إلى بنك آخر.	١	٢	٣	٤	٥
٢٧ .	حتى إذا قدم بيت التمويل معدل ربح أقل من معدل سعر الفائدة في البنوك التجارية فإنني لن أتحوّل إلى بنك آخر.	١	٢	٣	٤	٥
٢٨ .	إن بعض السياسات والقرارات الحكومية تؤثر على طلبات عملاء بيت التمويل.	١	٢	٣	٤	٥
٢٩ .	أعتقد بأنني سأستمر بالتعامل مع بيت التمويل الكويتي والقيام بأعمالي عبره في الوقت الحاضر وفي المستقبل أيضاً.	١	٢	٣	٤	٥
٣٠ .	دائماً ما أقول أشياء إيجابية عن بيت التمويل للآخرين والذين أقابلهم.	١	٢	٣	٤	٥
٣١ .	إنني أزكي بيت التمويل إلى هؤلاء الأشخاص الذين يستشيرونني في هذه المواضيع.	١	٢	٣	٤	٥
٣٢ .	إنني أشجع أصدقائي و أقاربي للتعامل مع بيت التمويل.	١	٢	٣	٤	٥
٣٣ .	إنني أشكو إلى بيت التمويل إذا واجهتني مشاكل في أعمالي.	١	٢	٣	٤	٥
٣٤ .	إذا قرر بنك تجاري فتح نافذة إسلامية خاصة لتقديم خدمات مصرفية إسلامية فإنني سأفتح حساباً في هذا البنك.	١	٢	٣	٤	٥



### القسم الثالث: أسباب اختيار بيت التمويل الكويتي

عند اختيارك لبيت التمويل الكويتي ، الرجاء توضيح الأسباب أو المعايير التي كانت مهمة لك والتي أثرت في قرار اختيارك للتعامل معه ، في العبارات أدناه الرجاء وضع دائرة حول الرقم الذي ترى أنه يعكس إجابتك على السؤال مستخدماً دليل الإجابة التالي:

١ = بالتأكيد غير مهم.

٢ = غير مهم.

٣ = ليس لدي فكرة.

٤ = مهم.

٥ = مهم جداً.

٣٥.	أكثر ربحاً إذا ما قورن مع الفائدة في البنوك التجارية.	١	٢	٣	٤	٥
٣٦.	حجم البنك فيما يخص الموجودات ورأس المال.	١	٢	٣	٤	٥
٣٧.	الاعتقاد على استعمال بيت التمويل ، شهرته ، والانطباع المأخوذ عنه.	١	٢	٣	٤	٥
٣٨.	عدد فروع بيت التمويل المنتشرة.	١	٢	٣	٤	٥
٣٩.	انتماء بيت التمويل لأسرار وخصوصيات العملاء.	١	٢	٣	٤	٥
٤٠.	الثقة في إدارة بيت التمويل الكويتي.	١	٢	٣	٤	٥
٤١.	قابلية بيت التمويل لتلبية المتطلبات الشخصية للعملاء.	١	٢	٣	٤	٥
٤٢.	الحملات الترويجية أو الإعلامية لبيت التمويل الكويتي في وسائل الإعلام المختلفة.	١	٢	٣	٤	٥
٤٣.	موقع بيت التمويل الجغرافي.	١	٢	٣	٤	٥
٤٤.	وجود مواقف للسيارات.	١	٢	٣	٤	٥
٤٥.	الشعور بالراحة داخل قاعة التعامل والمكاتب الأخرى في بيت التمويل.	١	٢	٣	٤	٥
٤٦.	التقسيم والتصميم الجميل لصالة استقبال العملاء في بيت التمويل.	١	٢	٣	٤	٥
٤٧.	المظهر الخارجي لبيت التمويل.	١	٢	٣	٤	٥
٤٨.	تقديم عدد كبير من المنتجات والخدمات (على سبيل المثال دفع فواتير ، فتح حسابات... الخ).	١	٢	٣	٤	٥
٤٩.	السرعة في الخدمة وإنهاء المعاملات المالية في وقت قصير بدلاً من تأخذ وقتاً طويلاً.	١	٢	٣	٤	٥
٥٠.	ملاءمة الخدمات من حيث السهولة في الحصول عليها وسرعة إنجازها.	١	٢	٣	٤	٥
٥١.	يقوم البنك باستعمال مفهوم التكامل والدمج بين الخدمات المالية باستخدام القيمة المضافة للخدمة لتأخذ وقتاً قصيراً.	١	٢	٣	٤	٥
٥٢.	أجور خدمات منخفضة.	١	٢	٣	٤	٥
٥٣.	الأمان في المعاملات المالية.	١	٢	٣	٤	٥
٥٤.	تقديم الاستشارات المالية.	١	٢	٣	٤	٥
٥٥.	توفر خدمة السحب على المكشوف في الحساب الجاري.	١	٢	٣	٤	٥
٥٦.	وجود الفرص للحصول على قرض من دون فائدة.	١	٢	٣	٤	٥
٥٧.	توفر الاعتمادات بطريقة مرضية.	١	٢	٣	٤	٥



٥ ٤ ٣ ٢ ١	٥٨. وجود استثمارات مبنية على أساس المشاركة في الأرباح.
٥ ٤ ٣ ٢ ١	٥٩. تركية الأقارب والأصدقاء.
٥ ٤ ٣ ٢ ١	٦٠. المعاملة الودية من قبل موظفي بيت التمويل.
٥ ٤ ٣ ٢ ١	٦١. معرفة وخبرة بيت التمويل بأعماله.
٥ ٤ ٣ ٢ ١	٦٢. ساعات العمل في بيت التمويل.
٥ ٤ ٣ ٢ ١	٦٣. عدم دفع أو أخذ فائدة على الودائع الادخارية أو على القروض المأخوذة.
٥ ٤ ٣ ٢ ١	٦٤. يتعامل بيت التمويل على أسس إسلامية.
٥ ٤ ٣ ٢ ١	٦٥. لأنه أي بيت التمويل هو الوحيد في البلاد الذي يقدم خدمات مصرفية على أسس إسلامية.
٥ ٤ ٣ ٢ ١	٦٦. للتعامل في منتجات وخدمات مقبولة في الشريعة الإسلامية.

### القسم الرابع/ المنتجات والخدمات

أولاً/ يقدم بيت التمويل عدداً من المنتجات والخدمات ، فأَي من الخدمات والمنتجات الآتية تستعملها أنت؟  
الرجاء وضع دائرة حول الرقم الذي ترى أنه يعكس إجابتك على السؤال مستخدماً دليل الإجابة التالي:

١ = لا أستعمله على الإطلاق.

٢ = غير مستخدمه لحد ما.

٣ = محايد.

٤ = مستخدم لحد ما.

٥ = مستخدم بدرجة كبيرة.

٥ ٤ ٣ ٢ ١	٦٧. الحساب الجاري.
٥ ٤ ٣ ٢ ١	٦٨. حسابات التوفير.
٥ ٤ ٣ ٢ ١	٦٩. حساب الاستثمار الخاص.
٥ ٤ ٣ ٢ ١	٧٠. حساب الاستثمار العام.
٥ ٤ ٣ ٢ ١	٧١. المتاجرة والتي تتضمن كل عمليات الاستثمار (بيع وشراء البضائع وتأسيس الشركات الجديدة وبناء مراكز تجارية وبيع وشراء الأراضي).
٥ ٤ ٣ ٢ ١	٧٢. المشاركة.
٥ ٤ ٣ ٢ ١	٧٣. بيع المربحة.
٥ ٤ ٣ ٢ ١	٧٤. البيع الأجل.
٥ ٤ ٣ ٢ ١	٧٥. الإجارة.
٥ ٤ ٣ ٢ ١	٧٦. المضاربة.
٥ ٤ ٣ ٢ ١	٧٧. المزارعة.
٥ ٤ ٣ ٢ ١	٧٨. القرض الحسن.
٥ ٤ ٣ ٢ ١	٧٩. خدمات مالية عالمية.
٥ ٤ ٣ ٢ ١	٨٠. إصدار رسائل الائتمان.
٥ ٤ ٣ ٢ ١	٨١. إصدار رسائل الضمان.
٥ ٤ ٣ ٢ ١	٨٢. إصدار بطاقات الائتمان (Visa and Master cards).
٥ ٤ ٣ ٢ ١	٨٣. توزيع آلات السحب الآلي في الأماكن المختلفة و إصدار بطاقة السحب الآلي.
٥ ٤ ٣ ٢ ١	٨٤. خدمات الشيكات وطلب السحب النقدي.



١	٢	٣	٤	٥	٨٥. خدمات دفع الفواتير.
١	٢	٣	٤	٥	٨٦. إدارة استثمارات الآخرين.
١	٢	٣	٤	٥	٨٧. تقديم الاستشارات ودراسات الجدوى.
١	٢	٣	٤	٥	٨٨. دفع الزكاة نيابة عن العملاء.
١	٢	٣	٤	٥	٨٩. نوافذ أو فروع خاصة بالنساء.
١	٢	٣	٤	٥	٩٠. تقديم خزانات خاصة لحفظ الودائع.
١	٢	٣	٤	٥	٩١. خدمة التأكد من الرصيد عبر التلفون وإرسال كشف حساب للعملاء.
١	٢	٣	٤	٥	٩٢. شيكات سياحية.
١	٢	٣	٤	٥	٩٣. خدمات صرف و تحويل العملات.
١	٢	٣	٤	٥	٩٤. خدمات و أنشطة مصرفية خصوصية.

ثانياً/ يقدم بيت التمويل عدداً من المنتجات والخدمات، الرجاء وضع دائرة حول الرقم أمام المنتج أو الخدمة و الذي ترى أنه يعكس مدى احتياجك لهذه الخدمة أو المنتج مستخدماً دليل الإجابة التالي:

١= لا أحتاجها.

٢= لا أحتاجها لحد ما.

٣= محايد.

٤= أحتاجها لحد ما.

٥= أحتاجها بدرجة كبيرة.

١	٢	٣	٤	٥	٩٥. الحساب الجاري.
١	٢	٣	٤	٥	٩٦. حسابات التوفير.
١	٢	٣	٤	٥	٩٧. حساب الاستثمار الخاص.
١	٢	٣	٤	٥	٩٨. حساب الاستثمار العام.
١	٢	٣	٤	٥	٩٩. المتاجرة والتي تتضمن كل عمليات الاستثمار (بيع وشراء البضائع وتأسيس الشركات الجديدة وبناء مراكز تجارية وبيع وشراء الأراضي).
١	٢	٣	٤	٥	١٠٠. المشاركة.
١	٢	٣	٤	٥	١٠١. بيع المراجعة.
١	٢	٣	٤	٥	١٠٢. البيع الأجل.
١	٢	٣	٤	٥	١٠٣. الإجارة.
١	٢	٣	٤	٥	١٠٤. المضاربة.
١	٢	٣	٤	٥	١٠٥. المزارعة.
١	٢	٣	٤	٥	١٠٦. القرض الحسن.
١	٢	٣	٤	٥	١٠٧. خدمات مالية عالمية.
١	٢	٣	٤	٥	١٠٨. إصدار رسائل الائتمان.
١	٢	٣	٤	٥	١٠٩. إصدار رسائل الضمان.
١	٢	٣	٤	٥	١١٠. إصدار بطاقات الائتمان (Visa and Master cards).
١	٢	٣	٤	٥	١١١. توزيع آلات السحب الآلي في الأماكن المختلفة و إصدار بطاقة السحب الآلي.
١	٢	٣	٤	٥	١١٢. خدمات الشيكات وطلب السحب النقدي.
١	٢	٣	٤	٥	١١٣. خدمات دفع الفواتير.
١	٢	٣	٤	٥	١١٤. إدارة استثمارات الآخرين.
١	٢	٣	٤	٥	١١٥. تقديم الاستشارات ودراسات الجدوى.



١١٦.	دفع الزكاة نيابة عن العملاء.	١	٢	٣	٤	٥
١١٧.	نوافذ أو فروع خاصة بالنساء.	١	٢	٣	٤	٥
١١٨.	تقديم خزانات خاصة لحفظ الودائع.	١	٢	٣	٤	٥
١١٩.	خدمة التأكد من الرصيد عبر التلفون وإرسال كشف حساب للعملاء.	١	٢	٣	٤	٥
١٢٠.	شيكات سياحية.	١	٢	٣	٤	٥
١٢١.	خدمات صرف وتحويل العملات.	١	٢	٣	٤	٥
١٢٢.	خدمات و أنشطة مصرفية خصوصية.	١	٢	٣	٤	٥

### القسم الخامس: أداء بيت التمويل

الأسئلة التالية تستفسر عن رأيك بأداء بيت التمويل الكويتي وأساليب تنفيذ العمليات ، الرجاء وضع دائرة حول الجواب المناسب والذي يعكس مدى تقييمك للسؤال؟

١٢٣. ما مدة تعاملك مع بيت التمويل الكويتي؟

- ج. من ١ - ٣ سنوات.      ب. أقل من ستة أشهر.      أ. من ٦ - ١٢ شهرا.      د. ٧ سنوات فأكثر.      د. من ٤ - ٦ سنوات.

١٢٤. ما هو عدد المرات التي تزور فيها بيت التمويل في الشهر؟

- ج. ٤ - ٨ مرات.      ب. من ١ - ٣ مرات.      أ. أقل من مرة واحدة.      د. ١٧ أكثر من ١٢ مرة.      د. من ٩ - ١٢ مرة.

١٢٥. هل أتيت بموعد سابق في زيارتك الأخيرة؟

- ب. نعم      أ. كلا

١٢٦. ما هو السبب الرئيسي لزيارتك لبيت التمويل أو لفرعه؟

- ج. للإيداع.      ب. لأخذ نصائح في قضايا استثمارية.      أ. للتأكد من الرصيد.      د. أخرى ، الرجاء بين؟      هـ. للسحب النقدي.

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١٢٧. عندما قمت بالزيارة الأخيرة لبيت التمويل ، فكم من الوقت قضيت في الصالة الأمامية؟

- ج. من ٢١ - ٤٠ دقيقة.      ب. من ١٠ - ٢٠ دقيقة.      أ. أقل من ١٠ دقائق.      د. من ٤١ - ٦٠ دقيقة.      هـ. أكثر من ٦٠ دقيقة.

١٢٨. كم كان وقت الانتظار إذا ما قورن بالوقت الذي كنت تتوقعه؟

- ج. أكثر مما كنت أتوقعه.      ب. كما كنت أتوقعه.      أ. أقل مما كنت أتوقعه.



