Bank’s Performance Evaluation By Benchmarking, Based on CAF Model an Empirical Investigation

1Mohammad Mahmoudi Maymand, 2Mostafa Ahmadinejad, 3Mohammad Javad Azizi

1Department of Business Administration & MBA, Payame Noor University, PO Box 19395-3697 Tehran, Iran.
2PhD Candidate in Business Management, Payame Noor University, Tehran, Iran.
3PhD Candidate in Commerce (E-banking), Pune University, Maharashtra, India.

Abstract: Due to increased competitions and the necessity of being survived and increasing their profits, the banks have been forced to evaluate their services in recent year according to their customer-oriented policies. The Banks can use the results of such evaluations and guides of the managers of different organizational departments in understanding the strengths and weaknesses of their organization. The purpose of this study is to evaluate the operational processes and their results in Tejarat Bank of Iran. Exploiting CAF model, this study investigates the core and pivotal processes of the organization in two groups of enablers and results. Then the troubleshooting and updating the processes have been regarded by the benchmarking model. In this regard, the weak processes have been compared with what the elites of the market do in a part-by-part method. The sample of the study includes 168 of Tejarat Bank employees. The data have been collected via the CAF criteria and sub-criteria assessment questionnaire and the partner selection model questionnaire for the benchmarking. The results show that the main weakness of the banks lies on the processes criterion. The performance and competitive partner-selection model is used as a synthetic form for benchmarking.

Key words: Benchmarking, Performance Evaluation, CAF Model, Tejarat Bank, Customer Orientation.

INTRODUCTION

In recent years, due to the establishment of private banks and implementation of privatization policies in the economics and market, the business environment has got more competitive. Since the services to the customers are now more developed and more diverse than ever, and since the customers have more options than before, banks need to review their activities and update and make their policies efficient. In such a competitive situation, the most suitable strategy for any organization is to recognize its strengths and weaknesses on the light of customer oriented approach and never neglects to scrutinize its competitors and their innovations and strengths (Alvani, 2005), because nowadays the customers are deeply aware of the services of the other banks. Undoubtedly, the customers will deposit their investments in a bank which offers better services in more update manners (yang, Peterson, 2004). In fact, no bank can realize the wishes and tastes of the customer unless it understands and access the processes which are welcomed by the customers and satisfy their needs (Saaty, 1988). When the organization comes to such an understanding, it will discover the correct path and best method to reform its weaknesses (Camp, 1987; Baim, 1996). The purpose of CAF model is to equip the organization with an efficient system which can manage to evaluate all the happenings of the organization trustfully, and monitor the results on one hand, and collecting the information and data about the innovations and successful processes to introduce the best strategies to remove the organizational problems and gaining the desired results on the other hand (Bauer et al., 2005; Dale, 1996). Today, all the organizations look for an encompassing and multilateral understanding of their totality, evaluating the results of such understanding, and pursuing the roots and reasons of their development or failure; though if such an understanding accompanies a comprehensive knowledge about the activities of the competitors and their strengths and weaknesses, it will equip the organization with a strong privilege (Anderson and Moen, 1999). In this study we have integrate CAF model and benchmarking model to systematically implement such a program in the organization. The main purpose of the study is to evaluate the conditions of service providing in Tejarat Bank and its success in reaching its own defined objectives. To do this, we have used CAF evaluating model. Besides, we have exploited benchmarking model to analyze the detected strengths and weakness so that we can fulfill the secondary purposes like selecting the best benchmarking model, determining the reforming activities in order to improving the quality of banking services, and selecting the benchmarking partners.
Benchmarking Model:
There are several definitions for benchmarking (Anand and Kodali, 2008). By definition, benchmarking is "the process of detecting, understanding, and adjusting the effective processes and performances in order to improve the efficiency or improving the remarkable performance of the organization" (Chang and Key, 1994), or in a shorter expression, benchmarking is "the search for a standard or reference measure of comparison" (Sepehri, 2004).

The main objective of benchmarking process is to find better solutions for doing the activities along with catching an overall view to the improvement of all organization's operations (Rezayatmand, 2006). In simpler words, the main purpose of benchmarking process includes an operation, in which any organization seeks the best organization which has the maximum conformity to itself in terms of the conformity of conditions and activities, and yet, receives good result, so that the organization can learn from its excellent performance. This technique can play a very useful and effective role in the process of organizational improvement (Dale, 1996).

