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Quality in Islamic Banking Sectors Model and Framework Case: Kuwait Finance House – Bahrain

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1 ABSTRACT

This paper develops a general framework or Model for establishing an effective high level of Quality of Services and Products produced by Banks in general and Islamic Banking in particular. It is very crucial for any Bank to establish, monitor, and control the quality level of its services and products.

The paper will address different types of performance measurement required to be utilized and analyzed, and that the decisions made up on its outputs are at the acceptance win situations. What is the difference here among conventional Banks and Islamic one is the critical issue of Islamic Transactions' laws (Sharia'a Principles) which shall be monitored and controlled. Therefore it is a must that all transactions shall be in compliance with Sharia'a Principles, Standards and Rules of practice that are obeyed as the Bank is committed it's self to follow the laws of Islamic Transactions.

Other present-day challenges include continuous changes, and the need of continuous improvement approach is to be incorporated. The speed of change, the impact of the Internet, mobile banking, and the need for an international focus, all are playing a big role in pushing a head banking sectors to respond effectively to these challenges. On the second hand, Islamic financial institutions need to establish the required quality management systems that integrate the needed level of quality, creativity, innovation, and Sharia'a regulations, and bring them into practice. This paper presents a framework or model for such development of Quality Management System and discusses its implementation.

2 INTRODUCTION

It is one of the challenging tasks to develop and establish a quality management system for the services sectors, and as more and more customers are interacting with non tangible products that they can feel, the situation even become more complex to be measured and evaluated. Banking sectors, and especially when it is combined with some specific rules and regulations that are the Sharia'a Principles in our part of the world (Islamic Region), the system creation to be in compliance with the quality level required together with Sharia'a is a real vital issue that challenge Bank's Leaders and Executives.

Nevertheless, Islamic banking is spreading and gaining acceptance in both Muslim and non-Muslim countries. In 1999, the Middle East alone had 12 top-tiered Islamic banks with total capital of about \$1.8 billion and assets of approximately \$18 billion. Bosnia Bank International became operational in March 2001, positioned as a regional Islamic bank for the Balkan area, with wholesale and retail services in Bosnia (Carvalho, 2001). Many of the Islamic banks are gaining strength and achieving profits. For example, Al Rajhi Banking and Investment Corporation posted a net profit in 1997 of \$347 million and return on capital of 25% (Hamwi and Aylward, 1999). Bank Al-Jazira, by far the smallest bank in the Saudi Islamic banking sector, grew profits 41 percent in 2000 (MEED, 2001).¹

Nowadays, and especially in our region, and if I say precisely in our country Bahrain, we have more than 30 Islamic Banks between commercial and offshore banking.

Twenty-five years ago Islamic banking was virtually unknown. Today the market size is estimated, by some commentators, to be growing at the rate of 15% per annum. Islamic banks currently operate in approaching 75 countries and the industry has a market size estimated at US\$ 200 - 230 billion. The Kingdom of Bahrain has established itself not only as pre-eminent regional international centre for conventional commercial banking operations, but also one for Islamic banking and finance. Bahrain is proud to play host to the largest concentration of Islamic banks and financial institutions in the Middle East region. 31 Islamic banks and financial institutions offer a wide range of services including commercial banking, investment banking, offshore banking and fund management, all conforming to Sharia'a principles. Two thirds of the Islamic financial institutions operating from the GCC (Gulf Council Countries) are based in Bahrain. An appropriate framework for regulating and supervising the Islamic banking sector, applying the same principles of sound regulation and supervision as to conventional banking has been established.²

Now if we want to talk about quality what shall we consider? Or what are the focuses of quality that will make the provision of products and services acquired by customer and clients, and hence repeat businesses.

The service-profit chain of Heskett et al. (1994) clarifies the role of quality, and its inter-relationships with operational aspects of a service organization. The arguments in Heskett et al. proceed as follows: (i) profit and growth are stimulated primarily by customer loyalty; (ii) loyalty is a direct result of customer satisfaction; (iii) satisfaction is largely influenced by the value of services provided to customers; (iv) value is created by satisfied, loyal and productive employees; (v) employee satisfaction results primarily from high-quality support services and policies that enable employees to deliver results to customers.

In this paper we are drawing an Islamic Banking Quality Management System Model that will build up the required infrastructure, resources, and Leadership to navigate the market to achieve the bank's goals and objectives.

This model constructed here in this paper will not be the best nor the only suited model. There are many paradigms that could be altered, differentiated, or integrated to construct a better mean and method to achieve its objectives, especially when cultural issues are considered and involved.

3 QUALITY MANAGEMENT SYSTEM MODEL IN BANKING SECTOR (ISLAMIC BANK)

In this model, one can ask what will be the difference between conventional Banks, and that of Islamic Banks. It is indeed not the topic that we are considering in this paper, but we need to come across some of these differences.

The main difference between Islamic and conventional banking is that Islamic teaching says that money itself has no intrinsic value, and forbids people from profiting by lending it, without accepting a level of risk – in other words, interest (known as "Riba") cannot be charged.

