

A Strategic Perspective on the Emergence and Evolution of e-Banking in Saudi Arabia

Mohammed Nasser Al-Jadeed

**Doctor of Philosophy
University of Edinburgh
2007**

Abstract

The aim of the thesis is to look at the emergence and evolution of e-banking in Saudi Arabia, with particular emphasis on the processes of how banks implement e-banking to build their capabilities and create new value strategies. The research process focuses on understanding (1) how banks implement e-banking to build their capabilities as well as to create new value strategies, (2) how e-banking capabilities have been built, and (3) the role played by e-banking in shaping the strategic direction of banks. This requires understanding of a variety of aspects (i) the value created by e-banking products and services within different banks, (ii) the process of e-banking development within the different banks, (iii) how banks approach e-banking products and services, and (iv) how the banks align the demand and supply factors surrounding e-banking products and services.

The theoretical approach blends inputs from different disciplines relevant to understand and deal with the subject matter of this thesis, including value creation and capability-building literature, technology implementation literature, with particular emphasis on the processes of implementing network technologies and e-businesses, as well as literature on process approaches. The methodological approach makes use of the case study strategy (Yin 2003) as research strategy, a multiple-case embedded design, as research design strategy, and three sources of evidence: (1) a survey distributed to all Saudi Arabian banks, (2) semi-structured interviews, and (3) archival records of e-banking transactions. The main fieldwork is longitudinal and takes place during three rounds: September-October 2003, December 2003-March 2004, and December 2005-January 2006.

The thesis investigates the emergence and evolution of e-banking at six Saudi Arabian banks: Samba Financial Group (Samba), AlRajhi Bank (AlRajhi), Saudi Investment Bank (Saib), Saudi Hollandi Bank (Hollandi), National Commercial Bank (AlAhli), and Riyadh Bank (Riyad). This is followed by an investigation of the emergence and evolution of electronic securities trading systems at the Saudi Capital Market (i. e., Tadawul), providing an external view of the emergence and evolution of e-banking in Saudi Arabia.

The analysis of the empirical material implements the theoretical propositions strategy via utilisation of the “sociotechnical constituencies” approach (Molina 1990; 1993) and its associated analytical tools of the “diamond of alignment” (Molina 1995), “alignment web” (Molina 2003) and “dynamic strategy mapping” (DSM) (Molina 2005). The aim is not only to use the approach to reveal how banks build their e-banking capabilities and create new value strategies, but also to test critically the applicability of the “sociotechnical constituencies” approach and its associated analytical tools for understanding e-banking value creation and capability-building strategies.

The overall result of the investigation conducted by this thesis suggests that the Saudi Arabian e-banking’ constituency-building process shows distinctive processes of sociotechnical alignment by each one of the specific Saudi banks’ e-banking constituencies in the study. In addition, the use of Molina’s “alignment web” to assess the state of each of the specific e-banking constituency-building processes helps identify the areas of strengths and weaknesses in these processes of sociotechnical alignment. The distinctiveness of development by each sociotechnical constituency is also highlighted by the application of the Molina’s “dynamic strategy mapping” (DSM), showing that each constituency has its own combination of strategic ingredients.

Although this thesis demonstrates strengths in the areas of logic replication, narrative writing, and validating procedure, in future studies it would be interesting to enhance its theoretical background, chronological structure, and quantitative assessment. This thesis contributes to providing a rich insight into the emergence and evolution of e-banking in Saudi Arabia, particularly at six of eleven Saudi banks as well as the technological systems of the Saudi Capital Market. Such contribution may be used to inform the future alignment strategy pursued by each the Saudi Arabian e-banking constituencies.

Table of Contents

Abstract	1
Table of Contents	2
Chapter 1: Summary	3
1.1 Introduction	3
1.2 Questions of the thesis	3
1.3 Structure of the thesis	3
1.4 Empirical contribution	6
1.5 Strategy-policy implications	7
1.5.1 Specific strategy-policy implications	7
1.5.1.1 Samba Financial Group (Samba)	7
1.5.1.2 AlRajhi Bank (AlRajhi)	7
1.5.1.3 Saudi Investment Bank (Saib)	7
1.5.1.4 Saudi Hollandi Bank (Hollandi)	8
1.5.1.5 The National Commercial Bank (AlAhli)	8
1.5.1.6 Riyadh Bank (Riyad)	8
1.5.1.7 The Saudi Capital Market (Tadawul)	8
1.5.2 General strategic-policy implications	8
1.5.2.1 Important developments	9
1.5.2.2 Customers' constituent	10
1.5.2.3 Strategic priorities	10
1.6 Assessment of the thesis	10
1.6.1 Strengths	10
1.6.1.1 Logic replication	10
1.6.1.2 Narrative writing	11
1.6.1.3 Validating procedure	11
1.6.2 Weaknesses	12
1.6.2.1 Background theory	12
1.6.2.2 Chronological structure	13
1.6.2.3 Quantitative assessment	13
1.7 Suggestions for further research	13
1.8 Summary Conclusion	14

Chapter 1: Summary

1.1 Introduction

The aim of the thesis is to look at the emergence and evolution of e-banking in Saudi Arabia, with particular emphasis on the processes of how banks implement e-banking to build their capabilities and create new value strategies. Questions have been raised about the banks' efficiency in utilising the unique features of e-banking for improving their competitive positions and images. There is a growing concern that e-banking is not yielding the anticipated results (Frei & Harker 1999; Amit & Zott 2001; Simpson 2002). This has thrown a spotlight onto the problem of change from one particular delivery channel to another. In practice, an appropriate mix of delivery channels will be determined by a number of factors on the supply and demand sides of the market (Daniel 1999; Lang & Colgate 2003; Bughin 2004). This process is the concern of the thesis.