١٢٩. بشكل عام ، كيف كانت معاملة موظفي بيت التمويل لك في خلال الزيارة الأخيرة؟  
 ج. معاملة غير لطيفة على الإطلاق. ب. معاملة غير لطيفة. أ. محايد.  
 د. معاملة لطيفة. د. معاملة لطيفة جداً.
١٣٠. كم كانت درجة الوضوح في شرحهم لك وإجاباتهم عن استفساراتك خلال الزيارة؟  
 ج. واضحة جداً. ب. واضحة إلى حد ما. أ. غير واضحة.  
 د. غير واضحة.
١٣١. ما درجة الوضوح في شرحهم لك عما كان يجب عليك أن تعمله أو عن التغيرات التي يجب عليك أن تخبر البنك عنها؟  
 ج. غير واضحة. ب. واضحة إلى حد ما. أ. واضحة جداً.  
 د. غير واضحة.
١٣٢. ما هو الوقت المعقول الذي تتوقعه في الانتظار قبل أن تقدم لك الخدمة من موظفي بيت التمويل حينما تزور أحد مكاتبه؟  
 ج. من ١٦ - ٢٠ دقيقة. ب. من ١٠ - ١٥ دقيقة. أ. أقل من ١٠ دقائق.  
 د. من ٢١ - ٣٠ دقيقة. د. أكثر من ٣٠ دقيقة.
١٣٣. في غضون الخمس السنوات الماضية ، باستثناء سبب الانتقال إلى منطقة أخرى ، كم مرة غيرت البنك الذي تتعامل معه؟  
 ج. من ٣ - ٥ مرات. ب. من ١ - ٢ مرات. أ. لم أغیره أبداً.  
 د. أكثر من ٨ مرات. د. من ٦ - ٨ مرات.
١٣٤. بالإضافة إلى حسابك في بيت التمويل هل لك حساب في بنك تجاري آخر؟  
 ب. نعم. أ. كلا.
١٣٥. إذا كان جوابك بنعم ، الرجاء وضع علامة (4) أمام أهم أربعة أسباب من القائمة أدناه والتي دعتك لفتح حساب مع بنك تجاري آخر؟

(١) نسبة الفائدة أعلى من غيره.	(٨) لتشجيع الأقارب والأصدقاء.
(٢) موقع البنك.	(٩) لمعرفة البنك بأعماله.
(٣) حجم البنك (بالنسبة للموجودات ورأس المال).	(١٠) للحصول على خدمات سريعة وكفؤة.
(٤) أستلم مرتبي في هذا البنك.	(١١) وجود شبكة واسعة من الفروع.
(٥) هناك معاملة لطيفة من قبل موظفي البنك.	(١٢) لاحترام سرية وخصوصية العملاء.
(٦) أجور خدمات أقل.	(١٣) للعديد من الخدمات والمنتجات التي يقدمها البنك.
(٧) فرص الحصول على قروض بتسهيلات أفضل.	(١٤) لأسباب أخرى ، الرجاء بينها أدناه؟



١٣٦. إذا كان الجواب ب (كلا) فما هي أهم الأسباب التي دعتك إلى عدم فتح حساب في بنك تجاري آخر؟

(١) لم أجد وقتاً كافياً لفتح حساب آخر.	(٤) لأني أفضل المنتجات التي يقدمها البنك الإسلامي.
(٢) لا أجد أي قيمة تذكر في فتح مثل هذا الحساب.	(٥) عائلتي ترفض القيام بمثل هذه الأعمال.
(٣) الخوف من الله وعدم التعامل بالربا المحرم.	(٦) لدي أسباب اجتماعية وراثية.
(٧) أسباب أخرى ، الرجاء وضع	-----

١٣٧. كم مرة في الشهر تستعمل ماكينة السحب الآلي؟

- ج. من ٤ - ٨ مرات.      ب. من ١ - ٣ مرات.      أ. أقل من مرة واحدة.  
د. أكثر من ١٢ مرة.      د. من ٩ - ١٢ مرة.

### القسم السادس: معلومات شخصية

إننا بحاجة إلى معلومات عنك لنتمكن من تحليلها مع هذا الاستبيان. وكل المعلومات التي ستعطيها ستعامل بسرية تامة. لذا الرجاء وضع دائرة حول الجواب المناسب لتقييمك للسؤال المطروح.

١٣٨. الجنس:

- ب. أنثى      أ. ذكر

١٣٩. ما هي الفئة التي يقع فيها عمرك؟

- ج. من ٣٠ إلى ٣٩      ب. من ٢٠ إلى ٢٩      أ. أقل من ٢٠ سنة  
د. ٥٠ سنة فأكثر      د. من ٤٠ إلى ٤٩

١٤٠. أي من الفئات التالية تعكس المستوى التعليمي الذي تحوزه؟

- ج. الثانوية العامة.      ب. أقل من التعليم الثانوي.      أ. بدون مؤهل تعليمي.  
د. ما بعد الشهادة الجامعية (ماجستير أو دكتوراه).      د. شهادة جامعية.

١٤١. ما هي الفئة التي تصف الدخل الشهري لك؟

- ب. من ٢٠٠ إلى ٤٠٠ دينار كويتي      أ. أقل من ٢٠٠ دينار كويتي  
د. من ٦٠١ إلى ١٠٠٠ دينار كويتي.      ج. من ٤٠١ إلى ٦٠٠ دينار كويتي.  
د. أكثر من ١٠٠٠ دينار كويتي.



١٤٢. الحالة الاجتماعية :

ب. متزوج      أ. أعزب

١٤٣. الجنسية:

د. غير ذلك الرجاء      ج. غير كويتي ولكن أسيوي      ب. غير كويتي ولكن عربي      أ. كويتي  
بين؟ -----

١٤٤. في أي من هذه الفئات يقع فيها مجال عملك؟ الرجاء وضع دائرة حول الرقم المقابل لفئة عملك؟

ج. مهني (دكتور ، محامي ، مهندس ، صحفي      ب. موظف إداري      أ. البنوك والمعاملات المالية  
..الخ)

و. كاتب حكومي أو في الشرطة والجيش.      هـ. أكاديمي أو في مهنة      د. في التسويق والبيع  
التعليم.

ط. طالب جامعي أو في مستوى التعليم العام      ح. عامل ذو خبرة فنية      ز. أملك عملاً أو مؤسسة  
خاصة.

ك. ربة بيت.      ي. غير ذلك الرجاء وضع؟ -----

١٤٥. في من القطاعات التالية تعمل؟

ج. القطاع العام      ب. القطاع الخاص      أ. أعمل لنفسي أو في عملي الخاص  
هـ. وكالة شبه حكومية      د. غير ذلك الرجاء وضع؟ -----

شكراً على أجوبتك.



## Appendix Four: KFH Employee Survey

**Dear KFH Employee,**

I, AbdulQawi Othman, Ph.D. student at the University of Wales Lampeter, in the field of management science, am conducting a survey on Islamic Bank Management and The Relevance of Adopting Business Process Re-Engineering (BPR), and Service Quality Management, in Islamic Banks Management: A case study between theories and reality. This survey is conducted in KFH with permission of its management.

I would like to gain knowledge of KFH organizational structure, management performance and service quality. Your help is extremely appreciated by completing and returning the enclosed survey to the information center.

I assure you that all data and information you give will be kept confidential for academic purposes only and no names will be recorded or involved.

Your co-operation is very important for the results of this study that will be used to develop new techniques in Islamic bank management in order to improve Islamic banking products and services to better meet the need of customer.

Thank you in advance for your consideration.

Sincerely,

AbdulQawi Othman  
Researcher in the University of Wales



The University of Wales, Lampeter  
Department of Management and Information System (DOMIS)

KFH Employee Survey

For official use only		No.....
Date of deliver the survey:-----/----/2000	Time ----:---	
Date of received the survey:-----/----/2000	Time ----:---	
Date of chick and interred data:-----/----/2000	Time ----:---	

Section one:

First, please rate KFH performance by **circling** the number from the 5-point scale below that reflects your satisfaction level:

**KEY:** 1=*Extremely Dissatisfied*  
2=*Dissatisfied*  
3=*neutral*  
4=*Satisfied*  
5=*Extremely Satisfied*

1. Overall, how satisfied are you with <b>KFH</b> as a place to work?	1	2	3	4	5
2. Overall, how satisfied are you with <b>KFH</b> management?	1	2	3	4	5
3. Overall, how satisfied are you with <b>KFH</b> performance and services?	1	2	3	4	5

4. Why do you rate **KFH** and its management, performance and service this way? *(If you need more room, please continue on back or attach a piece of paper.)*

\_\_\_\_\_

\_\_\_\_\_

5. If asked by a potential KFH employee you knew personally, how likely would you be to recommend KFH as a place to work? **Circle the letter in front of the statement that best describes what you would do.**
- a) Definitely would not recommend, would say very negative things
  - b) Probably would not recommend, would say negative things
  - c) Might say something neutral, don't know
  - d) Probably would recommend, would say positive things
  - e) Definitely would recommend, would say very positive things

6. How likely are you to leave **KFH** within the next 12 months?
- a) Definitely will leave
  - b) Probably will leave
  - c) Not sure, might or might not
  - d) Probably will stay
  - e) Definitely will stay



7. Please explain why did you answer this way on Question 6? (If you need more room, write on the back of this form or attach a piece of paper.)

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8. Everything considered, what is the most important thing you would like to see **KFH** do to improve as a place to work? (If you need more room, write on the back or attach a piece of paper.)

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Second, Please indicate how much you agree or disagree with each statement below by circling one of the following numbers, please use the following scale to answer:

**KEY: 1=Strongly Disagree**

**2=Disagree**

**3=Neutral**

**4=Agree**

**5=Strongly Agree**

9. If I offered a better position in traditional bank I will accept this offer	1	2	3	4	5
10. <b>KFH</b> has an ethical work environment	1	2	3	4	5
11. <b>KFH</b> tries to establish a "diverse-friendly" atmosphere for all employees.	1	2	3	4	5
12. <b>KFH</b> encourages employees to be good citizens and contribute to the community	1	2	3	4	5
13. I am satisfied with my present job	1	2	3	4	5
14. My present job provides a chance to do challenging and interesting work	1	2	3	4	5
15. The number of hours I work each week is reasonable	1	2	3	4	5
16. <b>KFH</b> provides flexible work schedules that meet my needs	1	2	3	4	5
17. I am able to maintain a reasonable balance between work at <b>KFH</b> and my personal life	1	2	3	4	5
18. The recognition I receive is fair	1	2	3	4	5
19. People who do a good job are recognised for it	1	2	3	4	5
20. Recognition employees receive is appropriate for level of accomplishment	1	2	3	4	5
21. Recognition encourages teamwork, co-operation and collaboration	1	2	3	4	5
22. I am treated with respect at <b>KFH</b>	1	2	3	4	5
23. I am proud to work for <b>KFH</b>	1	2	3	4	5
24. My work space promotes effective work practices	1	2	3	4	5
25. <b>KFH</b> provides a safe and attractive physical work environment	1	2	3	4	5
26. <b>KFH</b> provides me with the appropriate tools to do my work	1	2	3	4	5
27. Rules and procedures do not interfere with how well I am able to do my job.	1	2	3	4	5
28. My compensation is fair for the work I do	1	2	3	4	5
29. My bonus program is fair	1	2	3	4	5
30. I am paid fairly for the work I do. Compared to similar banks in the community	1	2	3	4	5
31. <b>KFH</b> provides benefits that meet my needs	1	2	3	4	5
32. The Financial rewards of my Bank are not what I would expect in this industry	1	2	3	4	5
33. My manager encourages my work group to work as a team	1	2	3	4	5
34. My manager gives me clear direction on my team's goals, objectives and priorities	1	2	3	4	5
35. My manager deals fairly with everyone on my team – doesn't play favourites	1	2	3	4	5



36. My manager has developed a team concept in my work unit, where employees agree with and work toward unit goals.	1	2	3	4	5
37. My team is staffed adequately.	1	2	3	4	5
38. My team administrative support function meets my job-related needs	1	2	3	4	5
39. I feel supported by the employees in my work group	1	2	3	4	5
40. My job makes good use of my skills and abilities	1	2	3	4	5
41. My manager helps me progress in my career	1	2	3	4	5
42. My manager keeps me informed about things I need to know	1	2	3	4	5
43. My manager encourages my independent thoughts and actions.	1	2	3	4	5
44. My manager encourages my on-going learning and professional development	1	2	3	4	5
45. I am provided adequate opportunities for career growth	1	2	3	4	5
46. I am given challenging assignments that develop my abilities	1	2	3	4	5
47. I have an opportunity to develop my own special abilities	1	2	3	4	5
48. I have good ideas on managerial skills	1	2	3	4	5
49. I have good ideas on computing skills	1	2	3	4	5
50. New workers are given the training and orientation they need to start working effectively at <b>KFH</b>	1	2	3	4	5
51. I receive the training I need to effectively do my job	1	2	3	4	5
52. Training schedules meet my needs	1	2	3	4	5
53. <b>KFH</b> does an effective job of recruiting and hiring new employees	1	2	3	4	5
54. <b>KFH</b> does an effective job with the orientation of new employees	1	2	3	4	5
55. I am satisfied that <b>KFH</b> is fair about posting available positions	1	2	3	4	5
56. The HR division is knowledgeable about personnel issues.	1	2	3	4	5
57. The HR division does an effective job with employee development/training	1	2	3	4	5
58. The HR division makes employees aware of career opportunities which are available within <b>KFH</b> .	1	2	3	4	5
59. I am adequately involved in decisions that affect my job and me.	1	2	3	4	5
60. I am able to share problems or errors with management	1	2	3	4	5
61. I utilise all available input and data when assisting others in solving problems	1	2	3	4	5
62. I have good problem-solving skills	1	2	3	4	5
63. I am able to take reasonable risks without worrying about failure	1	2	3	4	5
64. Senior management listens to my suggestions, concerns, and ideas.	1	2	3	4	5
65. Senior management is accessible to me.	1	2	3	4	5
66. I have the right amount of authority to make decisions about how to do my job	1	2	3	4	5
67. My manager listens and gives appropriate feedback on my ideas	1	2	3	4	5
68. My manager gives appropriate feedback on my performance	1	2	3	4	5
69. My manager provides me with appropriate recognition	1	2	3	4	5
70. My manager provides me with the appropriate amount of guidance	1	2	3	4	5
71. My manager provides me with adequate access	1	2	3	4	5
72. My manager has set goals that are realistic and achievable	1	2	3	4	5
73. My manager has realistic expectations of me	1	2	3	4	5
74. I am satisfied with my manager's ability to co-ordinate and allocate resources	1	2	3	4	5
75. Senior management frequently visits my department.	1	2	3	4	5
76. Senior management clearly explains why changes are necessary	1	2	3	4	5



77. I am readily available to talk at any time with my colleagues regarding our work.	1	2	3	4	5
78. my manger receives feedback and suggestions with an open mind and a positive attitude	1	2	3	4	5
79. Senior management provides the appropriate training and development to KFH managers to improve and develop their performance as managers.	1	2	3	4	5
80. KFH mission and goals are clear and easily understood by the managers and employees who work here	1	2	3	4	5
81. I have a clear understanding of KFH mission, strategic goals and objectives	1	2	3	4	5
82. KFH' s mission, strategic goals and objectives have set by the board of director without sharing opinions with middle managers and employees.	1	2	3	4	5
83. KFH' s strategic goals and objectives are achievable and measurable.	1	2	3	4	5
84. KFH mission and objectives are taken in mined when doing such activity	1	2	3	4	5
85. I set performance goals at least annually with my manager	1	2	3	4	5
86. I understand how my job performance is evaluated	1	2	3	4	5
87. KFH deals appropriately with poor performers	1	2	3	4	5
88. KFH actively seeks to identify potential areas of growth and new opportunities	1	2	3	4	5
89. KFH management meetings are productive	1	2	3	4	5
90. KFH has standardization of its tasks performance	1	2	3	4	5
91. My work at KFH should be performed the same way every time	1	2	3	4	5
92. I have a good understanding of my job responsibilities	1	2	3	4	5
93. The authority I have been given equal to my job responsibilities	1	2	3	4	5
94. There are some confusion between departments in understanding their job responsibilities	1	2	3	4	5
95. I am held accountable for doing my job	1	2	3	4	5
96. Employees are able to change jobs at KFH to further their career	1	2	3	4	5
97. It is easy for me to change jobs within KFH to further my career	1	2	3	4	5
98. In my work I do such activities like planning, scheduling, organising and implementing the various bank operations, process analyses, automation, etc.	1	2	3	4	5
99. There is an operation function that is responsible for planning, scheduling, organising and implementing the various bank operations, process analyses, automation, etc.	1	2	3	4	5
100.The top management is responsible for planning, scheduling, organising, and implementing.	1	2	3	4	5
101.I remember all Islamic principles when dealing with customers.	1	2	3	4	5
102.I know all techniques of Islamic banking products.	1	2	3	4	5
103.There is a difference between Riba (usury) and interest	1	2	3	4	5
104.I read the Islamic banking act and KFH establishment act once and I understand them.	1	2	3	4	5
105.I have knowledge in traditional banks' products more than Islamic banks' products.	1	2	3	4	5
106.I follow all fatwas which are represented by Sharia supervisory board	1	2	3	4	5
107.I believe that KFH does not receive interest nor pay interest in all of its transactions	1	2	3	4	5
108.I know exactly what are the differences between Islamic banks and conventional banks	1	2	3	4	5
109.I follow-up all Shariah Supervisory Board's advises and comments even the Board of Directors disagree with them.	1	2	3	4	5