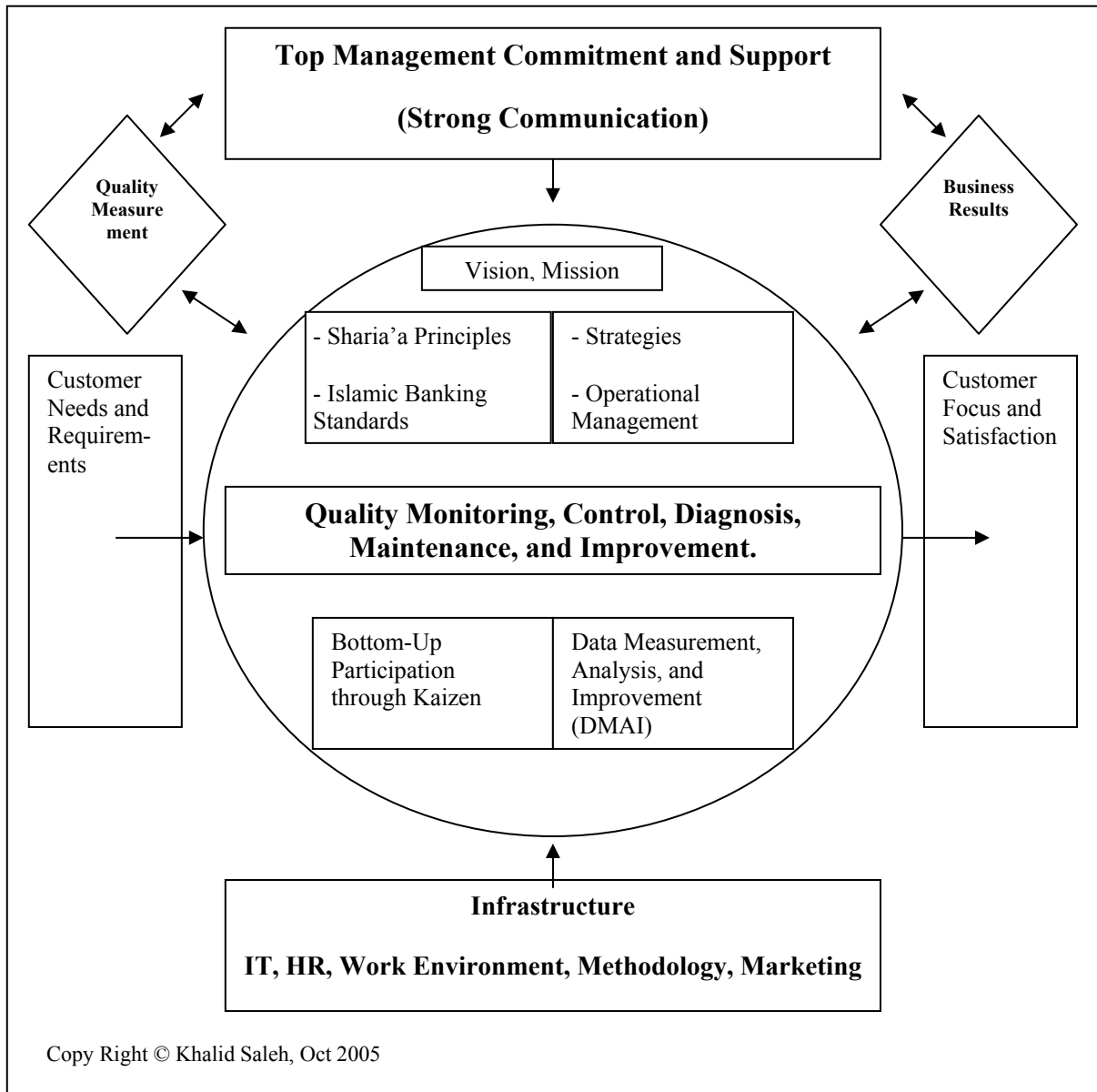
To make money from money is prohibited – wealth can only be generated through legitimate trade and investment. Any gains relating to this trading are shared between the person providing the capital and the person providing the expertise.

Let us now discuss the following model as a real QMS Model for Islamic Banking in our region.

The Model elaborate eight main different elements, which are:

- 1- Management Leadership and Commitment.
- 2- Islamic Bank Direction and contribution; including Vision, Mission, Strategic direction, market focus and distinguished tactics.
- 3- Customer Focus as one of the driving force.
- 4- Core Business through Sharia'a Principles and its compliance.
- 5- Quality Practice Tools and methodologies
- 6- Bottom-Up Contribution (Through Employees).
- 7- Competitive Infrastructures.
- 8- Data Measurement, Analysis and Improvements (DMAI)

We will discuss them in more details hereunder. The model below constructs the framework of the Quality management System Business Model in Islamic Banking sectors (QMS-BM).



This model could also be applied to a service organization, but in this paper it has been addressed and designed to be constructed for an Islamic banking. Still conventional Banks, and even other institutions can alter the model to suit their interest and pursue its movement towards successfully competing in the market through best quality delivery and practices.

1- Management Leadership and Commitment.

We all are working in organizations, and all of people around us are doing so. But sometimes we ask ourself why company "A" is leading the market, whereas Company "B" is not. Why this company is a role model, and that another one is not! So what is the reason behind that? The answer lies in a proper understanding of the roles of leadership and management, and the know-how together with the experience of how to balance responsibilities between the two roles for maximum effectiveness within the organization—and maximum benefit for the organization.