1.2 Questions of the thesis

The research starts with a broad area of inquiry related to understanding and providing an account of the emergence and evolution of e-banking in Saudi Arabia. The inquiry, next, is inductive and aims to explore and describe the actions of those banks based on what they are doing rather than verifying any hypotheses. The research starts the inquiry with an open mind rather than a closed one. The literature that it reviews before the fieldwork helps to view the empirical world more effectively.

The research process focuses on understanding (1) how banks implement e-banking to build their capabilities as well as to create new value strategies, (2) how e-banking capabilities have been built, and (3) the role played by e-banking in shaping the strategic direction of banks. This requires understanding of a variety of aspects (i) the value created by e-banking products and services within different banks, (ii) the process of e-banking development within the different banks, (iii) how banks approach e-banking products and services, and (iv) how the banks align the demand and supply factors surrounding e-banking products and services.

1.3 Structure of the thesis

The aim of this section is to briefly explain the way the thesis is structured to respond to its questions. The thesis is organised into twelve chapters, with Chapter 1 dedicated to introducing the thesis. Chapter 2 looks at literature relevant to understanding and dealing with the matter of this thesis, that is the emergence and evolution of e-banking with particular emphasis on (1) how banks implement e-banking to build their capabilities as well as to create new value strategies, (2) how e-banking capabilities have been built, and (3) the role played by e-banking in shaping the strategic direction of banks.

The literature review covers a wide range of material on the subject and is believed to be comprehensive and up-to-date. It defines the term "e-banking" and looks briefly at the emergence, evolution, nature, products, and services of e-banking. The review then explores the focus of e-banking research through distinguishing among factors influencing the adaptation of e-banking into supply and demand side factors. The demand side factors of e-banking research includes marketing, acceptance, usage, quality, and trust while that of supply side includes competition, resources, implementation, efficiency, and productivity.

This is followed by a discussion on the theoretical foundations of value creation and capabilities building in e-banking. It briefly discusses some views on value creation and capabilities building according to Schumpeter's conventional theory of creative destruction (Schumpeter 1942), resource-based view of the firm (Penrose 1959), transaction costs economics (Williamson 1975), value-chain analysis (Porter 1985), dynamic capabilities approach (Teece et al. 1997), strategic network theory (e.g., Dyer & Singh 1998), and accelerating capability building (Hagel & Brown 2005). This is followed by a discussion on a group of emerging theoretical value creation frameworks in e-business

(e.g., Willcocks & Plant 2001; Amit & Zott 2001). The section concludes the discussion by looking at the applicability of these theories in the context of e-banking (e.g., Colgate 1998; Mole 1999; Hensmans et al. 2001), which will enable us to provide answers to the key questions raised by this thesis regarding how banks create e-banking value.

The discussion, next, looks in details to the technology implementation literature, with particular emphasis on the processes of implementing network technologies and e-businesses. It discusses the term “implementation” and looks briefly at the relation between implementation, innovation and diffusion, the dynamics of the implementation process, and its different stages/phases. It also looks at the implementation challenges, success and failure, implementers’ responsibilities and broad implementation approaches, before ending with a brief review of empirical studies related to the implementation of e-banking products and services, as well as a case study on the implementation of the EFTPOS in the UK during the late 1980s.

The findings of the implementation literature provide the background for the identification of structured process approaches useful to analyse in detail and comparatively the emergence and evolution of concrete e-banking experiences in Saudi Arabia. Consequently, Chapter 2 continues with a discussion on the sociotechnical approach with particular focus on the “sociotechnical constituencies” approach (Molina 1990; 1993) that seems to offer a more structured framework to organise the comparative study of concrete e-banking experiences, particularly through its associated analytical tools of the “diamond of alignment” (Molina 1995), “alignment web” (Molina 2003) and “dynamic strategy mapping” (DSM) (Molina 2005).

The aim is not only to use the approach to reveal how banks build their e-banking capabilities and create new value strategies, but also to test critically the applicability of the “sociotechnical constituencies” approach (Molina 1990; 1993) and its associated analytical tools (Molina 1995; 2003; 2005) for understanding e-banking value creation and capability-building. Accordingly, Chapter 2 provides a brief positioning of the “sociotechnical constituencies” approach (Molina 1990; 1993) in social theory and a review of early “social theory” approaches stressing the interaction between social and technical factors during the development of technology. This is followed by (a) comparing the “sociotechnical constituencies” approach (Molina 1990; 1993) with such theoretical approaches and (b) introducing a group of studies that have attempted to use the “sociotechnical constituencies” approach (Molina 1990; 1993). A justification to the potential applicability of the “sociotechnical constituencies” approach (Molina 1990; 1993) to analysing the emergence and evolution of e-banking in Saudi Arabia concludes the critical analysis, before proceeding to the introduction of the “alignment web” (Molina 2003) and “dynamic strategy mapping” (DSM) (Molina 2005), the recent give the most recent conceptual instruments of the “sociotechnical constituency” approach (Molina 1990; 1993).