110.I have access to see and take an advice from the Shariah Supervisory Board	1	2	3	4	5
111.I am working here because of religion reasons.	1	2	3	4	5
112.KFH is committed to making its clients successful.	1	2	3	4	5
113.KFH keeps its promises to customers	1	2	3	4	5
114.KFH products and services meet clients' needs	1	2	3	4	5
115.KFH has special services to meet clients' special needs	1	2	3	4	5
116. I keep the promises I make to my internal and external customers	1	2	3	4	5
117.KFH provides excellent services to its employees.	1	2	3	4	5
118.To have a more branches that will encourage people to use KFH services and products	1	2	3	4	5
119.KFH has an extensive banking network for branches that encourages internal and external customers to deal with Bank's products and services.	1	2	3	4	5
120.The interest free loans contribute to solve community problems.	1	2	3	4	5
121. It is important for KFH to advance a short term interest-free loans to businessmen and entrepreneurs	1	2	3	4	5
122. I think KFH helps raise domestic savings	1	2	3	4	5
123. I am satisfied with the technology that I use in my job comparing with our competitors	1	2	3	4	5
124. I am satisfied with KFH network and the influence of information between departments and to outside.	1	2	3	4	5
125. Corporate-wide communications are effective in keeping me informed.	1	2	3	4	5
126. Division-wide communications are effective in keeping me informed	1	2	3	4	5
127. I'm just not sure how reliable or up-to-date this information I used in such matter.	1	2	3	4	5
128.KFH communication system allows every single employee to have an open-two-way channel to every one else in KFH.	1	2	3	4	5
129. The communication network in KFH is well structured and clear to every body.	1	2	3	4	5
130. When I sent a letter to my manager or to the top management I receive a replay quickly and doesn't take so long time.	1	2	3	4	5
131. My Bank communication network is faster than other bank in the country.	1	2	3	4	5
132. I receive feedback and suggestions with an open mind and a positive attitude.	1	2	3	4	5
133. Written communications from Human Resources and other departments (such as, employee newsletters, memos, payroll staffers) are clear and informative	1	2	3	4	5
134. When employees leave a message for someone in my department, they usually get a prompt response to their call	1	2	3	4	5
135. I know who to call in my department or in other department when I have a specific question or problem	1	2	3	4	5
136. KFH policies are clearly communicated.	1	2	3	4	5
137. They facilitate interactions between managers and employees well.	1	2	3	4	5
138. I provide complete answers with relevant information to my managers when required	1	2	3	4	5
139. I am satisfied with the co-operation I receive from other departments	1	2	3	4	5
140. KFH is an organisation which is an open system	1	2	3	4	5



141.KFH is an organisation that is a close system	1	2	3	4	5
142.KFH is an organisation which is described as an open and close system.	1	2	3	4	5
143.I get the information I want at the same time when needed.	1	2	3	4	5
144.the small groups communicate easily and quickly	1	2	3	4	5
145.Most communication methods have been automated in KFH.	1	2	3	4	5

Third, for the following questions, please **circle** the response that most closely corresponds to your evaluation of the question:

146. Are you able to follow the instructions for using KFH network?

a) Yes easily

c) No, the instructions were too confusing

d) Yes, with some difficulty
147. When using the Network, What did you expect to accomplish?

a) To obtain general information about the customer.

b) To obtain general information about the customer’s credit.

c) To find out some specific information about specific problem I have to solve.

d) To request some information from other departments.

e) To send information to my manager.

f) To see my duties from my mangers.

g) Other, Specify \_\_\_\_\_
148. Did you get the information you wanted?

a) Got all the information I wanted

b) Got some of the information I wanted

c) Got none of the information I wanted



## Section two

First, Please indicate how much you agree or disagree with each statement by **circling** the number using the following scale:

**KEY: 1=Strongly Disagree**  
**2=Disagree**  
**3=Neutral**  
**4=Agree**  
**5=Strongly Agree**

149. There is cross-functional co-ordination and co-operation on important projects	1	2	3	4	5
150. <b>KFH</b> needs to improve and redesign its structure to get better results	1	2	3	4	5
151. I am sufficiently aware of things in other parts of the company that might affect my job.	1	2	3	4	5
152. I have a basic understanding of <b>KFH</b> structural lines.	1	2	3	4	5
153. The Shariah Supervisory Board follows up all transactions in <b>KFH</b> .	1	2	3	4	5
154. There were confusion between what Shariah Supervisory Board published and the Board of Director's commands.	1	2	3	4	5
155. <b>KFH</b> corporate support functions (HR, IT, Corporate Admin., Accounting, public relations, social and legal departments, Meeting and Events) meet my job-related needs	1	2	3	4	5
156. I am satisfied with <b>KFH</b> co-ordination and allocation of resources (materials, staffing, money, knowledge, information, etc.) between departments.	1	2	3	4	5
157. The work processes are effective in my area.	1	2	3	4	5
158. Improvements have been made in work processes, compared to one year ago	1	2	3	4	5

Second, in the following questions, please circle the correct answer which corresponds to your evaluation of the question.

159. How would you rate the clear lines of **KFH** organisational structure to you and to your colleagues?

a) Excellent      b) Good      c) Satisfactory      d) Reasonable      e) Poor

160. Have you carried out a major organisational structure or re-structure of your department during the last 2 years or are you currently implementing a new structure?

a) Yes      b) No      c) I don't know

161. Is your department organisational structure integrated with other areas of **KFH** (e.g. information technology)?

a) Yes      b) No      c) I don't know



162. How would you rate the extent of integration between your department and other departments? Circle only one answer for each department using the following scale:

*KEY: 1= Not integrated or linked  
2= Less integrated or linked  
3= No opinion  
4= Integrative or linked  
5= Very integrative or linked*

HR,	1	2	3	4	5
Public relations and information management	1	2	3	4	5
Internal auditing management	1	2	3	4	5
Strategic planing and products development management	1	2	3	4	5
Legal management	1	2	3	4	5
IT division	1	2	3	4	5
Direct investment management	1	2	3	4	5
Operation banking management	1	2	3	4	5
Private banking section IP.	1	2	3	4	5
Branching management	1	2	3	4	5
Credit cards management	1	2	3	4	5
Credit management	1	2	3	4	5
Letters of credit	1	2	3	4	5
Private financial services management VIP	1	2	3	4	5
Local real estate management	1	2	3	4	5
Investment division.	1	2	3	4	5
Treasury department	1	2	3	4	5
Murabaha and cars departments or commercial division.	1	2	3	4	5
Commercial operation management	1	2	3	4	5
Ladies division	1	2	3	4	5
International real estate department	1	2	3	4	5
Others such as, such as support division, information centre and so on.	1	2	3	4	5

163. Is the department structured as a unit in its own right under a Bank network?

- a) Yes
- b) No
- c) I don't know



164. How would you rate the degree of integration importance between your department and other departments in KFH? **Circle** only one answer for each department using the following scale:

*KEY: 1= Strongly not important*  
*2= Not important*  
*3= No opinion*  
*4= Important*  
*5= Very important.*

HR,	1	2	3	4	5
Public relations and information management	1	2	3	4	5
Internal auditing management	1	2	3	4	5
Strategic planing and products development management	1	2	3	4	5
Legal management	1	2	3	4	5
IT division	1	2	3	4	5
Direct investment management	1	2	3	4	5
Operation banking management	1	2	3	4	5
Private banking section IP.	1	2	3	4	5
Branching management	1	2	3	4	5
Credit cards management	1	2	3	4	5
Credit management	1	2	3	4	5
Letters of credit	1	2	3	4	5
Private financial services management VIP	1	2	3	4	5
Local real estate management	1	2	3	4	5
Investment division.	1	2	3	4	5
Treasury department	1	2	3	4	5
Murabaha and cars departments or commercial division.	1	2	3	4	5
Commercial operation management	1	2	3	4	5
Ladies division	1	2	3	4	5
International real estate department	1	2	3	4	5
Others such as, such as support division, information centre and so on.	1	2	3	4	5



165. Rate the importance of the following products and services to KFH, **Circle** only one answer for each products or services using the following scale:

***KEY: 1= Strongly not important***  
***2= Not important***  
***3= Not sure.***  
***4= Important***  
***5= Very important***

Current account	1	2	3	4	5
Savings account	1	2	3	4	5
Special investment account	1	2	3	4	5
General investment account	1	2	3	4	5
Mutajara, which includes all investment activities (buying and selling commodities, open new companies, build commercial centers, buying and selling land, etc.).	1	2	3	4	5
Musharaka (Partnership) products	1	2	3	4	5
Profit-Loss-Sharing (PLS) Products	1	2	3	4	5
Sale on credit	1	2	3	4	5
Operation and purchase lease	1	2	3	4	5
Mudarabah or investment accounts, which known as General Mudarabah	1	2	3	4	5
Muzara'a	1	2	3	4	5
Al-Qard Al-hasan	1	2	3	4	5
International financial services	1	2	3	4	5
Letter of credit	1	2	3	4	5
Letter of guarantee	1	2	3	4	5
credit cards services	1	2	3	4	5
Automatic teller machine and ATM card.	1	2	3	4	5
Cheque book, a cheque guarantee card	1	2	3	4	5
bill payment facilities, and standing orders	1	2	3	4	5
Investment management for others	1	2	3	4	5
Investment advises and feasibility studies	1	2	3	4	5
Bank pays Zakat on customers behalf	1	2	3	4	5
Separate counters or branches for ladies.	1	2	3	4	5
Safe deposits	1	2	3	4	5
Check balances	1	2	3	4	5
Traveller cheques	1	2	3	4	5
Money order/drafts	1	2	3	4	5
Personal or private Banking transaction activity	1	2	3	4	5



For the following questions, please **circle** the response that most closely corresponds to your evaluation of the question:

166. Does your work have scheduled hours of operation?  

a) Yesb) Noc) I don't know
167. Does your job have direct access from outside your bank?  

a) Yesb) Noc) I don't know
168. If yes, how many clients come to you in an average week?  

a) Noneb) 1 to 5c) 6 to 10d) 11 to 20e) More than 20
169. In specific activity, how many people in your department other than yourself, are involved in this activity?  

a) Noneb) Onec) twod) Three to fivee) More than six.
170. How much of your total time is used for this activity (define) related to your Overall time in **KFH**, Please estimate.  

a) less than 20 percentb) 21 to 40 percentc) 41 to 60 percent

d) 61 to 80 percente) 81 to 100 percent

Section Three: Demographics

(These questions are for personal characteristics only. Please Circle the response that most closely corresponds to your evaluation of the question.

171. Your age category:  

a) Less than 25 yearsb) 25-29c) 30-39d) 40-49e) 50 or more
172. Gender  

a) Maleb) Female
173. Which of the following describe your current qualification?  

a) Below high schoolb) Below high school with training courses and bank experiencesc) High schoold) College/Bachelore) Above College/Bachelor (Master or Ph.D.)



174. Your monthly income category:

- a) Less than KD 200
- b) KD200-400
- c) KD 401-600
- d) KD601-1000
- e) more than KD 1,000

175. How long have you worked for KFH?

- a) Less than 1 year
- b) 1 year up to 2 years
- c) 2-5 years
- d) 6 – 10 years
- e) More than 10 years

176. In which division do you work :

- a) HR
- b) Local real estate
- c) Public relations and information department
- d) Investment department.
- e) The Follow-up Department
- f) Credit department
- g) Strategic planing and products development.
- h) Letters of credit
- i) Credit cards departments
- j) Private banking section IP.
- k) IT division
- l) Commercial division
- n) Others -----
- m) Direct investment department.
- n) Murabaha department
- o) Operation banking department.
- p) Car department.
- q) branching management
- r) International investment
- s) Private financial services department VIP
- t) International real estate department
- u) Commercial operation management.
- v) Ladies division
- w) Information centre
- m) The Legal Department

177. Do you supervisor other employees?

- a) Yes
- b) No
- c) I don't know

178. Would you like to get a summery of this study results?

- a) Yes
- b) No
- c) I don't know

If Yes, please write your address below:

Thank you for your answers! Your input will be used to help finish my research at Wales University, Lampter.



بسم الله الرحمن الرحيم

الأخ موظف بيت التمويل الكويتي  
الأكرم

السلام عليكم ورحمة الله وبركاته

وبعد/ أود إحاطتكم علماً بأنني باحث للحصول على درجة الدكتوراه في جامعة ويلز قسم الإدارة ونظم المعلومات ، وأقوم حالياً بعمل دراسة ميدانية على البنوك الإسلامية وذلك بدراسة مدى أهمية تطبيق مفاهيم كإعادة هيكلة الأعمال ، إدارة الجودة الشاملة والاستفادة من النجاح المحقق في القطاعات الأخرى في إدارة البنوك الإسلامية: دراسة ميدانية لمقارنة النظرية بالتطبيق.

وبناءً على موافقة إدارة بيت التمويل فقد تمّ اختياركم للمشاركة في هذه الدراسة والتي ستركز على الهيكل التنظيمي والعلاقات التنظيمية ، ومدى كفاءة وفاعلية الأداء الإداري بالإضافة إلى جودة الخدمات والمنتجات التي يقدمها البنك لعملائه.

لذا أرجو منكم إكمال الاستبيان المرفق وذلك بالإجابة على الأسئلة وإعادتها للباحث وسوف تركز على معرفة وجهة نظركم فيما يخص وضعك الحالي في البنك وعلاقتك بالإدارة والموظفين بالإضافة إلى أسئلة أخرى تخص كفاءة وفاعلية الأداء الإداري والهيكل التنظيمي ، وأود أن أؤكد أن كل البيانات والمعلومات التي سأحصل عليها ستعامل بخصوصية تامة وستستخدم لأغراض البحث العلمي فقط ، أيضاً أودّ التوضيح أن تعاونكم مهم جداً لنتائج هذه الدراسة والتي أمل أن تستخدم في تطوير مفاهيم جديدة في إدارة البنوك الإسلامية وذلك لتحسين الخدمات والمنتجات التي تقدمها لمقابلة حاجات العملاء المتزايدة.

أشكركم على تعاونكم

الباحث/

عبد القوي عثمان



جامعة ويلز – لامبتر

قسم الإدارة ونظم المعلومات

### استبيان حول مدى رضا وإنجازات موظفي بيت التمويل الكويتي

رقم -----	للاستعمال الرسمي فقط
تاريخ تسليم الاستبيان: ---/---/٢٠٠٠ الساعة ---:---	
تاريخ استلام الاستبيان: ---/---/٢٠٠٠ الساعة ---:---	
تاريخ تدقيق وإدخال البيانات: ---/---/٢٠٠٠ الساعة ---:---	

#### القسم الأول:

أولاً/ في الأسئلة أدناه الرجاء إعطاء الدرجة المناسبة وذلك بوضع دائرة حول الرقم من (١) إلى (٥) والذي ترى أنه يعكس درجة رضاك مستخدماً الدليل التالي:

١ - غير راضٍ على الإطلاق

٢ - غير راضٍ

٣ - محايد

٤ - راضٍ

٥ - راضٍ جداً

١	٢	٣	٤	٥	١. بصورة عامة ، ما هي درجة رضاك عن بيت التمويل كمكان للعمل؟
١	٢	٣	٤	٥	٢. بصورة عامة ، ما هي درجة رضاك عن إدارة بيت التمويل؟
١	٢	٣	٤	٥	٣. بصورة عامة ، ما هي درجة رضاك عن أداء بيت التمويل والخدمات التي يقدمها؟

٤. الرجاء توضيح أسباب الإجابة على الأسئلة الثلاثة السابقة بتلك الصورة؟ (إذا كنت بحاجة إلى مزيد من التوضيح الرجاء الكتابة خلف هذه الورقة أو على ورقة أخرى).