All of us could say that he or she knows his or her responsibilities and goes about accomplishing them almost as a matter of routine. But there could be a little wasted effort, few misunderstandings, and almost no confusion about expectations. Some others would say; “this is a great organization in which to work”, is that true or not? Or are those who say agree knows exactly their contribution or they disagree!

People spend as much time complaining and sniping as they do achieving the goals of their organization, but are they? Or they are not? Let us see how those capable and trusted leaders work at successful organization started by managing things (Efficiency) towards leading others things which are the right things (Effectiveness).

The reason behind how CEOs and Board of Directors' Members are knowing what people around them needs, and how to inline their needs together with the organization's goals and objectives. Then the need of strong leadership is a must, and that could be because of member needs come first, or leaders must know how to create a proactive managed changed, or governance has to adapt to the times, or, core competencies is usually focused, and or even revenue sources and uses are changing.

Drucker (1996) suggested that: The core characteristics of effective leaders include basic intelligence, clear and strong values, high levels of personal energy, the ability and desire to grow constantly, vision, infectious curiosity, a good memory, and the ability to make followers feel good about themselves.

Nowadays, we find many of the business models together with the business excellence models and awards such Malcolm Baldrige National Quality Award (MBNQA), European Excellence Award, Singapore, Malaysia, Bahrain, ..etc, all are concentrating on the type and style of leadership of that organization.

The Top Management shall together with the senior management establish the direction needed for the organization and strongly contribute to the development of a clear vision, mission statement and the quality policy on how they need to deliver the level of quality of their services and products. Moreover, the Top Management could come across topics like; Top Management diagnosis, preparation of company-wide quality plan, management of quality improvement teams, practice of the performance appraisal as the norm, information and analysis of competition, formal discussion with suppliers whenever applicable, and constant review of customer information.

Together with organization's members, leaders must understand and analyze the impact of knowing their business goals and objectives together with the values that they believe in and practice of work.. They should lead the way in influencing change within the Bank and together with the business and support units. Those with the mindset and skills of a global manager exercise proactive leadership in altering both the macro and micro levels of special topic which is the change in culture. Then it is concluded that for any business, although internationally now, are acting up on similar methods, accounts, developments,....etc, but still the consideration of leadership and the required needs of understanding business goals with clear communications to all levels within the Bank is considered as a must for success.

2- Islamic Bank Direction and contribution; including Vision, Mission, Strategic direction, market focus and distinguished tactics.

We have talked in brief about the role of the Top Management in contributing towards the creation of the Bank's direction through the establishment of the Islamic Bank's Vision, Mission statement, Strategic direction, Market needs analysis, and the Bank's Values and culture to be inline with the Sharia'a Principles.

Many organization, and let us consider Banks, really participate in activities and make a change in direction from time to another, but it lacks the clear written and approved direction where it wants to be, to achieve that vision. Therefore, having creating a clear communicated vision to the Bank with its proper communication will lead to one direction. Having put that vision, it is a must to establish and communicate the mission statement as well, which clearly describe what we as an Islamic Bank are doing.

As an Islamic Bank, I can say, it is crucial to incorporate an Islamic Vision Image that reflects a real Islamic Banking based on Sharia'a principles and towards successful commercial business and investment.

One can establish a real vision, mission, and critical success factors as part of the strategic planning, but this might not be realized if such are not brought from the people who are working with the Bank, considering Top Management, Middle Management and some of the required Line Management and employees. With the play catch tool, used in policy deployment under the Total Quality Management (TQM) Philosophy will create a real successful move towards one direction sharing agreed values and culture at the same time.

There are many methods, techniques and tactics to develop strategies. The most important issue in this development is the deployment, and its diagnosis by the Top Management. As a task which could be assigned to the Performance Audit Committee which is advised to be established in such practice consists from cross functional trained staff from within the Bank, can assess and appraise the strategy and policy deployment within the Bank. It is even much important to establish the clear and right procedure for such assessment. MBNQA assessment could be a good reference for a creation of an assessment and diagnosis.

One of the important topics here under this discussion, is to create values within the bank that internal employees and external customers really believe in. What is most important in value creation is that they feel it, and consequently became sensible. What are these values? How to create them and communicate them? Let us take a small example on this as explained below.

Top Management shall ensure that the creation of such values are really meaningful and reflect a real practice. If they can not prove that the two together are matching (The Say vs. The Practice), a success might not be the end or will not lead towards it. We propose such values to be for example under one word, and this word by itself has a value meaning (or proactive meaning) and every letter refers to a specific value meaning as well. The Word is **FORWARD**, and every letter has a meaning as follows:

F *Faith*, a belief towards distinguished success.

O *Obligation*, that every one is responsible to his/her duties on time and best.

R *Responsible*, we together as one team deliver our outputs.

W *Willingness*, shows the enthusiasm to provide the highest level of quality that reflect our image in our services and products.

A *Accountable*, we all are committed towards our delivery, and proud of its quality.

R *Realistic*, being pragmatic and towards successful and achievable results and promises.

D *Determined*, to breakthrough the World in spreading the Islamic Banking Culture.