Chapter 3 discusses the research methodology and the path the research process will follow in conducting the empirical work and analysis. The discussion highlights the research strategy, which is the case study strategy (Yin 2003), together with the reasons for choosing such a strategy among other research strategies (e.g., experiment). Such reasons are (1) the questions posed by the thesis are “how” and “why” types of questions, (2) the research process would not be able to control behaviour, and (3) the thesis needs to focus on a contemporary event.

Chapter 3 also discusses the research design to develop the logic that linked the data to be collected to the questions posed by the thesis. The thesis questions lead to favouring the e-banking sociotechnical constituency-building process (a case) as the primary unit of analysis, and the bank as the secondary unit of analysis. The research design also uses a multiple-case embedded design as a case-study design. Looking at several units of analysis would help not only in understanding the dynamics in operation (Hammady 1999), but also in enhancing insights to the single case (Yin 2003). The data analysis strategy concludes Chapter 3. In Yin’s (2003: 33) words:

“The use of theory, in doing case studies, is not only an immense aid in defining the appropriate research design and data collection, but also becomes the main vehicle for generalising the results of the case study.”

The data analysis strategy of this thesis implements the theoretical propositions strategy via the utilisation of the “sociotechnical constituencies” approach (Molina 1990; 1993) and its associated analytical tools of the “diamond of alignment” (Molina 1995), “alignment web” (Molina 2003) and

“dynamic strategy mapping” (DSM) (Molina 2005). The data analysis strategy also utilises a group of methodological strategies and techniques, including pattern-matching, explanation building, logic models, coding, pattern coding, cross-case synthesis, and stacking comparable cases. Such methodological combinations will help to draw sound findings.

To provide insights about the possible approaches to the thesis, the research process conducts two pilot studies during August 2003 in Saudi Arabia with AlRajhi Bank (AlRajhi) and Riyadh Bank (Riyad). These pilot studies are initial and of an exploratory role. The findings of the pilot studies are critically important in formatting the data collection process, in particular, and the entire research, in general. The findings lead to the use of three sources of evidence: (1) a survey to be distributed to all Saudi banks, (2) semi-structured interviews, and (3) archival records of e-banking transactions provided by the Saudi Arabian Monetary Agency (SAMA). The main fieldwork takes place during three rounds: September-October 2003, December 2003-March 2004, and December 2005-January 2006.

The structure of the thesis then moves to investigating the emergence and evolution of e-banking at six Saudi banks as well as an inter-bank technological system at the Saudi Capital Market, providing an external view of the emergence and evolution of e-banking in Saudi Arabia. This makes up a total of seven case studies, with each case study making up a single chapter (i.e. Chapter 4, 5, 6, 7, 8, 9, and 10) and following a largely common structure.

Such common structure starts with a brief overview of the organisation (e.g., the bank) and some of the key events shaping the organisation’s developments since inception. It then looks at the particular development of e-banking at the organisation through the conceptual lens of the “diamond of alignment” (Molina 1995). The diamond selected for the analysis is a two-layered intra- and inter-organisational diamond, given that important features of the organisation’s e-banking constituency-building process are the result of inter-organisational interactions between the organisation and other organisations. A section with policy implication concludes each of the seven chapters.

Following such systematic structure, Chapter 4 investigates the emergence and evolution of e-banking at Samba Financial Group (Samba). The discussion distinguishes two distinctive periods in the evolution of the Samba e-banking constituency. The first period goes from the beginnings of Samba to the late 1990s when the merger with the United Saudi Bank (USB) occurred. This is followed by the second period that extends until today and in which the Internet plays a major role. To highlight the differences between the two periods, the “diamond of alignment” (Molina 1995) is applied separately to each of the two periods.

Chapter 5 investigates the emergence and evolution of e-banking at AlRajhi. The discussion distinguishes three phases in the evolution of AlRajhi e-banking constituency: origins (1987-1995), development (1996-2000), and present state (2001-2006). To highlight the differences between the three phases, the “diamond of alignment” (Molina 1995), is applied separately to each phase. Chapter 6 investigates the emergence and evolution of e-banking at the Saudi Investment Bank (Saib). The discussion briefly assesses the state of Saib’s e-banking constituency prior to the implementation of Saib’s business and IT strategy (BIT). It then focuses on the implications of the implementation of BIT, which goes from the late 1990s to today.

Chapter 7 investigates the emergence and evolution of e-banking at the Saudi Hollandi Bank (Hollandi). The discussion focuses on the evolution of the Hollandi e-banking constituency as well as its implications for Hollandi today. Chapter 8 investigates the emergence and evolution of e-banking at the National Commercial Bank (AlAhli). The discussion focuses on the evolution of the AlAhli e-banking constituency as well as its implications for AlAhli today. Chapter 9 investigates the emergence and evolution of e-banking at Riyadh. The discussion focuses on the evolution of the Riyadh e-banking constituency as well as its implications for Riyadh today.

Expanding the discussion toward an inter-bank technological system and the implications it has on the sociotechnical constituency-building process in Saudi banks provides an external view of the emergence and evolution of e-banking at Saudi Arabia. Accordingly, Chapter 10 investigates the emergence and evolution of the trading, clearing and settlements system of securities in the Saudi Capital Market (i.e. Tadawul). This case provides more insights as the Tadawul constituency involves important constituents spread across all Saudi banks.