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٥. ما هو احتمال أن توصي صديقك الذي يبحث عن عمل بأن بيت التمويل مكان مناسب (أو غير مناسب) للعمل؟ (الرجاء وضع دائرة حول الحرف أمام الإجابة و الذي ترى أنها تعكس وجهة نظرك)
- أ. بالتأكيد سوف لن أذكر البنك كمكان للعمل وسأذكر عنه أشياء سلبية.
- ب. من المحتمل أن لا أذكره كمكان للعمل وسأذكر عنه أشياء سلبية.
- ج. محايد
- د. من المحتمل أن أذكره كمكان للعمل وسأذكر عنه أشياء إيجابية.
- هـ. بالتأكيد سوف أذكره وسأذكر عنه أشياء إيجابية عنه.



٦. ما هو احتمال استقالتك و تركك للعمل في البنك خلال ال ١٢ شهرا القادمة؟ (الرجاء وضع دائرة حول الحرف الذي ترى أنه يعكس وجهة نظرك في الإجابة).

- ب. بالتأكيد سأستقيل وأترك بيت التمويل.  
 د. لست متأكدا من بقائي أو استقالي.  
 هـ. بالتأكيد سوف أبقى في بيت التمويل.

٧. الرجاء توضيح أسباب الإجابة على السؤال رقم (٦) بتلك الصورة؟ (إذا كنت بحاجة إلى مزيد من التوضيح الرجاء الكتابة خلف هذه الورقة أو على ورقة أخرى).

٨. إذا أخذت بنظر الاعتبار كل الأشياء ، ما هو أهم شيء تعتقد بأن بيت التمويل يجب عليه أن يعمل لكي يُحسن وضعيته كمكان للعمل؟ (إذا كنت بحاجة إلى مزيد من التوضيح الرجاء الكتابة خلف هذه الورقة أو على ورقة أخرى).

ثانياً/ في العبارات أدناه الرجاء رسم دائرة حول الرقم الذي ترى أنه يعكس درجة موافقتك أو عدم موافقتك مع كل عبارة وذلك باستعمال دليل الإجابة التالي:

١ - غير موافق مطلقاً.

٢ - غير موافق.

٣ - محايد.

٤ - موافق.

٥ - موافق مطلقاً.

٥ ٤ ٣ ٢ ١	٩. إذا عرض عليّ مركزاً أفضل في بنك تجاري ربويّ فإنني سأقبل العرض.
٥ ٤ ٣ ٢ ١	١٠. لدى بيت التمويل بيئة عمل أخلاقية.
٥ ٤ ٣ ٢ ١	١١. يحاول بيت التمويل بناء جوٍّ وديّ عام لكل العاملين فيه.
٥ ٤ ٣ ٢ ١	١٢. إن بيت التمويل يشجع العاملين فيه على التفاعل الإيجابي والفاعل في المساهمة في بناء مجتمعهم.
٥ ٤ ٣ ٢ ١	١٣. أنا مقتنع بعلمي الحالي.
٥ ٤ ٣ ٢ ١	١٤. إن وظيفتي الحالية تعطيني الفرصة بأن أقوم بعمل شيق فيه روح المنافسة.
٥ ٤ ٣ ٢ ١	١٥. إن عدد ساعات العمل الأسبوعية في بيت التمويل معقولة ومقبولة.
٥ ٤ ٣ ٢ ١	١٦. بيت التمويل يسمح لي بم جدول عمل مرن قابل للتكيف يتناسب مع متطلباتي.
٥ ٤ ٣ ٢ ١	١٧. إن بإمكانني الموازنة بين عملي في بيت التمويل وبين حياتي الشخصية.
٥ ٤ ٣ ٢ ١	١٨. إن التقدير الذي أحصل عليه نتيجة عملي في بيت التمويل مناسب ومقبول.
٥ ٤ ٣ ٢ ١	١٩. الموظفون الذين يؤدون عملاً جيداً في بيت التمويل يحصلون على التقدير المناسب.
٥ ٤ ٣ ٢ ١	٢٠. إن درجة التقدير التي يحصل عليها العاملون في بيت التمويل تتناسب مع مقدار إنجازاتهم.
٥ ٤ ٣ ٢ ١	٢١. إن نظام التقدير في بيت التمويل يشجع العمل بروح الفريق ويحث على التعاون والمشاركة.
٥ ٤ ٣ ٢ ١	٢٢. أنا أعامل باحترام في بيت التمويل.



٥	٤	٣	٢	١	٢٣. أنا فخور بالعمل في بيت التمويل الكويتي.
٥	٤	٣	٢	١	٢٤. إن مكان عملي يشجعني للقيام بعمل فعال.
٥	٤	٣	٢	١	٢٥. إن بيت التمويل يوفر بيئة آمنة ومكان مريح للعمل.
٥	٤	٣	٢	١	٢٦. إن بيت التمويل يوفر لي الأدوات المناسبة للقيام بعمل.
٥	٤	٣	٢	١	٢٧. إن الأوامر وإجراءات العمل لا تؤثر على جودة العمل الذي أقوم به.
٥	٤	٣	٢	١	٢٨. إن مقدار المكافأة التي أستلمها مقابل عملي عادلة.
٥	٤	٣	٢	١	٢٩. إن برنامج العلاوات المخصصة لي عادل.
٥	٤	٣	٢	١	٣٠. إن مقدار ما أتقاضاه كراتب في بيت التمويل أفضل إذا ما قورن بالبنوك العاملة في الكويت.
٥	٤	٣	٢	١	٣١. يوفر لي بيت التمويل منافع وخدمات عديدة تناسب احتياجاتي.
٥	٤	٣	٢	١	٣٢. إن المكافآت المالية التي يقدمها بيت التمويل ليست المتوقعة في مثل هذا الحقل من العمل.
٥	٤	٣	٢	١	٣٣. إن مديري المسؤول يشجع مجموعة العمل التي أعمل بها للعمل بروح الفريق الواحد.
٥	٤	٣	٢	١	٣٤. إن مديري المسؤول يعطيني تعليمات واضحة عن أهداف فريق العمل ومقاصده وأولوياته.
٥	٤	٣	٢	١	٣٥. يتعامل مديري المسؤول بالعدل مع كل أعضاء فريق العمل الذي أنتمي إليه.
٥	٤	٣	٢	١	٣٦. لقد دأب مديري المسؤول على تطوير صيغة عمل جماعية لفريق العمل الذي أعمل معه بحيث يوافق كل عضو على الأهداف المرسومة ويعمل على تحقيقها.
٥	٤	٣	٢	١	٣٧. لدى فريق العمل الذي أعمل معه عدد كاف من العاملين.
٥	٤	٣	٢	١	٣٨. إن الإدارات الداعمة للإدارة كنظم المعلومات وغيرها تقدم كل المتطلبات المتعلقة بالعمل.
٥	٤	٣	٢	١	٣٩. أشعر بأنني مدعوم من قبل كل أعضاء الفريق الذي أعمل معه.
٥	٤	٣	٢	١	٤٠. إن نوعية عملي تشجعني على استغلال مهاراتي وقدراتي وإمكاناتي على أفضل ما يمكن.
٥	٤	٣	٢	١	٤١. إن مديري المسؤول يساعدني على تطوير مهنتي وقدراتي وإمكاناتي.
٥	٤	٣	٢	١	٤٢. إن مديري المسؤول يزودني بالمعلومات التي أحتاجها لإنجاز العمل.
٥	٤	٣	٢	١	٤٣. يشجعني المدير المسؤول على إبداء أفكاره المستقلة واتخاذ القرارات التي أراها مناسبة في إطار عملي.
٥	٤	٣	٢	١	٤٤. إن مديري المسؤول يشجعني على التعليم المستمر.
٥	٤	٣	٢	١	٤٥. هناك فرص كافية متاحة من أجل تنمية وتطوير مهنتي.
٥	٤	٣	٢	١	٤٦. دائما ما تعطى لي واجبات ومهام تتحدى بروح المنافسة مما يؤدي إلى نمو وتطوير مهاراتي المهنية.
٥	٤	٣	٢	١	٤٧. لدي الفرصة بأن أطور مهاراتي وقدراتي الشخصية.
٥	٤	٣	٢	١	٤٨. لدي معرفة جيدة تتعلق بالمهارات الإدارية.
٥	٤	٣	٢	١	٤٩. لدي معرفة جيدة تتعلق بمهارات استخدام الكمبيوتر أو الحاسوب.
٥	٤	٣	٢	١	٥٠. يُعطى الموظفون الجدد ما يحتاجونه من التدريب والإرشادات اللازمة والتي تمكنهم من البدء في العمل في بيت التمويل بصورة فعّالة.
٥	٤	٣	٢	١	٥١. أحصل على التدريب الكافي الذي يؤهلني للقيام بعمل بصورة فعّالة.



٥	٤	٣	٢	١	٥٢. برامج التدريب في البنك تتناسب مع احتياجاتي.
٥	٤	٣	٢	١	٥٣. لبيت التمويل نظام فعال في مجال استقطاب وتوظيف موظفين جدد.
٥	٤	٣	٢	١	٥٤. يعمل بيت التمويل بصورة فعالة في مجال إرشاد وتوجيه الموظفين الجدد.
٥	٤	٣	٢	١	٥٥. أنا مقتنع بأن بيت التمويل يعمل بصورة عادلة في ملأ الوظائف الشاغرة.
٥	٤	٣	٢	١	٥٦. إن قسم الموارد البشرية لديه المعرفة بالمشاكل الشخصية للموظفين.
٥	٤	٣	٢	١	٥٧. إن قسم الموارد البشرية ينجز بفاعلية برامج التطوير وتنمية وتدريب الموظفين.
٥	٤	٣	٢	١	٥٨. إن قسم الموارد البشرية يقوم بإشعار الموظفين عن كل فرص العمل المتوفرة في بيت التمويل.
٥	٤	٣	٢	١	٥٩. أنا أشترك بدرجة كافية في اتخاذ القرارات التي تؤثر على عملي وشخصيتي.
٥	٤	٣	٢	١	٦٠. لي القدرة على مشاركة الإدارة في حل بعض المشاكل والأخطاء.
٥	٤	٣	٢	١	٦١. أستعمل كل المعلومات المتوفرة لدي في حالة مساعدتي للآخرين في حل مشاكلهم.
٥	٤	٣	٢	١	٦٢. لي خبرة جيدة في مجال حل المشاكل المتعلقة بالعمل.
٥	٤	٣	٢	١	٦٣. عندي القدرة على المخاطرة إلى حد ما عند اتخاذ القرار من دون الشعور بالخوف من الفشل.
٥	٤	٣	٢	١	٦٤. أعضاء الإدارة العليا يستمعون لاقتراحاتي وأرائي.
٥	٤	٣	٢	١	٦٥. باستطاعتي مقابلة ولقاء أعضاء الإدارة العليا بسهولة.
٥	٤	٣	٢	١	٦٦. لدي السلطة الكافية لاتخاذ قرار يتعلق بكيفية أداء واجباتي في العمل.
٥	٤	٣	٢	١	٦٧. إن مديري المسؤول يستمع لأرائي وتساؤلاتي ويقدم جواباً مقنعاً ومناسباً.
٥	٤	٣	٢	١	٦٨. إن مديري المسؤول يبدي انطباعاته وآرائه المناسبة عن كيفية أدائي لواجبي.
٥	٤	٣	٢	١	٦٩. أتلقي التقدير المناسب والكافي من مديري المسؤول لمساهمتي في أعمال بيت التمويل.
٥	٤	٣	٢	١	٧٠. يقدم مديري المسؤول الإرشادات والنصائح المناسبة لإنجاز عملي.
٥	٤	٣	٢	١	٧١. يوفر لي مديري المسؤول المجال والوقت المناسب للقاء و الاجتماع به.
٥	٤	٣	٢	١	٧٢. يضع المدير المسؤول أهدافاً واقعية يمكن تحقيقها.
٥	٤	٣	٢	١	٧٣. لمديري المسؤول نظرة واقعية لي حيث يتوقع مني أداء واقعي ومعقول.
٥	٤	٣	٢	١	٧٤. أنا واثق بإمكانيات وقدرات مديري في تنظيم وتوزيع الموارد المتاحة له.
٥	٤	٣	٢	١	٧٥. أعضاء الإدارة العليا دائماً يزوروا القسم الذي اعمل فيه.
٥	٤	٣	٢	١	٧٦. يقوم أعضاء الإدارة العليا بإعطاء الشروح والأسباب الواضحة لأي تغيير قد يطرأ في البنك.
٥	٤	٣	٢	١	٧٧. عندي الاستعداد للتحدث في شئون البنك والعمل في أي وقت ومع أي صديق في العمل.
٥	٤	٣	٢	١	٧٨. يستلم مديري المسؤول الاقتراحات والآراء بذهن متفتح وأسلوب إيجابي.
٥	٤	٣	٢	١	٧٩. يقدم أعضاء الإدارة العليا التدريب والتطوير اللازم لمديري الأقسام والإدارات وذلك من أجل تحسين وتطوير الأداء.
٥	٤	٣	٢	١	٨٠. إن رسالة بيت التمويل وأهدافه واضحة ومفهومة لجميع العاملين فيه.
٥	٤	٣	٢	١	٨١. إنني أفهم بوضوح رسالة بيت التمويل وأهدافه الإستراتيجية والمرحلية.
٥	٤	٣	٢	١	٨٢. إن رسالة بيت التمويل وأهدافه الإستراتيجية قد وضعت من قبل مجلس الإدارة من دون