This is an example, and there are many ways such as the word **WISDOM**, and other expressions. If we could really engrave such values within the culture, then we are really building the essential customs required for the desired quality.

3- Customer Focus as one of the driving force.

As we are growing in this globalized era, and as more and more banks participate in providing products and services, as more and more the competition rise. And hence, like any other industry such as manufacturing, grocery, production, electronics,...etc, the quality issues became a real matter that Banks nowadays shift its thinking towards a real focus on. On the other hand, without meeting customer requirements and needs, the quality level desired can not be provided as customers and clients are the shaper of the quality of products and services.

From this, it is a must to deepen the needs of being customer focused, and customer oriented bank especially when the customer require a real Islamic solutions that are based on the Sharia'a Principles, which we will elaborate on later.

The Quality Department shall play a large role in maintaining a high quality products and services to both internal and external customers. Therefore, its main role internally will be providing value added services to all Bank's departments to improve and enhance their delivery by identifying the major and minor problems or weaknesses for immediate and/or planned actions, whether corrective or preventive, in which shall be reduced to the minimal. On the second hand, the Quality Department shall be in direct contact with external customers who make use of the services and products, to meet their requirements and satisfy their needs. Thus, it is crucial to maintain a kind of customer database (identification, behaviour, preferences ...etc) to start react and then pro-act in accordance to the facts and information gathered from such pool (database). The database shall be constructed later in a way to provide all types of information needed for decision-making in the future, to be supplied for any department as an input to their decisions.

Through a proper structure considering some other related departments that have a direct contact with customers and clients such as Marketing, Public Relation, Customer Relation, and others, it is required to consider the consumer database knowledge about customers and clients which shall be analyzed to reflect a real consumer focus behaviour.

Marketing and Segmentation is one of the main pillars for any new or even expanded business. It could be found that nearly 80% of a bank's profits generated by 10% to 20% of its customers. Considering such percentage, it is critical that we maintain systematic programs to identify and segment our best customers and other customers on the second priority. Once identified, we can better serve our most profitable customers, and other customers, in better serving them. We are more likely retaining them and buy their loyalty, and therefore expanding the market share by retaining other customers.

The customer management unit if proposed to be under a quality department shall be responsible to provide all information regarding the provision of segmentation after a real consideration of the required mentioned above system. One of the examples from many other types of segmentation: we may segment our major industries by:

- Real Estate Industry
- Petrochemical Industry
- Manufacturing
- Professional Practices
- Agricultural
- Other Commercial
- Non Profit Organizations

The responsible unit shall determine the right mechanism and process for market segmentation, in which could easily identify the segmentation in terms of Industry Type, Product Type, size,...etc. Such system shall create a good focus in utilizing our resources and developing needed programs to target those segments, and hence developing a real loyalty program in Islamic Banking Sectors. After all, marketing department shall play its role in better selling products and services.

4- Core Business through Sharia'a Principles and its compliance.

When an Islamic Bank will start its activities, and based on the Sharia'a Principles, it is a must to ensure the practices are inline with the requirements from the Sharia'a Principles. It is not an easy task to implement nor it is a one time and fixes type of activity that businesses sometimes doing when they need to establish a procedure, work instruction, or a manual to be followed.

Organizations, usually establish quality departments, internal audit teams, or internal audit unit that are responsible for the monitoring activities, and to ensure that all the practices are carried out in accordance to the standard practices required and as per the policies and manuals of the named organization. This is also applicable on banks, which usually have internal audit department or section that does the job. On the other hand, Islamic Banking shall consider beside the internal audit, or together with the internal audit that even shall be responsible for quality audit, consider the Sharia'a audit as part of the internal audit practice keeping in mind that when ever there is a deviation in one deal from the Sharia'a Standards and practices, that will be in compliance with what the Islamic Bank has established on as its basis.

Being in compliance with such Islamic Banking Standards (AAOIFI) is not an easy task, and it is being hard and hard task when it is expanded and cover wider range or domain in its activities and market. When ever any transaction that is related to regulations from the Sharia'a Principles, such transaction (process) shall be precisely followed and monitored by defining the critical points as the points of compliance.

Let us have an example of that; when we want to sell a product as a bank to re-sell it again to a customer, we can not get proceeded until the Bank own that product, and then sell it. Therefore, such can be done through a real ownership and paper work, and then can be sold. This is considered the right practice, but if the Bank sell the product without being the owner of that product to a customer, then this will be in a non compliance practice which is prohibited in Islamic Principles. By having this simple example, the critical use of strong and good customized IT System become the most power use of implementing and monitoring the compliances of Sharia'a Principles. In other words, any IT system, which is used in Islamic Banks, shall be adopted with required customization that will proceed with the required Sharia'a compliance. Usually what Islamic Banks do, adopting the conventional Banks system, and alter the system to meet the Sharia'a Principals. We recommend that such system shall be build up through proper Sharia'a consideration and practice from the beginning that will ensure the transactions are in place, which is important, especially when it comes to the employees who still not fully capable to know all the ins and outs of the Sharia'a Transactions that they deliver at the bank particularly when they fresh joining the Islamic Banking Field.