The emergence of the Tadawul constituency finds its historical origins in the Electronic Shares Information System (ESIS) constituency that developed during the 1990s. Therefore, it is necessary to assess the build-up of the ESIS constituency before looking at the particular development of the Tadawul constituency, which goes from the late 1990s until today, through the conceptual lens of the “diamond of alignment” (Molina 1995). Again, the diamond selected for the analysis is a two-layered intra- and inter-organisational diamond, given that important features of the Tadawul’s constituency-building process are the result of intra- and inter-organisational interactions between Tadawul and other organisations.

Following the investigation of the emergence and evolution of e-banking at each of the six Saudi banks as well as at the Saudi Capital Market, the thesis next looks at, in Chapter 11, an integrative picture of Saudi e-banking. The discussion compares and contrasts the emergence and evolution of e-banking among the seven case studies. The discussion makes use of conceptual tools associated with the “sociotechnical constituencies” approach (Molina 1990; 1993), namely, the “alignment web” (Molina 2003) and “dynamic strategy mapping” (DSM) (Molina 2005) of e-banking constituency-building processes. The discussion also takes a comparative perspective, highlighting differences and similarities among the seven case studies.

It starts with the application of the “alignment web” (Molina 2003) to analyse quantitatively the current state of the process of sociotechnical alignment for each of the Saudi e-banking constituencies. This assessment is related to the more qualitative assessment conducted in the previous chapters with the case studies. It is indeed complementary since the content of the “diamond of alignment” table (Molina 1995) is developed by the author as a summary interpretation of the constituency-building story, while the markings of the “alignment web” (Molina 2003) are given by key players in each of the e-banking constituency-building processes.

This is then supplemented by the application of the “dynamic strategy mapping” (DSM) (Molina 2005) in the case studies of three e-banking constituencies (i.e. AlAhli, Riyadh, and Tadawul). The “dynamic strategy mapping” (DSM) (Molina 2005) is however applied only to the current phase of development of the e-banking constituencies of the three e-banking constituencies. The combined use of the tools produces a detailed assessment of the current state of the process of sociotechnical alignment for each of the e-banking constituencies.

Chapter 12 concludes the thesis by highlighting its empirical contribution, strategy-policy recommendations, and assessment of the thesis. In addition, Chapter 12 provides the results of testing the applicability of the “sociotechnical constituencies” approach and its associated analytical tools for understanding e-banking value creation and capability-building, as well as suggestions for further research.

1.4 Empirical contribution

Yin (2003: 10) highlights the fashion for generalisation from case studies:

“Case studies, like experiments, are generalisable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a ‘sample’, and in doing a case study, your goal will be to expand and generalise theories (analytic generalisation) and not to enumerate frequencies (statistical generalisation).”

This thesis contributes to providing a rich insight into the emergence and evolution of e-banking in Saudi Arabia. The majority of the literature in the field of e-banking has been written with reference to the industrial world. This thesis fills a gap in the literature as it provides an understanding of this phenomenon in a part of the developing world which has not been studied in this respect before. More, specifically, the thesis provides a rich insight on the emergence and evolution of e-banking at six banks among eleven Saudi banks as well as at an inter-organisational technological system involving five inter-bank payment systems. The study of the latter technological system helped give an external insight about the evolution of e-banking products and services in Saudi Arabia.

The results showed an important distinctive characteristic that distinguishes the Saudi Arabian e-banking development from these at western banking sectors. Such characteristic is the dissemination

of Islamic banking products and services through e-channels. The discussion on the emergence and evolution of e-banking in Saudi Arabia showed that Islamic banking was provided during the 1980s by only ARCCEC. This evolved during the 1990s when many conventional banks (e.g., Samba and Saib) offered Islamic banking products and services (e.g., Samba's AlSunbula Investment Fund).

The 2000s witnessed evolutions of Islamic banking when not all Saudi banks established Sharia'h Committees, but also many conventional banks have been transformed to wholly Islamic banks (i.e. AlAhli, AlJazira Bank, AlBilad). The 2000s also witnessed the dissemination of Islamic banking through e-channels when many Saudi banks offered Islamic e-banking products and services (e.g., Salam card of AlRajhi and Sukuk of Tadawul). Such trend seems to continue, distinguishing the Saudi Arabian e-banking development from these at western banking sectors.

1.5 Strategy-policy implications

The aim of this section is to lay out the strategy-policy implications of the thesis. Such implications are divided into two groups. The first group lays out specific policy implications toward the development of each bank being studied (i.e. Samba, AlRajhi, Saib, Hollandi, AlAhli, and Riyadh) as well as the Saudi Capital Market (i.e. Tadawul). This is followed by the second group that lays out general policy implications toward the development of the entire Saudi Arabian banking sector.

1.5.1 Specific strategy-policy implications

Specific strategy-policy implications toward the development of each of the seven e-banking constituencies being studied are as follows.

1.5.1.1 Samba Financial Group (Samba)

Samba's healthy performance in financial and technical terms reveals that the broad value-creation strategy is successful. The capabilities of the e-banking constituency-building process have evolved since commencement of the first phase (i.e. before 1997). The current state of alignment in the e-banking constituency-building process shows a great deal of strength. The weakest areas however were identified inside the "governance" dimension of the "diamond of alignment" (Molina 1995).