Analyzing the different definitions, one can conclude that benchmarking is the "continuous analysis of strategies, activities, processes, and the performance of services and products in comparison with the best similar organization by collecting the data in order to assess the standards and building the organization's self-improvement via implementing the needed changes" (Anand and Kodali, 2008).

The partners of benchmarking have to be selected freely and the domain of selections has not to be limited to the exactly similar organization, but it is necessary to know the excellent activities and distinguish their process and then, to implement it after adjustment customizing with the organization (Daniels, 1997).

CAF Model:
In comparison with the private section, the management of public services and consequently the quality management of public sector have unique conditions. The organizations of public sector have to adjust themselves with the future ideals of the society and match themselves with the socio-political and cultural conditions of the society which are imposed by high-ranking decision-makers (Holloway et al., 2002).

Although CAF model seems like TQM and especially EFQM models at first glance, but it is specifically designed to be used in public services and enjoys the needed efficiency for the differences amongst the services of public and private sectors (Gounaris and Dimotriadis, 2003). Since the private organization are not obliged to execute all governmental and parliament rules and instruction and so the private organizations face fewer legal and moral limitation in the way of investing their resources (Barnes and Vidgen, 2002) we chose a public organization for the CAF model.

CAF model studies the organization on the 9 principle criteria. These 9 criteria are indeed 9 needed grounds for analyzing the processes of results of any organization. The criteria 1-5 refer to the ground-makers. They determine what the organization is doing and how the organization acts to reach to its desired objectives (Kasul and Motwani, 1995) These criteria include the leadership, human resources, policies and strategies, partnerships, and key sources and processes. Criteria 6-9 refer to the results on the employees, customers, society, and key performance results whose evaluation leads to a deep knowledge of the organization's payoffs. Each of these criteria is divided into some sub-criteria. Totally there are 28 sub-criteria which are the main grounds of each criterion. When the evaluation is being done, it is necessary to pay a special attention to these sub-criteria (Ruggieri and Merli, 1996). In this model, the interactions between ground-making criteria and the interactions between the enablers and the results are being analyzed.

Integrating Benchmarking And CAF Model:
CAF and other models of organizational analysis can use benchmarking as a tool for supporting their way to their objectives. The process of self-evaluation with CAF model is indeed a preliminary step toward benchmarking which give the opportunity to the organization to increase its knowledge and understanding of the strengths and weaknesses in order to reinforce the activities of organizational improvement (Woon, 2001). An important advantage of integrating benchmarking and CAF model is that the CAF model with its 9 criteria and 28 sub-criteria shows us where the problem of organization is, and the benchmarking partners are being selected on the basis of which distinction in their activities.
**Fig. 1** Overview of the research design.
Source: Sttafer, 2005

**Hypotheses:**

H1: According to the findings of CAF model, Zanjan branches of Tejarat Bank are in a suitable condition.

H2: According to the findings of CAF model, the improvement priority is the criteria of enablers process and the criteria of performance key results.

H3: According to the evaluations, using a competitive-performance integrated benchmarking model is more suitable to satisfy the customers.

**Methodology:**

The present research is a descriptive survey in terms of data collection, an applied one in terms of the purpose, and a survey in terms of performing method.

**Sample:**

The sample of the research includes all the employees of Tejarat Bank, Zanjan branches. Due to the small size of the sample, 168 questionnaires distributed among all the employees in all levels of them. So the sample size of the research is the whole elements of the sample.

**Data Collection:**

**first step: scoring the criteria and sub-criteria of caf model:**

To collect the data on CAF model, we used the questionnaire of the model which had been manipulated to be used in banking industry. The standardized questionnaire studies 9 criteria and 28 sub-criteria of the model in two separate groups of enablers and results, so that the employees evaluate themselves on the basis of the documents which they had been given on each of the criteria. In this model, the basis of the evaluation lies on the accessibility of the subjects to the information and data which can help them in scoring. These documents have to show not only the current time, but the procedure of organization's path within 5-year periods. Since all the employees of Tejarat Bank are continuously informed about the valid monthly and weekly statistics on the progressing procedure of the organization and the results of these procedures, so the condition for accessibility to the documents is fulfilled. In the questionnaire which has been designed on the basis of PDCA cycle, the subjects have to respond to each of the sub-criteria questions in numerical form from 1 to 100. The questions are as follow: "on which step of the PDCA cycle does your organization stand?" and "how much your organization has progressed on this step?"