One of the major act that shall be brought into our consideration to ensure the level of high quality required from clients and customers is the information and knowledge of the principles of any transaction or deal prepared or completed at the Islamic Bank. We could call this the "Sharia'a Knowledge Bank of Information", when ever it is required, the Customer Relations Agents together with customer and clients shall have the easy access of all kind of information that demonstrate and prove transactions are done in accordance to the Sharia'a Principles. Such Knowledge Bank will really act as learning and training hub for internal (employees) and external customers. Beside this, and from time to time, there could be special situations, that are not proven or require judgment (Fatwa) by the sharia'a Advisor or Scholar, and then such information shall also be recorded at the Knowledge Bank. This Sharia'a Knowledge Bank as the time pass will become a real source of Islamic Banking Practice records which let all to refer to, whenever required for any kind of purpose.

From the mentioned above, it will be grateful if the Islamic Banking introduces such information which is a real science to be better utilized to serve the community. Therefore, disseminating is the tax of learning sciences and knowledge obeying our Profit Mohammed's says.

5- Quality Practice Tools and methodologies

Quality has many different meanings as already defined by the gurus of quality like Juran, Crosby, Deming, Ishikawa, and many more. Now we are introducing the quality in banking sectors, and specifically in Islamic Banking sectors. When we define quality to be like meeting the needs and expectation of customers, now beside the delivery speed, on time delivery, free defects product, non failure while withdraw from the ATM machine, ...etc, the compliance to Sharia'a Principles became a strong needs to customers and clients.

Islamic Banks now are not competing against Islamic Banks, but also against the conventional banks. There are many tools, techniques and methods that are applied to be utilized in creating the necessary quality management system. ISO 9001 has been widely spread in banking Sectors, Balance Scorecard become more meaningful to some other Banks, and even six sigma become one of the famous practice at the banking sectors in providing high quality products and services likewise a mass production or manufacturing establishment.

It is very important that the quality department shall establish, develop, and maintain a QMS, and hence promotes the implementation by providing familiarization presentations to all personnel, and supports the development of the system which includes communication. Whereas, monitor and control the quality of services and products of the Bank, through the developments of Key Performance Indicators (KPIs), including the Quality Objectives will play its major role to manipulate the quality internally. Therefore, identifying and evaluating quality problems, and provide or recommend solutions are of critical requirement. It is also important to consider the estimation cost of conforming and nonconforming to Quality, follow-up on Internal Quality Audit and Sharia'a Audit on the departments, prepare regular reports (Weekly, Monthly, Quarterly, ...etc) on performance, losses, failures, reworks or rejected products or services, achievements, tracking and trending and expectations, that all considered as inputs for future decision-making by the management.

On the second hand, for those customer related issues (externally) the quality department shall develop a Customer Care Management System to follow-up on any issue related to Customer Complaints, Survey, and data analysis. It shall carry out Defect or Failure Analysis and Root Cause Analysis, especially those related to customers, establish a Customer Loyalty Program, and maintain its progressiveness, support the Marketing Channels at the Bank with the database required together with the tools and studies, and provide analysis and trends on customers' behaviours and benchmark other leading Banks (Islamic first, and conventional) for better achievements in innovative products and prevailing services or solutions.

The aim of establishing KPIs for the Bank is to monitor both operational performance and risk management. Key Performance Indicators, if they are well chosen, timely, accurate, and presented in easily understood formats, can provide vitally important information to the management for their decision-making. Therefore, the task is to provide the right guidelines to the Departments in establishing the KPIs, and its way of reporting, whether on weekly, monthly, and yearly even.

Example of such indicators could cover; internal audit results on conformances to standard practices of the QMS (internal and external), employee fluctuation % (HR), Salary and benefits \$ (Employee Benefits), Training Hours per Employee (HR), Customer Complaints (Quality), Customer Satisfaction (Quality), IT System breakdown during working hours (IT), (could be classified, 0-5 min, >5 -10, ..etc), late service (defects) to different departments, and could also include the financial performance indicators as part of KPIs as required by the Top Management.

This activity shall be build up during the development of the operational processes, or during re-engineering of some processes.

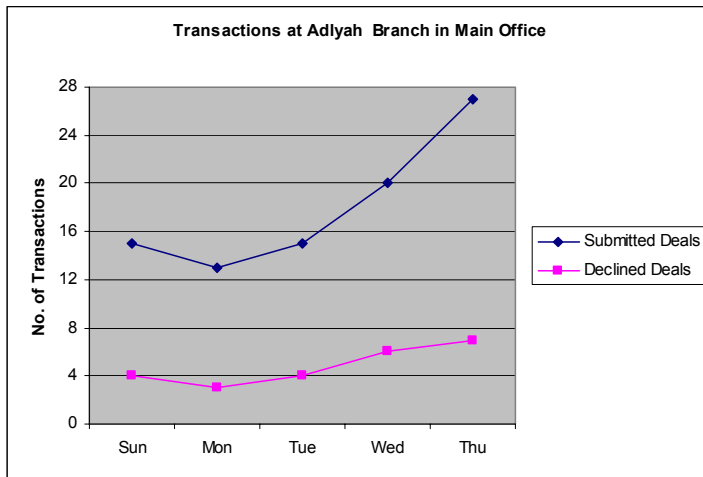
We have discussed the previous part without showing some real figures and data, the figure below (Figure 1) shows some quality data which reflect a rework rate or number of reworks encountered internally by departments when the deal moves from one department to another.