	الأخذ بالاعتبار آراء الإدارة الوسطى وباقي الموظفين.
١ ٢ ٣ ٤ ٥	٨٣. إن أهداف بيت التمويل الإستراتيجية والمرحلية واقعية يمكن تنفيذها وبالتالي يمكن قياسها.
١ ٢ ٣ ٤ ٥	٨٤. عندما أقوم بأداء مهامي وواجباتي فأني آخذ بعين الاعتبار رسالة بيت التمويل وأهدافه الإستراتيجية.
١ ٢ ٣ ٤ ٥	٨٥. إنني أضع أهدافاً لأدائي على الأقل مرة واحدة في السنة ، وذلك بعد اخذ رأي مديري.
١ ٢ ٣ ٤ ٥	٨٦. إنني أفهم كيف أقيم أدائي و أصحح الانحراف إن وجد.
١ ٢ ٣ ٤ ٥	٨٧. إن بيت التمويل يتعامل مع العاملين ذوي الأداء الضعيف بطريقة مناسبة لرفع مستوى أدائهم.
١ ٢ ٣ ٤ ٥	٨٨. إن بيت التمويل يسعى بصورة فعالة لدراسة وإبراز المجالات التي من الممكن أن تنمو وتتطور فيها الأعمال ومجالات الفرص الجديدة.
١ ٢ ٣ ٤ ٥	٨٩. إن اجتماعات الإدارة العليا مع مديري الأقسام اجتماعات منتجة.
١ ٢ ٣ ٤ ٥	٩٠. إن لبيت التمويل معايير وثوابت معينة لكل الواجبات المراد تنفيذها.
١ ٢ ٣ ٤ ٥	٩١. إن العمل الموكل لي يجب أن ينجز بنفس الأسلوب في كل الأوقات.
١ ٢ ٣ ٤ ٥	٩٢. إنني على دراية وعلم تام بجميع المسؤوليات المتعلقة بعملتي في بيت التمويل.
١ ٢ ٣ ٤ ٥	٩٣. السلطة التي أعطيت لي هي مساوية إلى حد ما مع المسؤوليات المطلوبة مني.
١ ٢ ٣ ٤ ٥	٩٤. هناك بعض التعارض والارتباك بين الأقسام المختلفة فيما يتعلق بفهمهم لمسؤوليات أعمالهم.
١ ٢ ٣ ٤ ٥	٩٥. إنني مسؤول ومحاسب عن عملي الذي أقوم به في بيت التمويل الكويتي.
١ ٢ ٣ ٤ ٥	٩٦. يمكن للعامل في بيت التمويل تغيير عمله وموقعه من أجل تطوير مستقبله المهني.
١ ٢ ٣ ٤ ٥	٩٧. يسهل عليّ تغيير عملي من أجل تطوير مستقبلي المهني.
١ ٢ ٣ ٤ ٥	٩٨. إن عملي في بيت التمويل يتطلب مني القيام بالتخطيط وجدولة المهام والتنظيم ومن ثمّ التنفيذ للعمليات سواءً مكتوبة أو عمليات آلية بواسطة الحاسوب ومن ثمّ مراجعة الأداء....الخ.
١ ٢ ٣ ٤ ٥	٩٩. هناك دائرة مسؤولة عن التخطيط وجدولة المهام والتنظيم ومن ثمّ تحليل العمليات المنفذة.
١ ٢ ٣ ٤ ٥	١٠٠. الإدارة العليا هي المسؤولة عن التخطيط وجدولة المهام للعاملين.
١ ٢ ٣ ٤ ٥	١٠١. أصول ومبادئ الإسلام دائماً ما آخذها بعين الاعتبار عند التعامل مع عملاء بيت التمويل.
١ ٢ ٣ ٤ ٥	١٠٢. عندي دراية وعلم بكل منتجات وخدمات المصارف الإسلامية.
١ ٢ ٣ ٤ ٥	١٠٣. أستطيع القول أن هناك فرق بين الربا والفائدة المعمول بها في البنوك التجارية.
١ ٢ ٣ ٤ ٥	١٠٤. لقد قرأت النظام الداخلي لبيت التمويل الكويتي وقانون تأسيسه وفهمت محتوياتهما.
١ ٢ ٣ ٤ ٥	١٠٥. إن معلوماتي عن منتجات وخدمات البنوك التجارية هي أكثر منها عن البنوك الإسلامية.
١ ٢ ٣ ٤ ٥	١٠٦. إنني أتبع كل الفتاوى الصادرة عن هيئة الرقابة الشرعية.
١ ٢ ٣ ٤ ٥	١٠٧. أستطيع أن أجزم أن بيت التمويل لا يستلم ولا يدفع فائدة في كل عملياته.
١ ٢ ٣ ٤ ٥	١٠٨. أعرف بجلاء الفرق بين البنوك الإسلامية والبنوك التجارية أو التقليدية.
١ ٢ ٣ ٤ ٥	١٠٩. إنني أتقيد بكل الفتاوى والتعليمات الصادرة عن هيئة الرقابة الشرعية حتى وإن لم يتفق معها أعضاء مجلس إدارة البنك.



١	٢	٣	٤	٥	١١٠. يمكنني الاتصال بهيئة الرقابة الشرعية وأخذ النصائح المباشرة منها.
١	٢	٣	٤	٥	١١١. إن أهم الأسباب لعملتي في بيت التمويل هو العامل الديني.
١	٢	٣	٤	٥	١١٢. يبذل بيت التمويل كل الجهود والمسااعي الممكنة لإرضاء عملائه.
١	٢	٣	٤	٥	١١٣. يفي بيت التمويل بجميع التعهدات تجاه عملائه.
١	٢	٣	٤	٥	١١٤. إن منتجات وخدمات بيت التمويل تلبي حاجات ورغبات العملاء.
١	٢	٣	٤	٥	١١٥. لدى بيت التمويل منتجات وخدمات خاصة لتلبية متطلبات خاصة لعملائه.
١	٢	٣	٤	٥	١١٦. إنني أفي بجميع التعهدات التي أعطيها للعملاء الداخلين والخارجين.
١	٢	٣	٤	٥	١١٧. يقدم بيت التمويل خدمات متميزة لجميع العاملين فيه.
١	٢	٣	٤	٥	١١٨. فتح الفروع المتعددة لبيت التمويل شجع المواطنين على استخدام منتجاته وخدماته.
١	٢	٣	٤	٥	١١٩. لدى بيت التمويل شبكة مصرفية واسعة من الفروع والتي شجعت العملاء الداخلين والخارجيين على استعمال منتجاته وخدماته.
١	٢	٣	٤	٥	١٢٠. إن القروض الحسنة (الخالية من الفوائد) تساهم في حل مشاكل المجتمع.
١	٢	٣	٤	٥	١٢١. من المهم أن يمنح بيت التمويل قروضا قصيرة الأجل بدون فوائد لرجال الأعمال والمقاولين.
١	٢	٣	٤	٥	١٢٢. أعتقد أن بيت التمويل ساعد بشكل كبير في رفع مستوى الادخار المحلي.
١	٢	٣	٤	٥	١٢٣. أنا راض بالمستوى التكنولوجي المستخدم في بيت التمويل مقارنة بالبنوك التجارية الأخرى.
١	٢	٣	٤	٥	١٢٤. أنا راض عن فاعلية الشبكة المصرفية في بيت التمويل ومدى انسياب المعلومات بين الأقسام المختلفة.
١	٢	٣	٤	٥	١٢٥. نظام الاتصال بين القطاعات المختلفة له أثر فعال في زيادة معلوماتي.
١	٢	٣	٤	٥	١٢٦. نظام الاتصال بين الأقسام المختلفة له أثر فعال في زيادة معلوماتي.
١	٢	٣	٤	٥	١٢٧. أنا لست متأكد فيما إذا كان بالإمكان الاعتماد على تلك المعلومات أو أنها تحوي على آخر التطورات في موضوع عملي.
١	٢	٣	٤	٥	١٢٨. إن نظام الاتصال في بيت التمويل يفسح المجال لكل موظف أن يكون له قناة مفتوحة يستطيع بواسطتها الاتصال مع أي موظف آخر.
١	٢	٣	٤	٥	١٢٩. إن شبكة الاتصالات في بيت التمويل مبنية على أسس جيدة وطريقة عملها واضحة لكل موظف.
١	٢	٣	٤	٥	١٣٠. عندما أبعث برسالة إلى المدير أو إلى أي عضو من أعضاء الإدارة العليا فإنني أحصل على الجواب بسرعة وبدون تأخير.
١	٢	٣	٤	٥	١٣١. أعتقد أن شبكة الاتصالات في بيت التمويل أسرع من أي شبكة اتصالات في بنك آخر في الكويت.
١	٢	٣	٤	٥	١٣٢. إنني دائما ما أستلم الانطباعات والاقتراحات بذهن مفتوح وبأسلوب إيجابي.
١	٢	٣	٤	٥	١٣٣. الاتصالات المكتوبة من قسم الموارد البشرية والأقسام الأخرى كلها واضحة ومفهومة.
١	٢	٣	٤	٥	١٣٤. عندما تصل رسالة لأحد العاملين في قسمي من قسم آخر فإنه عادة يرسل جوابا بأسرع وقت ممكن.



١٣٥.	لديّ المعرفة بمن أتصل ، سواءً في قسمي أو في أيٍّ من الأقسام الأخرى ، وذلك في حالة احتياجي لشيء ما أو في حالة حدوث مشكلة طارئة أثناء العمل.	١	٢	٣	٤	٥
١٣٦.	سياسات بيت التمويل يمكن إيصالها إلى كل موظفيه بصورة واضحة وكفؤة.	١	٢	٣	٤	٥
١٣٧.	هناك فرص كثيرة تسمح للموظفين لقاء أعضاء الإدارة العليا للتباحث في الأمور المختلفة.	١	٢	٣	٤	٥
١٣٨.	أقوم بتقديم الإجابات الكاملة مع المعلومات المناسبة عندما أُسأل عن أمور تتعلق بالعمل.	١	٢	٣	٤	٥
١٣٩.	أنا راض عن التعاون الذي أحصل عليه من القطاعات والأقسام الأخرى.	١	٢	٣	٤	٥
١٤٠.	بيت التمويل عبارة عن منظمة يمكن تعريفها بأنها نظام مفتوح يمكن للآخرين الإطلاع على أي معلومات يريدونها منه.	١	٢	٣	٤	٥
١٤١.	بيت التمويل عبارة عن منظمة يمكن تعريفها بأنها نظام مغلق لا يستطيع أي شخص الإطلاع أو الحصول على معلومات دقيقة منها.	١	٢	٣	٤	٥
١٤٢.	بيت التمويل عبارة عن منظمة يمكن وصفها بأنها نظام مفتوح ومغلق.	١	٢	٣	٤	٥
١٤٣.	يمكنني الحصول على المعلومات المطلوبة في الوقت المناسب الذي أريد.	١	٢	٣	٤	٥
١٤٤.	للجماعات الصغيرة إمكانات اتصال سريعة وبصورة سهلة وفعّالة أيضا.	١	٢	٣	٤	٥
١٤٥.	معظم وسائل الاتصال في بيت التمويل آلية حيث تستخدم شبكة الحاسوب الفعّالة.	١	٢	٣	٤	٥

ثالثا/ فيما يخص الأسئلة الآتية ، الرجاء وضع دائرة حول الحرف في بداية الجملة و الذي ترى أنها تعكس درجة تقييمك للسؤال.

١٤٦. هل باستطاعتك تتبع التعليمات التي تخص استخدام الشبكة المصرفية والمعلوماتية في بيت التمويل؟  
 ج. نعم وبسهولة. | ب. نعم ولكن مع بعض الصعوبات. | أ. كلا ، فالتعليمات تثير الارتباك.

١٤٧. عند استعمالك للشبكة المصرفية والمعلوماتية لبيت التمويل ، ماذا كنت تتوقع إنجاز؟  
 ب. الحصول على معلومات عامة عن العميل.  
 أ. الحصول على معلومات عامة عن اعتمادات العميل.  
 د. الحصول على بعض المعلومات بخصوص مشكلة ما  
 ج. الحصول على بعض المعلومات من أقسام أخرى.  
 كان عليّ إيجاد حلّ لها.  
 و. لإرسال معلومات إلى مديري المسؤول.  
 هـ. للاستفسار عن واجباتي الجديدة من المدير المسؤول.  
 ز. لأسباب أخرى ، أذكر ما هي؟

١٤٨. هل حصلت على المعلومات التي كنت تريد الحصول عليها؟  
 ب. حصلت على بعض المعلومات.  
 أ. نعم حصلت على كل المعلومات  
 ج. لم أحصل على أي من المعلومات التي كنت أبحث عنها.



## القسم الثاني: البناء التنظيمي

أولاً/ في العبارات أدناه الرجاء وضع دائرة حول الرقم المناسب الذي ترى أنه يعكس درجة موافقتك أو عدم موافقتك مع كل عبارة وذلك باستعمال دليل الإجابة التالي:

١ = لا أوافق بشدة.

٢ = لا أوافق.

٣ = محايد.

٤ = أوافق.

٥ = أوافق بشدة.

١ ٢ ٣ ٤ ٥	١٤٩. تعمل كل القطاعات والأقسام في بيت التمويل بتعاون وبروح الفريق الواحد لإنجاز المهام والواجبات المتعلقة بالمشاريع المهمة.
١ ٢ ٣ ٤ ٥	١٥٠. يحتاج بيت التمويل إلى تحسين وإعادة تصميم هيكله التنظيمي من أجل الحصول على نتائج أفضل.
١ ٢ ٣ ٤ ٥	١٥١. أنا مقتنع إلى حد كاف بأن هناك أشياء في أقسام أخرى في بيت التمويل تؤثر على عملي.
١ ٢ ٣ ٤ ٥	١٥٢. لديّ تفهم أساسي لخطوط ومستويات الهيكل التنظيمي فيما يتعلق بالسلطات والمسؤوليات.
١ ٢ ٣ ٤ ٥	١٥٣. هيئة الرقابة الشرعية تراقب وتتابع كل المعاملات الجارية في بيت التمويل.
١ ٢ ٣ ٤ ٥	١٥٤. هناك بعض التناقض بين ما تنشره وتصدره هيئة الرقابة الشرعية وبين تعليمات مجلس الإدارة.
١ ٢ ٣ ٤ ٥	١٥٥. جميع الأقسام والأنشطة الداعمة لإنجاز المهام ك (الموارد البشرية ، نظم المعلومات ، الكمبيوتر ، المحاسبة ، إدارة العلاقات العامة ، الإدارة القانونية ، إدارة النشاط الاجتماعي ، الاجتماعات المختلفة) تتجاوب وتبلي الاحتياجات المتعلقة بعملي.
١ ٢ ٣ ٤ ٥	١٥٦. أنا راض عن سياسات بيت التمويل في تنظيم وتوزيع الموارد المختلفة (المواد ، الموظفين ، المال ، المعرفة والمعلومات).
١ ٢ ٣ ٤ ٥	١٥٧. خطوات تنفيذ العمليات أو أساليب العمل في دائرة عملي تُنفذ على وجه فعّال.
١ ٢ ٣ ٤ ٥	١٥٨. قام بيت التمويل بتحسين أساليب العمل إذا ما قورنت على ما كانت عليه في السنة السابقة.

ثانياً/ في الأسئلة التالية الرجاء وضع دائرة حول الإجابة التي ترى تعكس وجهة نظرك في الإجابة على السؤال؟

١٥٩. ما هي درجة تقديرك الشخصي وتقدير زملائك في العمل لوضوح خطوط الهيكل التنظيمي لبيت التمويل؟

د. ممتاز ج. جيد ب. مقبول أ. ضعيف



١٦٠. هل قمتم بإنشاء هيكل تنظيمي رئيسي أو إعادة بناء هيكل القسم الذي تعمل فيه خلال السنتين الماضيتين أو هل أنتم الآن

تقومون بتنفيذ هيكل تنظيمي جديد للقسم؟

أ. نعم ب. كلا

١٦١. هل الهيكل التنظيمي للقسم الذي تعمل فيه يتكامل مع أقسام البنك الأخرى مثل قسم نظم المعلومات؟

أ. نعم ب. كلا

١٦٢. ما مدى التكامل بين قسمك الذي تعمل فيه والأقسام الأخرى في بيت التمويل؟ ضع دائرة حول الرقم المناسب أمام كل

قسم أدناه و الذي يعكس إجابتك على السؤال مستخدما دليل الإجابة التالي:

١ = لا يوجد تكامل أو اتصال على الإطلاق.

٢ = هناك نوع من التكامل والاتصال.

٣ = ليس لدي فكرة.

٤ = هناك نوع من التكامل والاتصال.

٥ = يوجد تكامل أو اتصال قوي.

١	٢	٣	٤	٥	إدارة الموارد البشرية.
١	٢	٣	٤	٥	إدارة المشتريات.
١	٢	٣	٤	٥	الإدارة المحاسبية.
١	٢	٣	٤	٥	إدارة العلاقات العامة.
١	٢	٣	٤	٥	الإدارة القانونية.
١	٢	٣	٤	٥	إدارة الكمبيوتر ونظم المعلومات.
١	٢	٣	٤	٥	إدارة المتابعة.
١	٢	٣	٤	٥	الإدارة الاجتماعية.
١	٢	٣	٤	٥	إدارة التسويق وخدمات العملاء.
١	٢	٣	٤	٥	إدارة الفروع.
١	٢	٣	٤	٥	إدارة بطاقات الائتمان (VISA&MASTERCARDS).
١	٢	٣	٤	٥	قسم رسائل الائتمان.
١	٢	٣	٤	٥	قسم الاعتمادات.
١	٢	٣	٤	٥	قسم رسائل الاعتماد.
١	٢	٣	٤	٥	قسم العقارات المحلية.
١	٢	٣	٤	٥	قسم الاستثمارات العالمية.
١	٢	٣	٤	٥	قسم الخزينة.
١	٢	٣	٤	٥	قسم الخدمات المصرفية الخاصة.
١	٢	٣	٤	٥	قسم العقارات العالمية.
١	٢	٣	٤	٥	قطاع السندات.
١	٢	٣	٤	٥	القطاع التجاري.
١	٢	٣	٤	٥	قسم التخطيط الاستراتيجي وتصميم المنتجات.
١	٢	٣	٤	٥	أقسام أخرى مثل التدريب والاستشارة.