Moreover, challenges at both the inter-organisational dimension of the process, in particular the customers' constituent, and the intra-organisational dimension of the process, in particular the rewards for ICT-based innovators' constituent, still exist. This suggests the need for closer examination of the e-positioning strategy with the objectives of not only improving such areas of challenge, but also improving its future development.

1.5.1.2 AlRajhi Bank (AlRajhi)

AlRajhi's healthy performance in financial and technical terms reveals that the strategies implemented are successful. The capabilities of the e-banking constituency-building process have evolved since the initial phase. However, a challenge at the intra-organisational dimension of the process still exists, in particular with regard to "effective mechanisms for socialising a new mix of technologies". On the one hand, this suggests the requirement for further efforts to eliminate present weaknesses in the value creation and capabilities building strategies.

On the other hand, it converges with Porter's (1996) suggestion that an organisation needs to rethink its existing competitive advantage strategy every decade. The ORP has been in place since mid-1995, accordingly AlRajhi would do well to re-examine its strategy in order to secure its competitive position. Given that AlRajhi is getting ready to expand internationally, starting with its new branches in Malaysia, the future is bound to bring new challenges that will surely influence its development. Consideration of the findings presented here might help AlRajhi's positioning strategy in the sector.

1.5.1.3 Saudi Investment Bank (Saib)

While Saib progressed substantially in some efforts, in others the results were more mixed. The e-banking constituency-building process has developed since the late 1990s, with combined efforts at both intra- and inter-organisational levels which have shaped the characteristics of the present e-banking constituency. While the process has progressed substantially in some efforts, in others the

results have been more mixed. Investing in innovative e-banking products and services is recommended to strengthen not only the strategic positioning but also the accelerating capability building strategies of the e-banking constituency.

1.5.1.4 Saudi Hollandi Bank (Hollandi)

Although the broad value-creation strategy has helped Hollandi to protect its position within the sector, the corporate banking performance, and particularly the e-banking performance, is modest compared to its rivals. The e-banking constituency-building process has developed in a limited fashion. Although some efforts had been made on the technological side, on other sides, the efforts have had only modest advance.

Hollandi's e-banking process has suffered from problems of resources, organisation and marketing. These problems will have to be addressed if Hollandi is going to pursue and achieve a stronger competitive position in the e-banking market. Such efforts could start by taking care primarily of the culture of the local market (i.e. Saudi culture). This could be followed by a reassessment of the broad value-creation strategy in the context of the challenges facing Hollandi's e-banking constituency building process.

1.5.1.5 The National Commercial Bank (AlAhli)

The progress of AlAhli in creating value through e-banking has been significant, considering the bank's long period of decline that ended in the 1990s. The performance in both financial and technological terms is healthy and is likely to remain so for the foreseeable future. It is worth stressing that implementation of the broad value-creation strategy requires high degrees of alignment with the organisational and industrial corporate policies.

1.5.1.6 Riyadh Bank (Riyad)

Implementation of the broad value-creation strategy at Riyadh has been rather mixed from the point of view of Riyadh's declared mission to become "the leading Saudi bank". The performance in financial terms is healthy, while in technological terms it is not as strong as required by an increasingly competitive environment. The broad value-creation strategy would benefit from a close critical review.

1.5.1.7 The Saudi Capital Market (Tadawul)

The performance of the Saudi Capital Market through the Tadawul constituency is healthy in both financial and technological terms. The constituency-building process has developed significantly since the late 1990s, involving efforts at both intra- and inter-organisational levels. The implementation of a broad value-creation strategy has been well aligned with the market's corporate policy. However, it is worth stressing that implementation of the optimal strategic approaches require high degrees of alignment with organisational and industrial corporate policies.

1.5.2 General strategic-policy implications

Having laid out specific policy implications for the development of each e-banking constituency being studied as well as the Saudi Capital Market, it is time now to lay out general strategic-policy implications for the development of the entire Saudi Arabian banking sector. Figure 1.5.I visualises the sectoral positions of the existing banks in Saudi Arabia as of July 2006.

			NATIONAL			EURO			NON-EURO		
			SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
ONLY ISLAMIC	RETAIL										
	CORP.										
	BOTH		AlBilad	AlAhl AlRajhi					AlJazira		
ISLAMIC & CONVENTIONAL	RETAIL										
	CORP.										
	BOTH			Samab Riyad	Hollandi	Saab Alfransi			Saib AlArbi		
ONLY CONVENTIONAL	RETAIL										
	CORP.						Paribas Deutsche		GIP		
	BOTH								Emirates NBK		

Figure 1.5.I Existing positions of banks within the Saudi banking sector as of November 2006

The horizontal axis in Figure 1.5.I divides banks according to the type of ownership (i.e. national, European joint venture and non-European joint venture) and the size of total assets (small, medium, and large). In turn, the vertical axis divides banks according to the type of products and services (i.e. Islamic only, conventional-Islamic and conventional only) and the type of main target customers (i.e. retail, corporate and retail-corporate). For example, Saib and AlJazira are similar in terms of the size of total assets. However, Saib furnishes customers with both Islamic and conventional banking products and services while AlJazira furnishes customers with only Islamic banking.

1.5.2.1 Important developments

Figure 1.5.I, however, does not tell the complete story and two important developments in the Saudi banking sector must be taken into consideration. The first development is the arrival of non-Saudi banks that are commencing or will commence operations in the sector. As of November 2006, SAMA has issued operating licences for ten non-Saudi banks. While some licences allow banks to provide both retail and corporate banking products and services, others allow banks to provide corporate banking products and services only.