Such data is a real asset that can be a good indication on the performance of the Branch, together with the quality level of their delivery. As more and more the number of reworks encountered, the more the cost of non-conforming to quality, and here is the example of the mass production of services delivered. If by applying simple calculation, we can conclude that the cost of non-conforming to quality for the week mentioned above will be BD 200 (US\$ 555). The target of the quality department is to make this amount to its minimal by treating the root causes of its occurrences, and save the required amount together with speedy delivery and of the services, and hence have more time to serve other customers instead of delaying some customers because of such deficiencies.

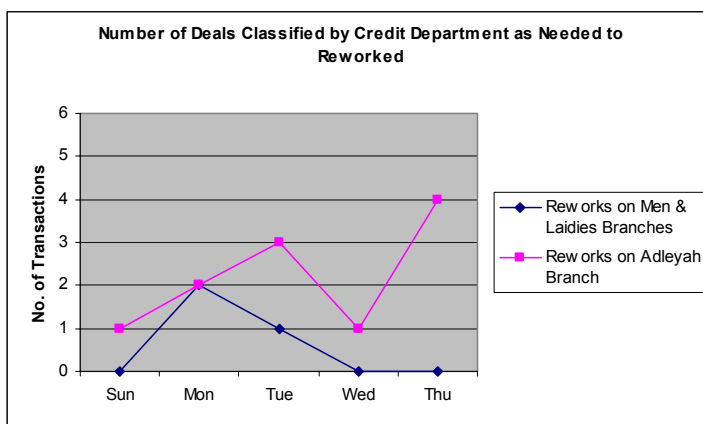
Again, and as discussed earlier, by having the proper IT Solution for monitoring and control in automating processes and practices will really be reflected in providing a state of the art products and services. More of such analysis will be discussed under element eight (DMAI).

One of the important issues here is to know how our employees and Customer Relation Agents are performing in front of any customer, as we shall provide the same level of services at all time to all customers. Therefore, it is required that we appraise and evaluate our services to improve and enhance any shortcomings encountered by our agents or the surrounding environment.

For such, it is required that we define the service level required in a clear communicated procedure to all involved parties with all required training and guidance. Once this is in place, the evaluation based on the communicated criteria shall get started. One of the good practice that KFH-Kuwait is doing under this performance appraisal is to evaluate the agents through the quality team member, and on the other hand through shadow evaluators which are hired from time to another to be impartial and having different views.



Total No. of Transactions	66
Decline Ratio	36.4%



	No.	Ratio
Reworks on M&L	3	16.7%
Reworks on Adleyah	11	20.4%

Figure 1. Shows the Decline Ratio of Transactions submitted every day together with the Number of reworked deals required to be sent for corrective actions

The most important part of this is to act as supporter rather than auditor on the agents' activities while they are delivering their services. Then, buying the idea, having a self confidence, and trust with a real reflective evaluation will lead towards success. Such valuable information can create a competition environment through all branches and departments within the bank, in which in a way or another, this could be linked to the bounces and yearly increments of employees and agents.

All of what we have mentioned will not be successfully achieved until it is supported by the Top Management, and together with employees accepting such change and buy into it.

There are still many other tools, methods and ideas which could enhance the quality level of the services and products delivered, but it all depends on the way it has been tackled and deployed. Many organizations complaints that being certified by ISO 9001 getting things delayed or complicated, but the answer for such is that the methodology used might not be the right one, or lacking some part of the standard which might not be met, or communication failed to initiate such practice that this shall really enhance the products and services.

Thinking of reducing costs, or generating more revenues and profit margins, might lead towards losing market share as the quality level of the products and services degraded by the eyes of customers.

6- Bottom-Up Contribution (Through Employees).

In this part of the model, it is really very essential to let the bottom level of the bank to participate in developing and improving the practices and circumstances around them to easily improve the direct products and services they provide to customers and clients.

Similarly to that of the manufacturing industry, we knew the creation of team work activities through Quality Control Circles (QCC) played a large role in enhancing and improving the quality of the products at the front line production in Japan after the Second World War. As practiced in Japan, such has been disseminated to all over the world, and reached the United States, which they are doing and utilizing the Kaizen and 5S techniques in improving their products and services. However, it sounds difficult that such creation of Work Improvement Teams (WIT) at the front line level and upper level as well could be established.

It is not the forced activity which will lead to a better change (Kaizen), it is the belief, and cultural change which shall be the driving force of such required activities. What astonishing me indeed in our part of the world, is that we have all of such improvements and practices mentioned in our Sharia'a and said by our Prophet Mohammed long time back, but the thing is that few are following, and the main problem is that few are leading such practices. The less and less leaders we have, the more and more good practice we lack and became part of the history, in which good and enthusiastic practice will be replaced by normal one, and instead of proactive, the reactive will be in place, and that if any!

But how do we really establish and create an acceptable change through such movement? This can only happen through the right commitment and directed with being a role model from the Top Management to all others within the Bank. In my previous paper which I presented last year at Qualcon 04, that carries out deployment methods and structure. But the most important part here is to develop the right rules and regulations for such considered voluntary activities which are awarded at the same time to ensure its proper implementation.