١٦٣. هل القسم الذي تعمل به بُني على أساس أنه وحدة كاملة بذاتها واقعة ضمن شبكة أعمال بيت التمويل؟  
 أ. نعم      ب. كلا

١٦٤. ما هو تقديرك لأهمية التكامل والتعاون بين القسم الذي تعمل فيه والأقسام الأخرى في بيت التمويل؟ الرجاء وضع دائرة حول الرقم المناسب أمام كل قسم أدناه و الذي يعكس إجابتك على السؤال مستخدماً دليل الإجابة التالي:

١ = بالتأكيد غير مهم.

٢ = غير مهم.

٣ = ليس لدي فكرة.

٤ = مهم.

٥ = مهم جداً.

١ ٢ ٣ ٤ ٥	إدارة الموارد البشرية.
١ ٢ ٣ ٤ ٥	إدارة المشتريات.
١ ٢ ٣ ٤ ٥	الإدارة المحاسبية.
١ ٢ ٣ ٤ ٥	إدارة العلاقات العامة.
١ ٢ ٣ ٤ ٥	الإدارة القانونية.
١ ٢ ٣ ٤ ٥	إدارة الكمبيوتر ونظم المعلومات.
١ ٢ ٣ ٤ ٥	إدارة المتابعة.
١ ٢ ٣ ٤ ٥	الإدارة الاجتماعية.
١ ٢ ٣ ٤ ٥	إدارة التسويق وخدمات العملاء.
١ ٢ ٣ ٤ ٥	إدارة الفروع.
١ ٢ ٣ ٤ ٥	إدارة بطاقات الائتمان (VISA&MASTERCARDS).
١ ٢ ٣ ٤ ٥	قسم رسائل الائتمان.
١ ٢ ٣ ٤ ٥	قسم الاعتمادات.
١ ٢ ٣ ٤ ٥	قسم رسائل الاعتماد.
١ ٢ ٣ ٤ ٥	قسم العقارات المحلية.
١ ٢ ٣ ٤ ٥	قسم الاستثمارات العالمية.
١ ٢ ٣ ٤ ٥	قسم الخزينة.
١ ٢ ٣ ٤ ٥	قسم الخدمات المصرفية الخاصة.
١ ٢ ٣ ٤ ٥	قسم العقارات العالمية.
١ ٢ ٣ ٤ ٥	قطاع السندات.
١ ٢ ٣ ٤ ٥	القطاع التجاري.
١ ٢ ٣ ٤ ٥	قسم الخدمات الداعمة مثل الدعم التكنيكي.
١ ٢ ٣ ٤ ٥	أقسام أخرى مثل التدريب والاستشارة.



١٦٥. ما هو تقديرك لدرجة أهمية المنتجات والخدمات التي يقدمها بيت التمويل والمبينة أدناه؟ الرجاء وضع دائرة حول الرقم المناسب أمام كل منتج أدناه و الذي يعكس إجابتك على السؤال مستخدماً دليل الإجابة التالي:

١ = بالتأكيد غير مهم.

٢ = غير مهم.

٣ = ليس لدي فكرة.

٤ = مهم.

٥ = مهم جداً.

١ ٢ ٣ ٤ ٥	الحساب الجاري.
١ ٢ ٣ ٤ ٥	حسابات التوفير.
١ ٢ ٣ ٤ ٥	حساب الاستثمار الخاص.
١ ٢ ٣ ٤ ٥	حساب الاستثمار العام.
١ ٢ ٣ ٤ ٥	التجارة والتي تتضمن كل عمليات الاستثمار (بيع وشراء البضائع وتأسيس الشركات الجديدة وبناء مراكز تجارية وبيع وشراء الأراضي).
١ ٢ ٣ ٤ ٥	المشاركة.
١ ٢ ٣ ٤ ٥	بيع المراجعة.
١ ٢ ٣ ٤ ٥	البيع الأجل.
١ ٢ ٣ ٤ ٥	الإجارة.
١ ٢ ٣ ٤ ٥	المضاربة.
١ ٢ ٣ ٤ ٥	المزراعة.
١ ٢ ٣ ٤ ٥	القرض الحسن.
١ ٢ ٣ ٤ ٥	خدمات مالية عالمية.
١ ٢ ٣ ٤ ٥	إصدار رسائل الائتمان.
١ ٢ ٣ ٤ ٥	إصدار رسائل الضمان.
١ ٢ ٣ ٤ ٥	إصدار بطاقات الائتمان (Visa and Master cards).
١ ٢ ٣ ٤ ٥	توزيع آلات السحب الآلي في الأماكن المختلفة و إصدار بطاقة السحب الآلي.
١ ٢ ٣ ٤ ٥	خدمات الشيكات وطلب السحب النقدي.
١ ٢ ٣ ٤ ٥	خدمات دفع الفواتير.
١ ٢ ٣ ٤ ٥	إدارة استثمارات الآخرين.
١ ٢ ٣ ٤ ٥	تقديم الاستشارات ودراسات الجدوى.
١ ٢ ٣ ٤ ٥	دفع الزكاة نيابة عن العملاء.
١ ٢ ٣ ٤ ٥	نوافذ أو فروع خاصة بالنساء.
١ ٢ ٣ ٤ ٥	تقديم خزانات خاصة لحفظ الودائع.
١ ٢ ٣ ٤ ٥	خدمة التأكد من الرصيد عبر التلفون وإرسال كشف حساب للعملاء.
١ ٢ ٣ ٤ ٥	شيكات سياحية.
١ ٢ ٣ ٤ ٥	خدمات تحويل الأموال.
١ ٢ ٣ ٤ ٥	خدمات و أنشطة مصرفية خصوصية.



١٦٦. هل في وظيفتك ساعات محددة مخصصة لجدولة أعمالك وبرمجتها أو لبرمجة جدول أعمال معين؟  
ب. كلا أ. نعم

١٦٧. هل تتعامل مع عملاء من خارج بيت التمويل أثناء أداء عملك؟  
ب. كلا أ. نعم

١٦٨. إن كان الجواب (نعم) ، فكم عميل تقابله في الأسبوع تقريباً؟  
د. أكثر من ٢٠ ج. من ١١ - ٢٠ ب. من ١ - ٥ أ. لا أقابل أحد

١٦٩. كم من العاملين في بيت التمويل يشاركونك في أداء العمليات التي تنفذها في عملك؟  
د. ٦ فأكثر. ج. من ٣ - ٥ ب. واحد. أ. لا أحد.

١٧٠. أثناء وجودك في مكان عملك وأدائك للعمليات ، فكم نسبة الوقت المبذول في تنفيذ العمليات أو الواجبات بالنسبة لوقت الكلي في بيت التمويل ، الرجاء إعطاء تقدير لذلك؟  
iii. ٤١% - ٦٠% ii. ٢١% - ٤٠% i. أقل من ٢٠%  
iv. ٨١% - ١٠٠% ٦١% - ٨٠%

### القسم الثالث: الديموغرافيا:

هذه الأسئلة تتعلق بشخصية الموظف فقط ، الرجاء وضع دائرة حول الجواب الذي ترى أنه يعكس تقديرك للسؤال.

١٧١. ما هي الفئة التي يقع فيها عمرك؟  
iii. من ٣٠ إلى ٣٩ ii. من ٢٥ إلى ٢٩ i. أقل من ٢٥ سنة  
v. ٥٠ سنة فأكثر iv. من ٤٠ إلى ٤٩

١٧٢. الجنس:

ii. أنثى i. ذكر

١٧٣. أي من الفئات التالية تعكس المستوى التعليمي الذي تحوزه؟  
iii. الثانوية العامة. ii. أقل من التعليم الثانوي. i. بدون مؤهل تعليمي.  
v. ما بعد الشهادة الجامعية (ماجستير أو دكتوراه). iv. شهادة جامعية.

١٧٤. ما هي الفئة التي تصف دخلك الشهري؟  
ii. من ٢٠٠ إلى ٤٠٠ دينار كويتي i. أقل من ٢٠٠ دينار كويتي  
iv. من ٦٠١ إلى ١٠٠٠ دينار كويتي. iii. من ٤٠١ إلى ٦٠٠ دينار كويتي.  
v. أكثر من ١٠٠٠ دينار كويتي.



١٧٥. ما هي الفترة الزمنية التي تقدر مدة عملك في بيت التمويل؟

- i. أقل من سنة واحدة      ii. ما بين سنة واحدة وستين      iii. ما بين ستين وخمس سنين  
v. أكثر من عشر سنين      iv. من ٦ سنوات إلى ١٠ سنوات

١٧٦. في أي من الأقسام التالية تعمل؟

- i. إدارة المشتريات      ii. إدارة الموارد البشرية  
iv. قسم الخدمات المصرفية الخاصة      iii. الإدارة القانونية  
vi. قسم رسائل الائتمان      v. إدارة التسويق وخدمات العملاء  
viii. قسم رسائل الاعتماد      vii. إدارة الكمبيوتر ونظم المعلومات  
x. قسم الخزينة      ix. إدارة بطاقات الائتمان (visa & master)  
xii. القطاع التجاري      xi. قسم الخدمات الداعمة مثل الدعم التكنيكي  
xiv. إدارة العلاقات العامة      xiii. الإدارة المحاسبية  
xvi. الإدارة الاجتماعية      xv. إدارة المتابعة  
xviii. قسم الاعتمادات      xvii. إدارة الفروع  
xx. قسم الاستثمارات العالمية      xix. قسم العقارات المحلية  
xxii. قسم العقارات العالمية      xxi. قطاع السيدات  
xxiii. أقسام أخرى مثل التدريب والاستشارة

١٧٧. هل تشرف على موظفين آخرين؟

- ب. كلا      أ. نعم

١٧٨. هل تود أن تحصل على ملخص لنتائج هذه الدراسة؟

- ب. كلا      أ. نعم

إذا كان الجواب بنعم الرجاء كتابة عنوانك أدناه

-----  
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-----

شكرا على أجوبتك.



## Appendix Five: KFH Manager Interviews

For official use only	
Date and time of the interview: -----/-----/2000	Time -----: ---

### Introduction:

Interviewing is a flexible method that is usually used by researchers to draw data from interviewees. It is a practical approach that allows for feedback in the communication process, for complex questions and answers and for a lengthier questionnaire.

The Structured and personal Interviews here are a method used to collect a variety of information from the bank managers by asking a face to face questions to describe the tasks, processes, organisational structure, service quality, management methods and duties performed. The managers are capable of eliciting more detailed answers that minimise the refusal rate.

### Starting Introduction:

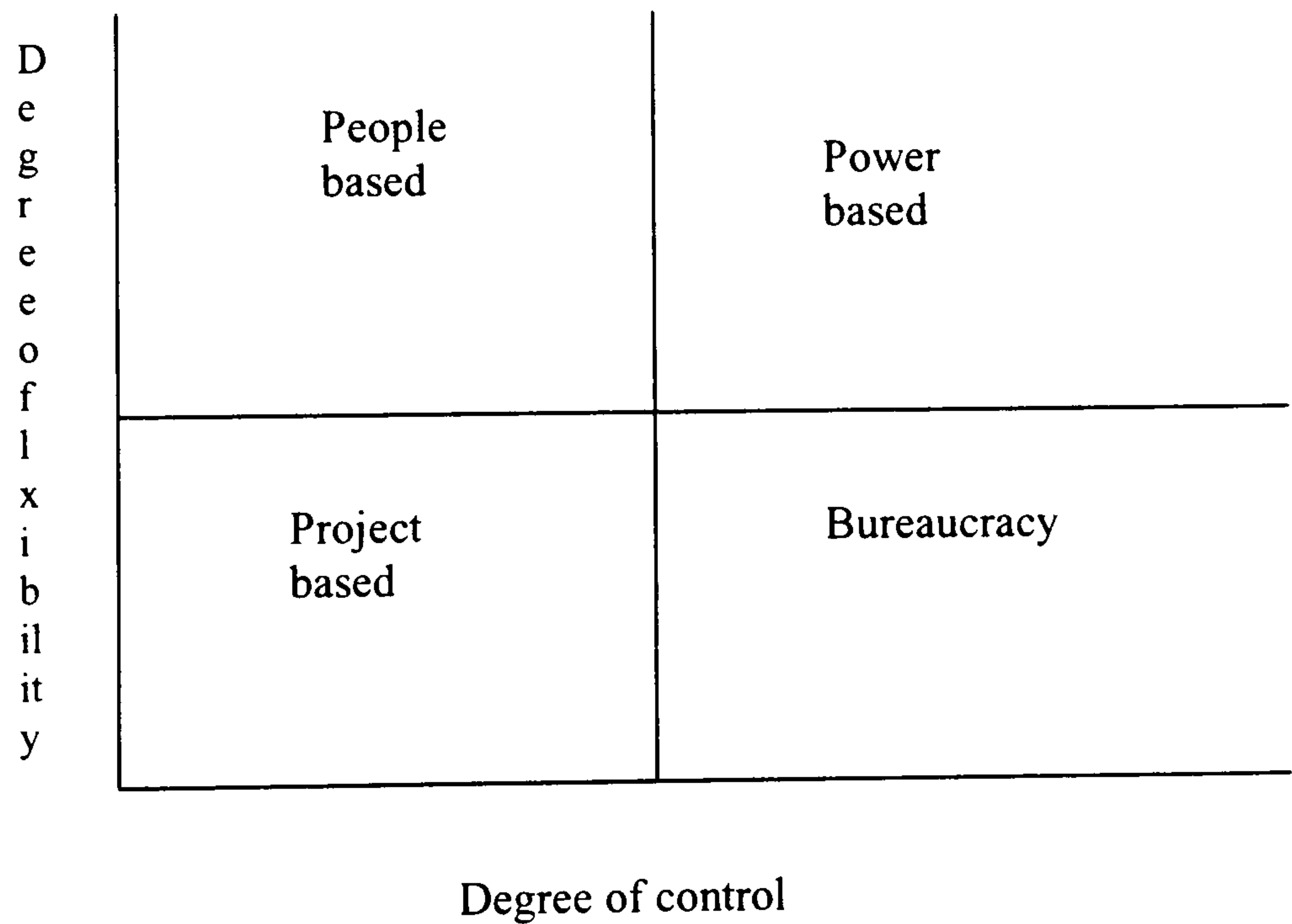
Before beginning, let me introduce myself, explain what my thesis is, what kind of questions I will be asking, and how will use your answers:

1. I, Abdulqawi Othman, PhD researcher at DOMIS, Wales university, Lampeter, my thesis is entitled “The Relevance of adopting Business Process Re-Engineering (BPR), and Service Quality in Islamic banks management: A case study between theories and reality. My intended in this interview to diagnose the bank current situation in terms of management, organisational structure and quality service.
2. You will be asked a general and specific questions to highlight the key areas of the bank management and quality
  - Background about his current job like job entails, responsibilities, bank strategy and planning and so on, it will also includes closed questions followed by open questions.
  - More specific questions related to the manager position and based on my thesis focus and my review of the literature.
3. I will do my best to maintain the confidentiality of your answers by:
  - The thesis will not identify any names of the managers
  - I will do my best to aggregate answers wherever possible to make it more focused to identify particular answer and situation.
4. I would also like to tape the interview if you do not mind so that I can refer back to specific answers as needed.