Banks that have already started operations are Gulf International Bank (GIB), since July 1999, Emirates Bank, since August 2004, BNP Paribas, since October 2005, Deutsche Bank, since April 2006 and National Bank of Kuwait, since May 2006. The remaining five banks that have obtained operating licenses but have not yet commenced operations are J.P. Morgan Chase N. A., Muscat Bank, National Bank of Bahrain, National Bank of Pakistan and State Bank of India.

The second development is the establishment of a national mega bank, AlEnmaa Bank (AlEnmaa). The Council of Ministers approved at the end of March 2006 the launch of a new national bank with a

share capital of SAR 15 billion. AlEnmaa Bank will carry out both banking and investment activities. PIF, PF and GOSI will have a 30% stake in AlEnmaa, with each holding 10% of its shares. The remaining 70% will be sold in an initial public offering at the end of this year.

Having highlighted the two important developments in the Saudi banking sector, it is possible to lay out general strategic-policy implications toward the development of the Saudi Arabian banking sector.

1.5.2.2 Customers' constituent

The Saudi e-banking constituency-building process is evolving with a mixed role played by all dimensions of the “diamond of alignment” (Molina 1995) in the shaping of the new constituency. While the alignment with the dimension “target constituents” exhibits a strong state of alignment, the alignment with the dimension “governance” represents a challenge. The common factor between these two alignments is the area of customers, which reveals a difficulty of approach by the constituencies. Accordingly, it is recommended to give customers more opportunities to participate in the process of e-banking constituency-building.

1.5.2.3 Strategic priorities

The discussion on the “dynamic strategy mapping” (DSM) (Molina 2005) of AlAhli, Riyadh, and Tadawul shows that at more detailed levels of strategy each e-banking sociotechnical constituency has its own evolutionary way. AlAhli's constituency focuses more on features that give competitive advantage to e-banking products and services than other features. AlAhli's performance in both financial and technological terms is strong.

In turn, the “governance (in-house)” feature has been identified as the most important one within Riyadh's “dynamic strategy mapping” (DSM). The combined value-creation strategies implemented by Riyadh are worth a close critical review. Tadawul's constituency, however, regards “process technology” as the most important feature while entirely excluding the “distinctive product/service attributes”. However, given the recent important developments (e.g., new entrances), re-examining the strategic dimensions of the “dynamic strategy mapping” (DSM) (Molina 2005) is recommended.

1.6 Assessment of the thesis

This section aims to provide a general assessment of this thesis by identifying three strengths as well as three weaknesses.

1.6.1 Strengths

This section introduces three strengths of this thesis, namely the logic replication, narrative writing, and validating procedure.

1.6.1.1 Logic replication

The first strength of this thesis is its logic replication. This was done through the implementation of a largely common structure to write the case studies (i.e. Chapter 4, 5, 6, 7, 8, 9 and 10). As indicated earlier, such common structure started with a brief overview of the organisation (e.g., the bank) and some of the key events shaping the organisation's developments since inception. It then looked at the particular development of e-banking at the organisation through a single conceptual instrument (i.e. the “diamond of alignment”, Molina 1995). A section with policy implication concluded each case study. The replication logic helped to either “(a) predict similar results (a literal replication) or (b) predicts contrasting results but for predictable reasons (a theoretical replication),” (Yin 2003: 47). The following paragraph discusses the first issue.

Replication of knowledge is an important criterion in reporting a case study, as indicated by Yin (2003: 47), “only with such replications would the original finding be considered robust and worthy of continued investigation or interpretation.” For instance, Samba case study (i.e. Chapter 4) provided an in depth understanding of the Saudi e-banking value creation and capability-building during the 1990s and 2000s through separately applying the “diamond of alignment” (Molina 1995) to each of the two periods.

This was followed by AlRajhi case study (i.e. Chapter 5) that applied the “diamond of alignment” (Molina 1995) to three periods: 1980s, 1990s, and 2000s. The last two periods replicated the understanding of the Saudi e-banking value creation and capability-building with that of Samba while the first period produced a new phenomenon (i.e. during 1980s) about Saudi e-banking value creation and capability-building. The following case studies (i.e. Chapter 6, 7, 8, 9, and 10) either added more replication, provided new phenomenon, or both.

1.6.1.2 Narrative writing

The second strength of this thesis is its narrative writing form. The implementation of a largely common structure to report the case studies on Saudi e-banking not only helped replicating the logic, but also allowed contrasting results through following a question-and-answer form. Yin (2003: 148) defines the term “question-and-answer form” and highlights its benefits:

“[The question-and-answer narrative form is] a series of questions [that] can be posted, with the answers taking some reasoning length – for example, three or four paragraphs each. Each answer can contain all the relevant evidence and can even be augmented with tabular presentations and citations... the same question-and-answer format [is] used in each case, so that the interested reader could do his or her own cross-case analysis by following the same question across all of the cases. The format allows hurried readers to find exactly the relevant portions of each case.”

Such a narrative form allows readers to conduct a cross-case analysis by looking at the same question across all of the seven case studies. For instance, all case studies looked at the role of “governance” in e-banking development. Within this issue, the question of what is the role of bank governance was answered at each case study. Therefore, if readers would wish to know the role of Saudi bank governance during the e-banking development, they have the opportunity to look under the heading “organisational governance” at each case study.