If we take some issues that really could be handled by the WITs, that could cover logos used, shape of outputs, time activities sequences, process flow movement, queuing enhancement, and even the interface with customers and clients. One of the great ideas raised here to be implemented is having a second screen in front of the customer, instead only the screen in front of the Customer Relation agent, which by some means reflect what shall the customer see, and even simulate his requirements. Sometimes, some customer request buying a house through 10 years and up to 20 years, and hence having three to five options, will get the customer lost, but when he see the figures in front of his eyes, then this could make a difference and print an image inside his eyes, then divert his way of looking at his requirements. By saying this, such activity could be implemented and tested with the right usage of IT to be truly and nicely implemented. Another example is the improvement of the print and shape of the ATM cards as an example.

It is required then to monitor, and evaluate the improvement happened on all levels of teams that are really contributing to the development of the Bank's products and services. This shall create a sense of belong-ness to the Bank.

7- Competitive Infrastructures.

Why competitive infrastructure, and what are the milestones required for the infrastructure. In the recent period of time and in comparison to the last 10 years, no one bank can operate without a competitive IT infrastructure. There is a need for change cope and survive in this very competitive market especially the banking sectors. To achieve this transformation and extend its services to international customers, Banks, and specifically Islamic Banks needed a world-class IT infrastructure, beside other infrastructure such as proper utilities, location, environment, work environment, and all other required needs up to the expertise and professional human resources that really boost and navigate the market through competitive products and services.

More specifically, it had to be able to accommodate growth in customer numbers and transaction volumes without any negative impact on performance and availability. Alongside this, it shall be able to deliver competitive new services such as telephone banking, mobile banking, SMS banking up to all kind of contact banking, and Internet banking.

As discussed above, the most vital part here in such business is the processes equipment hardware and software which play the major role in getting the business current and life. Therefore bringing and suggesting solution is an easy matter but bringing the proactive looking optimum solution is the critical choice that will easily move with the new upcoming plans and development within the system. However, complexity and integrity of any kind of IT solution and system is essential, the reliability and dependability on the system is as much needed.

It is very important that the infrastructure whenever is builded up, shall be considered and appraised from the Sharia'a requirements and needs point of view. Many Islamic banks apply and deploy the conventional banking systems, and alter the system to meet its needs, whereas there could be missing needs and compliances to the Sharia'a Principles. For example, if it is not mentioned in the contract that by delaying the first two instalments of the deal, there will be some penalties (BD amount to be payed) on such delay. The amount taken in this case is not in compliance with the Sharia'a Principles, as this might be considered part of the interest, especially when the calculation method simply based on the interest rate method which is differ from that of Islamic one in its nature. The role of the IT here shall consider how the deal shall be detected as it is not in compliance with Sharia'a Principles. Another example for such that the IT solution shall be responsible for is when a quotation did not received by the system, the contract for the deal shall be disabled from printing, until the product is owned by the Bank (i.e. the Bank accept the quotation, and place the purchase order for the product, and that could be done automatically through the system).

Failure of equipment (such as Card processing machine, or ATM Machine), lack of facilities (such as shortage of shelf space at a distributor), or lack of repair/maintenance capability can have serious effects on the quality of product and/or service. It is therefore essential that infrastructure is identified and controlled.

In general, the focus should be on the infrastructure that is most important for the type of organization or establishment. For example, a manufacturer of chemical products should probably focus on equipment and maintenance, while a bank will put more emphasis on workspace, style and associated facilities. Similarly, if the bank has equipment that can easily be replaced without affecting quality of product and/or service, maintenance activities can be relatively simple and limited. More complex equipment that is difficult to replace should have a more extensive maintenance program, and proper follow up.

Furthermore, resources are not complete if the work environment is not considered. Working conditions can influence the quality of product and/or service, and should therefore be controlled. It is up to the Bank to define these conditions, to be aware of and be in compliance with its rules and regulations as well as the regulatory requirements.

We have mentioned earlier and in the model together with the competitive infrastructure, then need of having together with that HR, Methodologies and Marketing shall be inspired. Without marketing and strategies, penetrating nor expanding activities might be not easy, and hence by having proper marketing analysis tools and data converted into valuable information will be playing one of the major role towards quality improvement of products and services.

8- Data Measurement, Analysis and Improvements (DMAI)

The DMAI is the major and one of the Milestones that any quality management system, and any management system in general without it will not function towards improvement and compete in the market.

Data measurement and analysis shall cover three aspects; operational (daily monitoring), performance (service, product), and results. It is important that the Quality Department shall trace and monitor the different types of data which shall be analyzed for the sake of better delivery and continuous improvement. Measuring performance of the service products and actual operation is indeed a big task that shall be handled vigilantly. Therefore automating the work flow through proper implementation and understanding by staff and employees shall be carefully selected. The followings are needs to be provided through simple automated quality system as a basic requirements.