**Second Step: Scoring Matrix To The Models Of Partner Selection:**

Based on different criteria like accessibility, suitability, innovation value, and physical location, the competitors and partners who are placed in each of benchmarking models are scored from 1 to 5. Then the questionnaire are collecting and the average of scores are calculated to introduce and suggest the highest scored
model as the most suitable and walkaway model to the organization. Commonly, four types of benchmarking are recognizable:

a) Inter-organizational: in most sizable organizations it is possible to conduct benchmarking against other areas and jobs within the organization.

b) Competitive: in this approach, we directly negotiate the competitors to be partners in benchmarking study.

c) Functional: this type of benchmarking is used for comparing the functionality and performance of the organization with similar activities of other non-competitor organization.

d) General: this type resembles functional benchmarking but focuses on the joint processes of the business.

CAF Model Data Analysis:

Using the central tendency, we can understand the consensus among the employees. This consensus is one of the most important conditions for an all-encompassing evaluation. Moreover, using the obtained score average, we can evaluate the estate of the processes and their results, and finally we can statistically summarize and classify the data after extracting all needed information.

First Hypothesis:

Regarding the obtained total average of the scores in each criterion and comparing them with the global averages, we can answer the first question of the research: if the provided answers being scored higher than 70, the situation is optimum; if the provided answers being scored 40–69, it shows a situation in which there are strong evidences of accessing the organizational goals in most fields; while the scores between 0-39 signify the weakness in accessing the organizational goals and imply critical situations. The variance of provided scores is less than 1, so there is a convergence and consensus among the evaluators. Result shows that 75 criteria out of all 28 criteria are situated higher than medium, and so they are in a suitable situation. This result shows the suitability of Tejarat Bank’s situation. In general, Tejarat Bank of Zanjan City has managed to obtain the score 64.55. Hence, our first hypothesis is proved.

Second Hypothesis:

The second hypothesis of the research implies that according to the findings of CAF model, the priority of improvement is the enabler criterion of the process and the performance key results criterion.

As one can see in Chart 1, the least score among the questioned sub-criteria are rows SC18, SC19, SC20 in enablers section, and rows SC27 and SC28 in results section. These points are called “improvement regions”. In this research, the process criterion of enablers and the performance key results criterion of results, place on these improvement regions.

Third Hypothesis:

The question is that “which of the four benchmarking models have the uttermost conformity to the conditions of the organization and to the elites and competitors whose experiences are to be learned by the organization?” To answer this question, we used one of benchmarking model tools. As is evident in Chart 2, due to the team work and coherence of banking services, the inter-organizational model is not a suitable model for Tejarat Bank, and this is why the subjects gave the least score to this model; while competitive model along with the functional model obtained the highest scores. With a score less than average, general model gained the third position. Although the competitive model enjoyed the highest score, but due to the progresses in Branch-learning area and consulting the bank experts, this model is being used in combination with functional model.

Table 1: Scoring matrix of partner selection’s model

<table>
<thead>
<tr>
<th>criterion</th>
<th>Easy gathering</th>
<th>propriety</th>
<th>innovation</th>
<th>Place situation</th>
<th>Total Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive a</td>
<td>50</td>
<td>44</td>
<td>80</td>
<td>36</td>
<td>210</td>
</tr>
<tr>
<td>Competitive b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>35</td>
<td>45</td>
<td>68</td>
<td>60</td>
<td>208</td>
</tr>
<tr>
<td>Competitor x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor z</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>37</td>
<td>43</td>
<td>55</td>
<td>30</td>
<td>165</td>
</tr>
<tr>
<td>Competitor α</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor β</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor ϕ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Discussion And Conclusion:

Within CAF model, there are two types of interaction between the criteria in both sections of the results and enablers. There is a mutual and vertical relation between the enablers which can positively lead to the synergy and sublimity of the organization, or if the programming or the fulfilling each of programs is neglected, it can negatively lead to be failed in reaching the predetermined goals of other criteria. Besides, there is a horizontal relation between the set of enablers and the results. It is logical for any organization that has an able set of administrative factors to reach a high level in four principle criteria which show the results of organizational operations and functions. Consequently, one can easily justify the results of analyzing the questionnaire. As the results of the second hypothesis show, Tejarat Bank of Zanjan City obtained the least scores in the enabler criterion of processes and performance key results criterion. Obviously, we cannot ignore the effects of other four enabler criteria on the defects of the processes. The ultimate goal of the recognition process criterion is to analyze, design, change, and improve the processes which are current at the level of the branches; while this process has to be conducted on the base of customer-orientation and scrutinizing the ever-changeable wants of the customers. Implementing such processes not only leads to present customers' loyalty, but leads to increase in potential customers and development of quantity and quality of the ultimate customers. When these customers are offered some creative and updated processes, and when their needs are satisfied with such processes, naturally they are absorbed in such a system. This absorption increases the deposits and sources, increases the branches' ability in offering new facilities, and increases the turnovers of the capital among the customers. Consequently, all the customers, bank, bank personnel, and the society at large benefit from these dynamic turnovers, and this is the horizontal effects of the enablers and their reinforcement on the results. Consequently, when the processes design and implementation faces defects and the customers are not counted in the processes as is seen in this case study- the results decrease and its backwashes emerge in the form of decrease in the financial benefits and even in the resulting losses.

Benchmarking Findings:

The causal explanation between the low score of processes and its effect on the performance key results clearly shows that the benchmarking solutions have to be directed toward the reinforcement and improvement of current processes so that its results can be specified in income increases. The resulted evaluations which are based on the formulized and distinct documents show that Tejarat Bank is the best bank of Zanjan province in terms of sources and deposits. So the benchmarking processes have been spotted with:

a) the competitors who are the close and serious competitors;
b) the competitors who are very innovative and creative despite their far distance;
c) the competitors who enjoy potential advantages due to governmental rules and regulations not accessible for Tejarat Bank;
d) Innovative and creative foreign banks who have no competition with Tejarat Bank;

Although the benchmarking operation was pursued in to models (i.e. competitive and functional models), but we will use the results in an integrative mode to offer the solutions.

Solutions:

a) Strong focus on diverse needs of the customers and segregating the colorful promotional commercials show the charming promises which have targeted the different groups of the customers.
b) Moving toward electronic processes: at the top of the collected data from internal and external competitors and the elites who provide all sorts of credit and financial services in both private and public sectors, there are electronic services and creating electronic processes by the newest information and communication technologies like internet, cell phones, etc. Probably, this is the most important weakness of Tejarat Bank in comparison to its competitors. Tejarat Bank has to complete, change and improve its electronic processes along with its traditional processes. Moreover, it has to design and create new electronic processes to compensate its lags. In this regard, Tejarat Bank has to do the followings:

- Using the elites and experts of software programmers who specialize in e-banking
- Providing the opportunities of specialized training for informatics employees and help increasing their creativity
- Providing the opportunities of general training for all its staff so that they can understand the electronic services in deep
- Creating a system to collect the creative comments and ideas of the staff.
c) Reinforcing the legal systems and receiving the assurances to revive the write-off claims. What directly affects the profit and loss system of the banks is to retrieve the offered facilities to the customers. The write-off and deferred claims not only hamper the income of banks' exchanges but lead to waste in the capital itself and consequently restrains the next exchanges due to disturbing the balance sheet of the bank. According to the collected data, establishing a strong legal system to retrieve the deferred claims along with a system of receiving the assurances to prohibit the deferred claims directly affects the profitability of the Tejarat Bank branches.

2009
Limitations And Future Researches:

The limitation of this research is the way of correct data collection. For example, the subjects had to attend in a compact training course, but the time limitation for such a course, along with the necessity of receiving a confirmation letter and experts' advices on translating and customizing the standardized questionnaire in terms of the Bank's conditions have been the main limitations of the research. Finally, we suggest the coming researchers to study the effectiveness value of the continuous performance of CAF model in designing the strategic plan of the organization, and to study the effects of CAF-based organization evaluation on understanding the needs of the customers and the effects of using the benchmarking model in organization on designing and performing new successful processes.

REFERENCES

Sttaffer, A., 2005. study on the use of the common Assessment framework in European Public Administrations, European Institute of Public Administration.