Another example is the separation of periods of e-banking development. If readers would like to explore the influences on the e-banking implementation during the 1990s, they have the opportunity to look under the origins of each e-banking socitechnical constituency. The issue of narrative question-and-answer form facilitated the development of a cross-case analysis that acknowledges readers’ varieties of interests (Yin 2003).

1.6.1.3 Validating procedure

The third strength is the procedure that has been followed to strengthen the validity of the overall quality of the thesis. Yin (2003: 159-160) describes the sequence of the validity procedure and highlights its consequences:

“A major way of improving the quality of case studies and ensuring their constructive validity is to have the draft cases reviewed by those who have been the subject of the study.... The procedure is to have the draft report reviewed, not just by peers (as would be done for any research manuscript) but also by the participants and informants in the case... The informants and participants may still disagree with an investigator’s conclusions and interpretations, but these reviewers should not disagree over the actual facts of the case.... From a methodological viewpoint, the corrections made through this process will enhance the accuracy of the case study, hence increasing the construct validity of the study... When the process has been given careful attention, the potential result is the production of a high-quality case study.”

Although longitudinal studies are costly, time-consuming, and difficult to implement, the thesis applied a longitudinal approach to gather the information necessary to evaluate phase models of strategy development. This has been conducted in two ways: contacts with Saudi banks (i.e. a review by the subject of the study) and presentation and publication at international academic conferences (i.e. a review by academic and research peers).

The continued contact with Saudi banks, either during the three rounds of the main field work, or during the following span of time, helped to improve the overall quality of the thesis. For instance, the criticisms received from Riyad’s Vice CEO about the conclusion of the qualitative analysis of the

Riyad's e-banking constituency as well as from Saib's CEO about the interpretation of the role of Saib within the Saudi Arabian banking sector not only helped to clarify many issues, but also supported the validity of the findings and strength of the conclusion. Another example came from Tadawul's third round when additional recent statistics about share transactions have been obtained to help triangulating the sources of evidence.

The continued presentation and publication of the research at international academic conferences helped to improve the overall quality of the thesis as it offered an academic review, either during the acceptance process or during the presentations at the conferences, to the initial version of the qualitative analysis of the e-banking constituencies. For example, the first version of the qualitative analysis of the Samba's e-banking constituency received critiques by some audience during the 4th e-Business Research Forum (Tampere, Finland, 20-22 September 2004) on the relationship between Islamic banking and e-banking development. Also, the first version of the qualitative analysis of the AlRajhi's e-banking constituency was criticised by some audience during the 4th IBIMA Conference on Information Management in Modern Enterprise (Lisbon, Portugal, 5-7 July 2005) on the scientific validity of integrating a number of theoretical concepts¹. These critical comments led to improving the content of the thesis.

In conclusion, the logic replication, narrative writing, and validating procedure conducted by this thesis represent three strengths. Next, I discuss three weaknesses of this thesis.

1.6.2 Weaknesses

This section introduces three weaknesses of this thesis, namely theoretical awareness, chronological approach, and quantitative assessment.

1.6.2.1 Background theory

The first weakness relates to the demonstration of the full professional grasp of the background theory necessary to understanding and dealing with the matter of this thesis. Phillips and Pugh (2002: 59) describe the theoretical requirements for the full professional standards required to demonstrate the background theory:

“[Background theory] is the field of study within which you are working and which you must know well ... The standard way of demonstrating this is through a literature review ... You are doing [this] in order to demonstrate that you have a fully professional grasp of the background theory to your subject... So organising the material in an interesting and useful way, evaluating the contributions of others (and justifying the criticisms, of course), identifying trends in research activity, defining areas of theoretical and empirical weakness, are all key activities by which you would demonstrate that you had a professional command of the background theory.”

Although this thesis made all possible efforts to demonstrate the full professional grasp of the background theory necessary to understanding and dealing with its matter, the wide range of theories that have relevance to such a complex problem as the emergence and evolution of e-banking in Saudi Arabia makes it difficult to cover all of them with the same degree of depth. In this thesis, the mechanism to build the background theory was to look at the keywords of the questions of the thesis (e.g., technology implementation, capabilities building, value creation, strategy formulation) as well as its different aspects (e.g., e-banking development, alignment) as a guide to explore related theoretical literature. Then, it made informed choices about the topics to be dealt with in greater detail. Thus, while the background theory looked in greater detail the technology implementation literature as well as process approaches, it looked rather briefly to many theoretical foundations of value creation and capabilities building in context of e-business and e-banking.

¹ See Appendix VII for more details.

1.6.2.2 Chronological structure

The second weakness of this thesis is the chronological approach followed to write the case studies (i.e. Chapter 4, 5, 6, 7, 8, 9, and 10). Yin (2003) suggested six illustrative structures to write a case study: linear-analytic, comparative, chronological, theory-building, suspense, and sub-sequenced. Yin (2003: 153-154) describes the norm of the chronological structure and its pitfall:

“[Chronological structure] is to present the case study evidence in chronological order... [It] can serve an important purpose in doing explanatory case studies because presumed causal sequences must occur linearly over time.... [However,] disproportionate attention is usually given to the early events and insufficient attention to the later ones.... To avoid this situation, one recommendation ... is to draft the case study backward.”