- Track how many Deals are marked Red (Declined), Yellow (Pending), Orange (In process), Green (Clear).
- Time elapsed for deals to be clearly completed.
- How long does it take to process a type of deals? (Real Estate, Buying Cars, Building Materials,...etc).
- Percentage of declined deals, approved deals, etc, daily, weekly, monthly, etc.
- Number of insufficient Deals to be processed by the next department (internal failure, and cost of non conformance).

In order for the Bank to continuously improve, it needs to have information on where it stands today. How satisfied are the customers? Does it actually meet customers' and Bank's needs and requirements? Are activities (processes) effectively and efficiently achieved? Does the product actually meet customers' expectations? And, what happens if the product does not meet the expectations? What are the necessary proven analysis that shall be taken?

The following are of important sources of data generation and gathering for competitive quality management system in Islamic Banking sectors:

- Internal Sharia'a Audit Findings together with its corrective and preventive actions taken and considerations. (Number of divergences or deviations from Sharia'a compliance standards.
- Internal Quality Audit.
- Customer feedback analysis; questionnaire, surveys, interviews, complaints and suggestions.
- Processes' KPIs monitoring and control.
- Products and services KPIs monitoring and control (e.g. time of service, waiting time, shape of ATM card, ..etc).
- Non conforming products or services and failures.

The sources of information listed above shall provide the Bank with valuable data, but this data is only of great value if it is actually analyzed. For example, the data may indicate that there was an increase in the number of nonconforming products in a certain period, or the number of reworked deals is increasing during the last week. However, it is only possible for the Bank to take the necessary action required before the problem became a real out of control case which would lead to unsatisfied customers and increasing of bad talk of the mouth through customers. For example: What was the type of non conforming product? What was the main cause of the non conformances? Were there any circumstances that were different from previous periods? Is this problem confirmed by other sources of information, such as Sharia'a or Internal Audits?

Probably one of the most crucial categories of information is the satisfaction of customers. Since customers determine the future of any organizations, it needs to be determined how satisfied they are. In order to do this, the Bank need to know which issues are important for their customers and then define how they will measure whether customers are satisfied with these issues. And hence we are an Islamic Bank, it is a must that with confidence we show our competency through our employees and compliance with Sharia'a Principles. It happened that customers may raise an issue that one part of our transaction seems to be not in compliance with Sharia'a Principles, and we shall be with trust to provide all evidences at the time of the question with full of knowledge and confidence.

One way of getting information about how satisfied customers are is to monitor the customer complaints. This is a practice initiated by the bank that all complaints as possible to be recorded, traces, resolved, and communicated to all parties to ensure its benefits have been communicated avoiding its recurrences. However, it is important to realize that this will give a very limited picture. First, it is quite common that few dissatisfied customers actually complain. Second, customer complaints do not give any information about the

satisfied customers. Customer satisfaction can be objective and subjective. Examples of objective information are; “did the customer receive the product before 1:00 PM, as required?” Was the Mudharabah Certificates completed on time? Examples of subjective information include; “Is the customer satisfied with the way we answered his questions and concerns at the call center?”, “Is the customer satisfied with the performance of our product?” (for example: a car murabaha deal).

Finally, the Bank should continuously seek to improve, rather than wait for a problem to reveal opportunities for improvement. Potential improvements can range from short projects to long-term activities, from bottom-up to top-down activities. Examples are:

- Equip the Work improvement teams with proper skills and know-how in order to increase the effectiveness of the communication and to reduce non conformances
- Make an action plan to reduce the reject from a certain type of ATM machines.
- Finding opportunities to reduce the delivery time, and cycle time for several services and products provided.

If a problem occurs, action needs to be taken to ensure that the problem is corrected and that it does not re-occur (a requirement in ISO 9001 Standard). This involves finding the cause of the problem, recording the results of the action taken and verifying that the action was effective, in which this as a whole is not an easy task to do. The intent of this requirement is to have a disciplined approach for making sure that actions happen and are effective.

On the other hand, as another requirement by the ISO 9001 Standard is the preventive action. It is better to prevent a problem rather than to correct a problem. Based on the information available to them, the bank must identify ways of preventing problems from occurring in the first place.

Lastly, result analysis shall be part of the analysis to which the Bank has achieved that shall be evaluated and then compared to the efforts spent to enhance the quality delivery and the overall impact of the quality management system on the results. Such results can cover a wide domain, from the very focused financial and revenues to the operational one and even considering the cost saving as part of that. Together with all previous data, such information shall be crucial to the development of the Bank’s products and services and its future expansion and growth.

4 CONCLUSION

In conclusion, improvement does not happen without implementing changes. Improvement and continuous improvement is the role of quality which is its driving force to survive with this competitive marketplace.

We have discussed eight major elements in this framework or Quality management System Model in Islamic Banking sectors. We believe that this shall cover all necessary milestones of a QMS to be built up for Islamic Banks. Conventional Banks also could apply this model with a bit of modification and altering to suit their circumstances.

Nowadays as discussed through this paper, very few Islamic Banks are looking after such important topic that will really distinguish its future and realize its vision.

Beside all of what we have mentioned, the Sharia'a Principles shall always be the regulations and requirements to be met and followed as the Bank is committing itself towards its customer to be in compliance with Sharia'a Practices. It is also recommended that a pool or knowledge bank of information to be designed and established for the basic needs for quality building within the Islamic Bank.

5 REFERENCES

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