Interviews Questions:

- 1. Describe your job to me (job entail, your responsibilities, and its important to the bank).
- 2. What do you think is really needed to do your job (skills, knowledge, experience, political connection, etc.)
- 3. Do you feel that the situation in the bank or in your hierarchical level has been changed after you took the assignment in this position? Explain?
- 4. Did you evaluate the strategy of the group when you took over? Did you do this by yourself or with others in the top group?
- 5. Is your top group a team or a working group? In other words are they independent on each other?
- 6. How many members are there in your groups? What are their positions?
- 7. In your bank, what the culture and employees and customers beliefs and values do to enhance or inhibit effective process performance in the bank?
- 8. In recent years, banks organisations have become more sensitive to public opinion, environment changes and social pressures, is your bank affected and why this happened and how do you respond to these pressures?
- 9. What types of organisational structure do you think your bank has? Is the structure of your department or branch different from other department?
- 10. Do your bank moving towards more centralisation or more decentralisation?
- 11. How do you cope with problems this structure brings?
- 12. Where would you place your bank on the following matrix?



- 13. What does the organisation structure do to enhance or inhibit effective process performance?  
To be more specific in this question, would you please explain the following factors to show the degree of their contribution in effective process performance in any level of the bank hierarchy? Job position structure, Job reporting relationships, Job content, Job skill/knowledge requirements, Job accountability, Job complexity, Organisation structure, Job grouping, Work group relationships, Organisation type (militaristic, consensus, team based, and so on).
- 14. Did you find any lack of departmental co-ordination? If yes which of the following reasons caused this lack?



- Lack of clarity about goals of the bank.
  - Interdepartmental rivalry encouraging a spirit of competition rather than co-ordination.
  - Inappropriate organisational structure which does not foster interdepartmental communication, co-ordination or control
  - A reward system
  - Interpersonal conflict between department heads
  - A lack of training
15. Consider your department as a system, could you explain what the boundaries of the system are? What are the inputs and outputs?
  16. How does your department fit into the whole system in the bank?
  17. Consider your own position, do you carry out any of the management processes?
  18. In the current situation, what, in business processes you perform, prevents you from satisfying and creating quality products and services?
  19. To be more specific in the above question, we can ask this question: How much/many time delays, transaction error, lack of controls, rigid procedures, exception processing, facility problems, paperwork problem, approval layers, review cycles, duplication of work, lack of standards, documents errors, transaction volatility, fragmentation of work, inconsistent inputs to work, inaccurate inputs to work, unclear work outputs, incomplete work outputs, policy problems, procedure problems, and content complexities they happen in your work's process?
  20. IT refers to the integrated use of high technology linking a whole variety of activities in the bank. What does it do to enhance or inhibit effective integrated process performance in the bank with customer and with internal people?
  21. What does the computer system or computer network or lack of it do to enhance or inhibit effective process performance in the bank with customer and with internal people?
  22. What does the information access for customers and employees, information timelines and availability or lack of them do to enhance or inhibit effective process performance in the bank?
  23. What does the data creation, updating, deleting or lack of it do to enhance or inhibit effective process performance in the bank with customer and with internal people?
  24. Do you cascade the information down to the right people? And how do you get the information that supports you to take a decision?
  25. What does the communication or lack of it do to enhance or inhibit effective process performance in the bank?
  26. What does the performance monitoring or lack of it do to enhance or inhibit effective process performance in the bank with customer and with internal people?
  27. Have you got any measurement systems in the bank if yes would you please explain its contribution to enhance or inhibit effective process performance?  
When you manage your position, did you use management methods and if yes are they enhancing your performance?
  28. As you know there are conflicts of interest between stakeholders, could you please list your main responsibilities to each of the following stakeholders (employees, shareholders, customers, and the government) and identify conflicts between them, and how you manage these conflicts?

Thank you very much for participating in this research.



بسم الله الرحمن الرحيم

جامعة ويلز - لامبتر  
قسم الإدارة ونظم المعلومات

## مقابلات مع مديري بيت التمويل الكويتي

للاستعمال الرسمي فقط
تاريخ وقت المقابلة: ----/----/---- الساعة ٢٠٠٠:----
رقم المقابلة: -----
مركز ومكان المقابلة: -----
تاريخ تدقيق وإدخال البيانات: ----/----/---- الساعة ٢٠٠٠:----

### مقدمة/

بادئ ذي بدء ، أودّ أن أشكركم كثيرا على إتاحة هذه الفرصة للقاء بكم وأودّ أن أعرفكم عن نفسي وأبين لكم ماهية هذه المقابلة ونوع الأسئلة التي سأسألها وكيف يمكن استعمال الأجوبة التي ستفضلون بها.

- أنا عبد القوي عثمان طالب دكتوراه في جامعة ويلز قسم الإدارة ونظم المعلومات و أبحث في "أهمية تبني مفاهيم كإعادة هندسة الأعمال ، إدارة الجودة الشاملة للخدمات والاستفادة من النجاح المحقق في القطاعات والشركات الأخرى في إدارة البنوك الإسلامية: دراسة ميدانية لمقارنة النظرية بالتطبيق".
- إن هدفي من هذه المقابلة هو معرفة وتشخيص الوضع الحالي لمصرفكم بم يتعلق بالإدارة و فاعلية البناء والميكل التنظيمي و جودة الخدمات والمنتجات المقدمة للعملاء.
- ستطرح عليكم العديد من الأسئلة العامة والمتخصصة من أجل تسليط الضوء إدارية كانت أو تخص جودة الخدمات المقدمة للعملاء.
- أسئلة متعلقة بوظيفتك الحالية مثل الأشياء المتعلقة به والمسؤوليات المطلوبة وما هي استراتيجية البنك وخططه المستقبلية.....الخ.
- عدد آخر من الأسئلة الدقيقة المتعلقة بإدارتك والعمليات التي تنفذها وهي الأسئلة المتعلقة بالبحث الذي أجريه.
- وأود الإحاطة أني سأعمل كل ما في وسعي لأحترم سرية وخصوصية أجوبتكم وذلك لأنني لأذكر أي اسم من الأسماء وسأعمل كل ما في وسعي في جمع البيانات وتحليلها بشكل خاص ومركز بحيث تساعدني في إلقاء الضوء على بعض الجوانب في مصرفكم. وبودي أن أسجل المقابلة على مسجل إذا سمحتم بذلك حتى أستطيع الرجوع الى البيانات والمعلومات عند الحاجة لها.



## أسئلة المقابلة:

- ١) بشكل عام ، صف لي طبيعة عملك أي ما هي الأعمال المتوقعة منك ، وما هي مسئولياتك وما أهمية عملك بالنسبة للبنك؟
- ٢) ما هي برأيك المتطلبات اللازمة في الشخص الذي يشغل منصبك (الخبرة ، المعرفة ، المهارة ، العلاقات والارتباطات الأخرى)؟
- ٣) هل تشعر بأن الوضع في بيت التمويل أو في قسمك أو إدارتك قد تغير منذ أن شغلت منصبك الحالي؟ الرجاء اشرح؟
- ٤) هل قمت بتقييم استراتيجية فريق العمل الذي تعمل معه عندما استلمت منصبك الحالي؟ إن كان كذلك ، فهل قمت بالعمل بنفسك أم استعنت بآخرين للقيام بهذا العمل؟
- ٥) هل تعتقد أن الأعضاء الذين يشغلون المناصب القيادية في بيت التمويل هم فريق عمل واحد أم يعملون بصورة مستقلة من بعضهم البعض؟
- ٦) كم هو عدد الأعضاء القياديين في مستواك الوظيفي وما هي مناصبهم؟
- ٧) برأيك هل للثقافة وقيم واعتقادات العملاء والموظفين دور في تعزيز وفاعلية أداء العمليات المصرفية في بيت التمويل أوفي تنفيذ العمليات المختلفة؟
- ٨) في السنوات القليلة الماضية أصبحت المنظمات المصرفية حساسة جدا بالنسبة للأمور المتعلقة بالرأي العام والتغيرات البيئية المختلفة بالإضافة للضغوط الاجتماعية من جهة أخرى ، هل تعتقد بأن بيت التمويل قد تأثر بذلك ، وما هي الأسباب التي أدت إلى ذلك وكيف تستجيبون لذلك؟
- ٩) ما نوع الهيكل التنظيمي المستعمل في بيت التمويل وهل يختلف بناء قسمك أو فرعك التنظيمي عن الأقسام والفروع الأخرى؟
- ١٠) هل تعتقد أن بيت التمويل يسير نحو مزيد من المركزية أو اللامركزية؟
- ١١) كيف تستطيعون التغلب على المشاكل التي يجلبها الهيكل التنظيمي إن وجدت؟
- ١٢) أين تضع البنك في هذا الجدول المرسوم؟

اعتمادا على الناس	اعتمادا على القوة
اعتمادا على المشروع	البيروقراطية



(١٣) كيف يمكن أن يعزز البناء التنظيمي لبيت التمويل الطريقة الفعالة في أداء العمليات والواجبات المختلفة أو بمعنى آخر هل بالإمكان شرح مساهمة العوامل التالية في تعزيز فاعلية الأداء للعمليات والواجبات المطلوبة في كل مستوى من مستويات الهرم الوظيفي: التوصيف والبناء الوظيفي ، التقارير في العمل ، علاقات العمل ، الاقتناع بالعمل ، المتطلبات المعرفية والمهارات في العمل ، مسؤولية الموظف عن عمله ، تعقيدات العمل ، الهيكل التنظيمي ، بناء فريق أو فرق عمل مختلفة ، العلاقات بين جماعات العمل و أخيرا نوع التنظيم في بيت التمويل (بيروقراطي ، جماعي ،... الخ).

(١٤) هل تعتقد أن هناك نوعا من التقصير في التنسيق والتعاون بين أقسام بيت التمويل المختلفة؟ إن كان الجواب نعم فأني من الأسباب الآتية سببت هذا التقصير؟

- القصور في الوضوح اللازم في أهداف وغايات بيت التمويل.
- المنافسة بين الأقسام والقطاعات المختلفة تشجع روح التنافس بدلا من روح التعاون والتنسيق.
- بناء هيكل تنظيمي غير مناسب بحيث أنه يتبنى مسائل الاتصال والتعاون والتنظيم والسيطرة بين الأقسام المختلفة في بيت التمويل.

- نظام المكافآت في بيت التمويل.
  - خلافات شخصية بين رؤساء الأقسام أو الفروع.
  - هناك تقصير في عملية التدريب.
- (١٥) لو تصورت أن القسم الذي تعمل به هو على شكل نظام ، هل تستطيع شرح حدود هذا النظام وما هي المدخلات والمخرجات لهذا النظام؟

(١٦) أين تضع قسمك في نظام البنك ككل؟

- (١٧) في وظيفتك الحالية في بيت التمويل ، هل تنفذ أي من العمليات الإدارية المختلفة كالتخطيط والتنظيم... الخ؟
- (١٨) ما هي الواجبات أو العمليات التي تقوم بها في البنك و ما هي الأشياء التي تمنعك من تقديم أو خلق منتجات جديدة؟
- (١٩) لكي نكون أكثر دقة من السؤال السابق ، دعني أطرح هذا السؤال: إلى أي مدى تتكرر العراقيل أو المشاكل الآتية خلال أدائك لعملك: تأخر في الوقت ، حدوث أخطاء في المعاملات المالية ، ضعف في الرقابة على العمل ، عدم مرونة الإجراءات ، أداء عمليات استثنائية ليست في جدول العمل ، وجود مشاكل في التسهيلات والأدوات المساعدة في العمل ، مشاكل متعلقة في الأمور الكتابية، كثرة المستويات الإدارية المطلوبة لتنفيذ عملية معينة ، تكرار نفس العمل ، ضعف المعايير المستخدمة في تقييم العمل ، أخطاء في الوثائق ، عدم الاستقرار في المبادلات المالية ، تجزئ العمل ، المدخلات غير المنظمة والمعدة للعمل ، المدخلات غي الدقيقة والتي تؤدي إلى مخرجات غير جيدة ، نتائج عمل غير واضحة ، نتائج عمل غير كاملة ، مشاكل في سياسة بيت التمويل ، مشاكل في الإجراءات وتعقيدات محتويات العمل.

(٢٠) IT (Information Technology) تعني الاستعمال الأمثل للتكنولوجيا في ربط العديد من العمليات المختلفة في البنك بطريقة تكاملية ودمج المتشابه منها في عملية واحدة. ما هو في اعتقادك أثرها في دعم وتعزيز فاعلية أداء العمليات والواجبات في بيت التمويل الكويتي بالنسبة للعملاء والموظفين وما هو دورها في تكامل العمليات؟

(٢١) ما هو دور نظام الكمبيوتر أو شبكة بيت التمويل المصرفية في دعم التكامل في أداء العمليات والواجبات المختلفة بالنسبة لعملاء وموظفي بيت التمويل؟

(٢٢) للحصول على المعلومات وانسيائها في الوقت المناسب للعملاء أو الموظفين دور في تعزيز وتقوية الأداء الفعال للعمليات والواجبات المختلفة ما هو برأيك هذا الدور؟

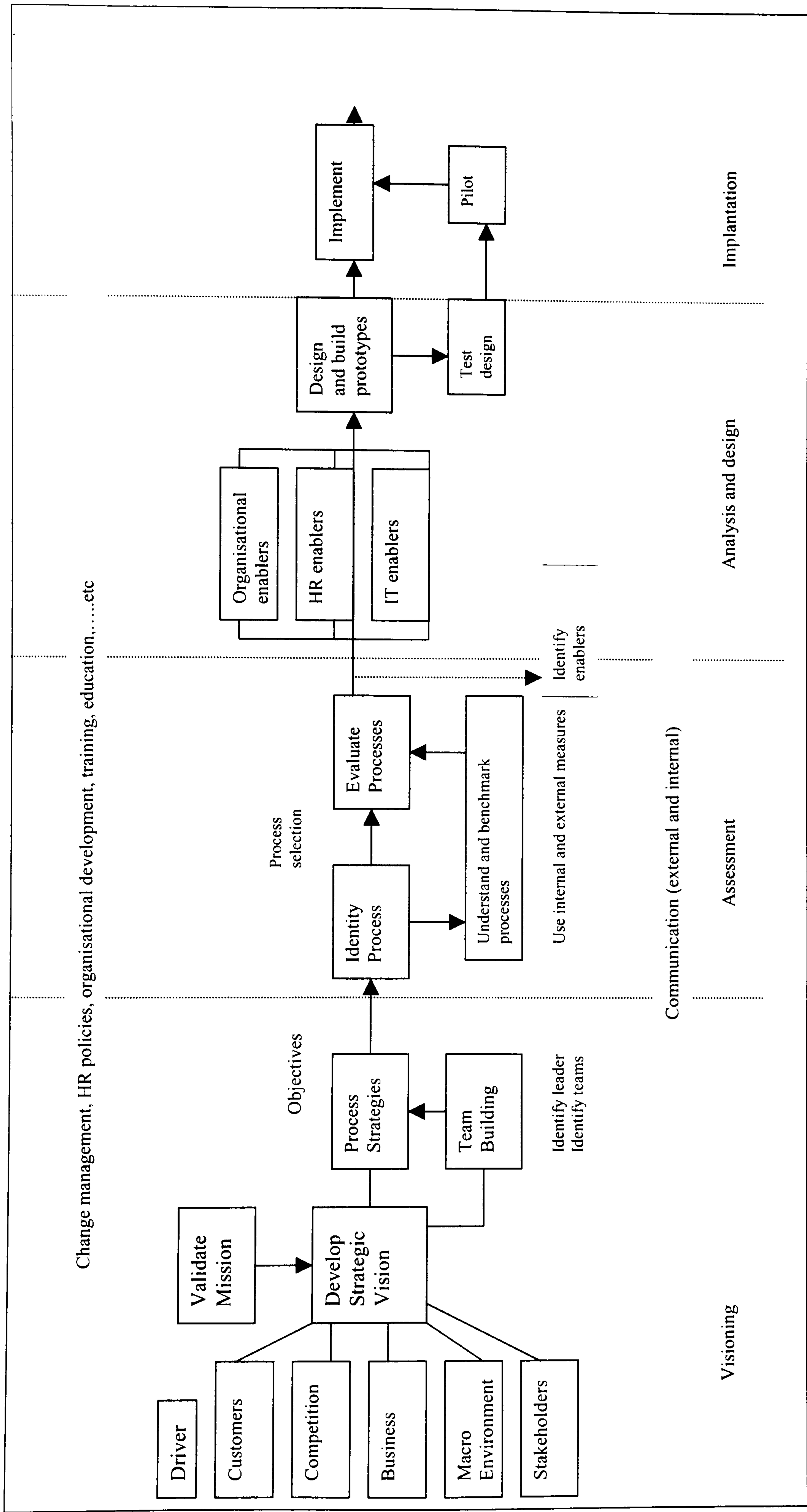


- ٢٣) لتطوير المعلومات المتوفرة وذلك بدعمها بمعلومات جديدة أو بأخر المستجدات والتطورات وحذف المعلومات الزائدة عديمة الحاجة أثر في تعزيز وتقوية الأداء الفعال للعمليات والواجبات المختلفة ما هو برأيك هذا الأثر بالنسبة للعملاء والموظفين؟
- ٢٤) هل يتم تبادل المعلومات بشكل تسلسلي وكيف تحصل على المعلومات التي تساعدك في اتخاذ القرار؟
- ٢٥) م أثر نظام الاتصال في بيت التمويل في تعزيز وتقوية الأداء الفعال للعمليات والواجبات المختلفة؟
- ٢٦) ما هو برأيك أثر وجود نظام فعال لمراقبة الإنجازات في دعم الأداء الفعال للعمليات المختلفة والواجبات بالنسبة لموظفي البنك وعملائه؟
- ٢٧) هل عندكم أنظمة لقياس الأداء في بيت التمويل؟ إن كان الجواب نعم فما هو مقدار مساهمتها في دعم الأداء الفعال للعمليات والواجبات المختلفة؟ أيضا منذ استلامك لمنصبك هل استعملت طرق الإدارة في التنظيم وكيف أثرت على طريقة أدائك؟
- ٢٨) كما تعلم فإن هناك تضارب في مصالح الفئات ذوي العلاقة بالبنك الرجاء توضيح مسؤولياتك تجاه كل فئة ابتداء بالموظفين والعملاء ، مالكي الأسهم ، الحكومة ، المنافسين ما طبيعة هذا التضارب وكيف تحاول حله؟

شكرا على مساهمتك في هذا البحث



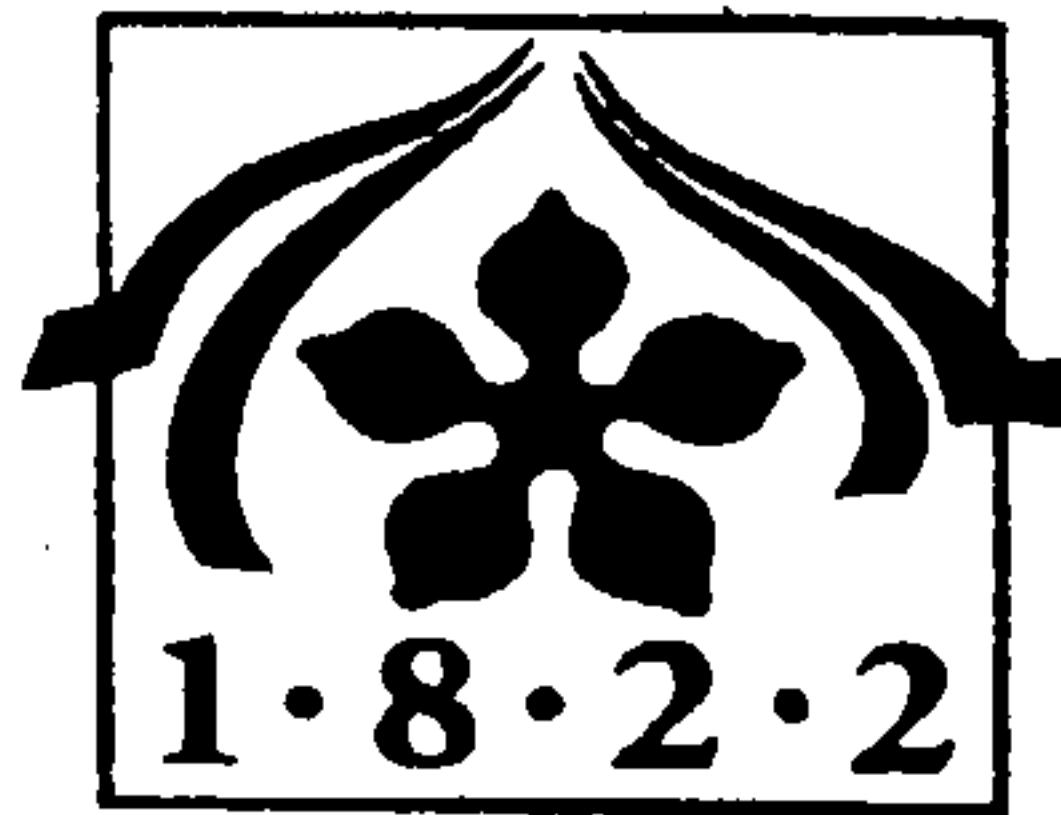
Appendix Six: Reengineering; A High Level Business Model: (Adapted from Misser, p. 26.)





Appendix Seven (a):  
Letter from the University regarding the Research

UNIVERSITY OF WALES  
L A M P E T E R  
Department of Management &  
Information Systems



PRIFYSGOL CYMRU  
LLANBEDR PONT STEFFAN  
Adran Rheolaeth a  
Systemau Gwybodaeth

Embassy of The State of Kuwait  
2 Albert Gate  
London SW1X 7JU

2 May, 2000

Dear Sirs

AbdulQawi Radman M Othman

This is to confirm that AbdulQawi Radman M Othman is registered with the University of Wales Lampeter, UK for undertaking a programme of research leading to the degree of Ph D.

Mr Othman's subject of research is 'The Relevance of adopting the techniques of Business Process Re-Engineering, Total Quality Management and Benchmarking in the Management of Islamic Banks'. As part of this study he will be undertaking case study work in selected banks and for this purpose will need to visit The State of Kuwait.

For this purpose I would be grateful for support in obtaining an entry visa for AbdulQawi Othman.  
Thank you for your assistance

Yours faithfully



Dr H L Owen



THE QUEEN'S  
ANNIVERSARY PRIZES  
FOR HIGHER AND FURTHER EDUCATION  
1998

Head/Pennaeth: Dr H.L. Owen  
Lampeter/Llanbedr Pont Steffan, Ceredigion, SA48 7ED, UK.  
Phone/Pfôn: 01570-424727. Fax/Ffacs: 01570-424714. email: [mis@lamp.ac.uk](mailto:mis@lamp.ac.uk)



## Appendix Seven (b):

### Letter from KFH to the researcher

بيت التمويل الكويتي  
KUWAIT FINANCE HOUSE

April 18, 2000

Mr. Abdulqawi R. M. Othman  
23 Garrick Str.  
Liverpool  
L 7 4LE  
United Kingdom

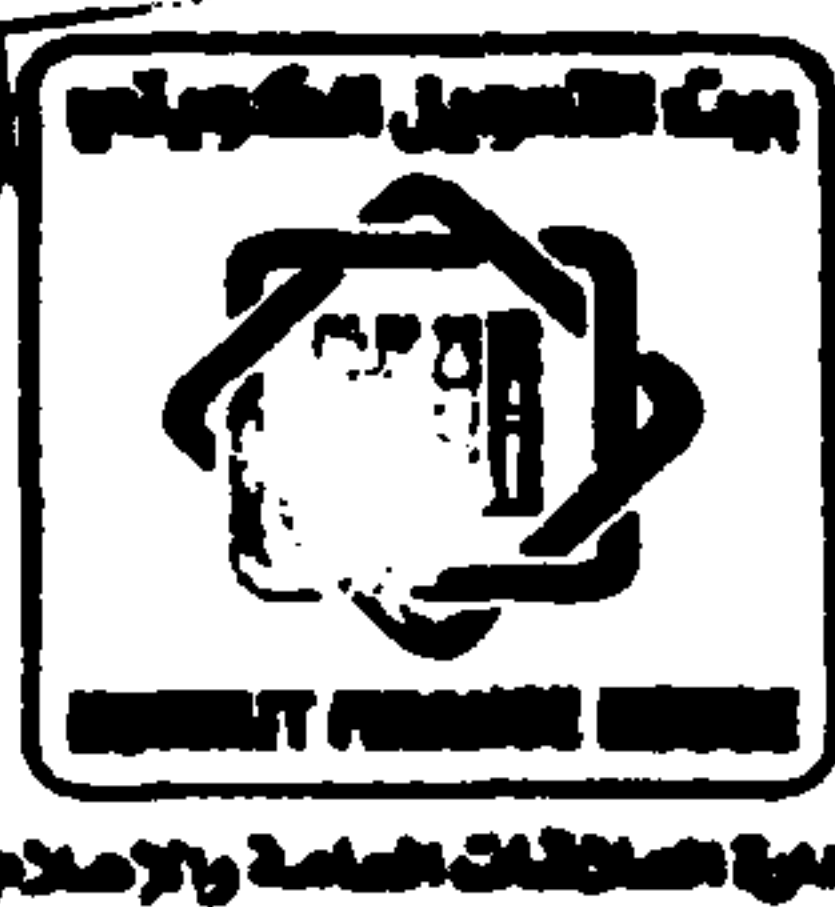
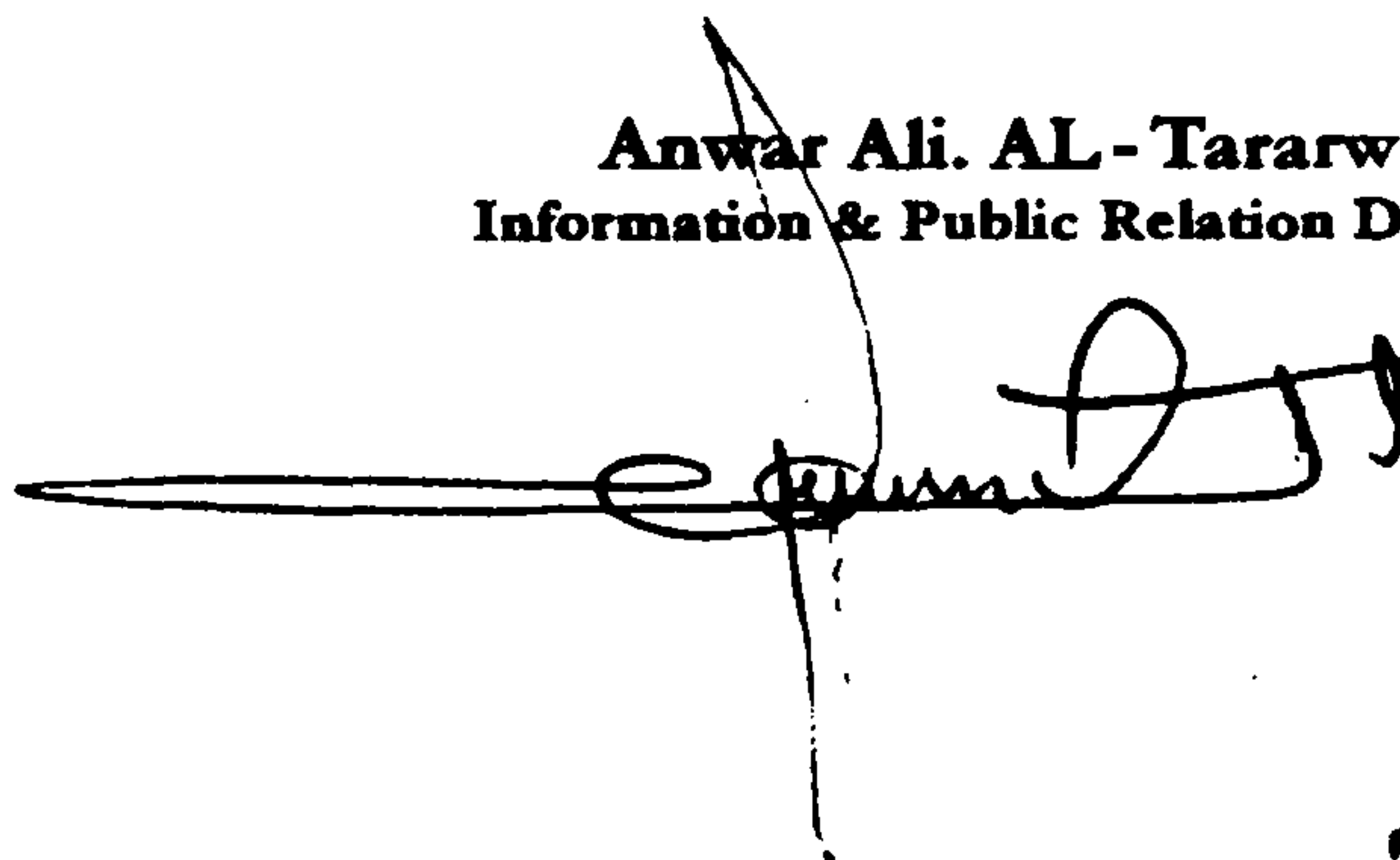
Dear Mr. Abdulqawi R. M. Othman:

thank you for your Fax requesting to do your ph D case study at K.F.H.

We are Happy to inform you that this will be possible and welcome you to conduct your study here at anytime.

Sincerely,

Anwar Ali. AL - Tararwa  
Information & Public Relation Dept.



بيت التمويل الكويتي  
KUWAIT FINANCE HOUSE  
قسم العلاقات العامة والإعلام

W . E



تلفون: ٢٤٤٥٠٥٠ فاكس: ٢٤٣٥٥٣١ ص.ب: ٢٤٩٨٩ الصفاة الرمز ١٣١١٥ الكويت برفياً بيت مال ك ت  
TEL.: 2445050 FAX: 2435531 P.O.BOX 24989 SAFAT, 13110 KUWAIT CABLE: BAITMAL KT





Appendix seven (c):  
The Approve Letter from KFH:

بيت التمويل الكويتي  
KUWAIT FINANCE HOUSE K.S.C.

08 October 2000


**TO WHOM IT MAY CONCERN**

This to confirm that Mr. Abdulqawi R M Othman has finished his case study program which located in Kuwait Finance House, State of Kuwait during September and October 2000 . The case study includes distribution questionnaires to KFH employees, managers and customers, also Mr. Otheman has done many interviews with sample of managers. Some process activities have been studied by him in different locations and branches of the KFH.

The Information Center has arranged all the necessary resources to help Mr.Abdulqawi to achieve his target. We hope that his research will make a valid contribution to our understanding of management process in Islamic Banks.

We are waiting for this study result, wishing all success to him.

For KUWAIT FINANCE HOUSE K.S.C.

  
**MEDHAT A.AL-KHARASHI**  
MANAGER, FIN. INFORMATION  
INT. INFORMATION CENTER

ص ب ٢٤٩٨٩ الصفاة ١٣١١٠ الكويت تليفون ٢٤٤٥٠٠٥ (خط) - فاكس ٢٤٥٥١٣٥ برقية بيت المال ك ت ص ب ٢١٠١١  
P.O. BOX 24989 SAFAT, 13110 KUWAIT TEL: (20 LINES) FAX: 2455135 CABLE: BAITMAIL KT