Although the largely common structure followed by this thesis to write the case studies helped to replicate the logic as well as to contrast results through following a question-and-answer narrative form, it negatively influenced the balanced treatment of the case study's events. For instance, Saib and Tadawul case studies (i.e. Chapter 6 and 10, respectively) assessed briefly the origins of the e-banking sociotechnical constituencies, while it assessed deeply the current state of the e-banking sociotechnical constituencies.

Moreover, the assessment of some case studies looked at more than one period in the development of the e-banking constituency (e.g., Samba and AlRajhi case studies looked at two and three periods, respectively), while it only looked at a single period in the development of other e-banking constituencies (e.g., AlAhli and Riyadh case studies looked only at the current period).

1.6.2.3 Quantitative assessment

The third weakness of this thesis is the accuracy of the quantitative assessment (i.e. Chapter 11) that followed the qualitative assessment (i.e. Chapter 4, 5, 6, 7, 8, 9, and 10). In the case studies of AlRajhi, Riyadh and Tadawul, for instance, the interviewees during the first round of the semi-structured interviews (i.e. during December 2003-January 2004) were different from those during the second round of the semi-structured interviews (i.e. during December 2005-January 2006). This was due to the unavailability of the former interviewees for both rounds of interviews because of a change of position inside or outside the bank. Such limitations created follow-up challenges while investigating the evolution of the e-banking constituency.

Moreover, the initial plan of the “dynamic strategy mapping” (DSM)'s assessment was to conduct an evolutionary assessment of all the seven case studies. After approaching the second round of the semi-structured interviews (i.e. during December 2005-January 2006), however, achieving such an objective was found to be difficult. This was for two reasons. First, the time offered by interviewees was quite limited so that only the “alignment web” could be assessed. Second, the “dynamic strategy mapping” (DSM)'s is so deep that extra time is needed not only to think about all its dimensions, but also to understand each one. Accordingly, the assessment of the “dynamic strategy mapping” (DSM) was limited to the current state of the e-banking constituency-building process at AlAhli, Riyadh and Tadawul.

The strength of the quantitative assessment is another issue related to the accuracy. For instance, the fact that the markings for the “alignment web” (Molina 2003) and “dynamic strategy mapping” (DSM) were given by just one person weakens the strength of the assessment through the potential introduction of biases. Accordingly, if the assessment would have been conducted by more than one person, it would have increased the strength of the result.

In conclusion, the theoretical awareness, chronological approach, and quantitative assessment followed by this thesis represent three weaknesses.

Next, I discuss the results of testing the applicability of the “sociotechnical constituencies” approach and its associated analytical tools for understanding e-banking value creation and capability-building.

1.7 Suggestions for further research

This section lays out some directions for further research. Such directions are as follows:

- **Impact of new arrivals:** A line of further research is to study the impact that the arrival of all new banks (e.g., AlEnmaa, Deutsche Bank, State Bank of India) will have in the development of the e-banking sector in Saudi Arabia.
- **Non-banking financial e-business:** The argument of the entire thesis was based on e-banking with a portion based on e-investment (i.e. Tadawul). The thesis provided a rich insight into the emergence and evolution of such a type of e-business. A possible direction for further research is to look at the emergence and evolution of e-business at non-banking financial institutions (e.g., insurance). This would help provide a comparative view among different financial e-businesses.
- **Product-based e-business:** An additional possible direction for further research is to look at the emergence and evolution of a product-based e-business (e.g., petrochemical sector). This would also help provide a comparative view among different e-businesses.

1.8 Summary Conclusion

The aim of the thesis was to look at the emergence and evolution of e-banking in Saudi Arabia, with particular emphasis on the processes of how banks implement e-banking to build their capabilities and create new value strategies. Specific questions addressed through the thesis were (1) how banks implement e-banking to build their capabilities as well as to create new value strategies, (2) how e-banking capabilities have been built, and (3) the role played by e-banking in shaping the strategic direction of banks. This required understanding of a variety of aspects (i) the value created by e-banking products and services within different banks, (ii) the process of e-banking development within the different banks, (iii) how banks approach e-banking products and services, and (iv) how the banks align the demand and supply factors surrounding e-banking products and services.

This chapter concluded the thesis by highlighting its empirical contribution, strategy-policy recommendations, and assessment of the thesis. In addition this concluding chapter provided the results of testing the applicability of the “sociotechnical constituencies” approach and its associated analytical tools for understanding e-banking value creation and capability-building, as well as suggestions for further research.

The overall result of the investigation conducted by this thesis found that the Saudi Arabian e-banking’ constituency-building process shows distinctive processes of sociotechnical alignment by each one of the specific Saudi Banks’ e-banking constituencies in the study. In addition, the use of Molina’s “alignment web” to assess the state of each of the specific e-banking constituency-building processes helped identify the areas of strengths and weaknesses in these processes of sociotechnical alignment. For instance, the alignment with “target constituents” exhibits a strong state of alignment while that with “governance” represents a significant challenge. The common factor between these two alignments is the area of customers, which reveals a difficulty of approach by the constituencies, suggesting the importance of giving customers more opportunities to participate in the process of e-banking constituency-building.

The distinctiveness of development by each sociotechnical constituency was also highlighted by the application of the Molina’s “dynamic strategy mapping” (DSM), showing that each constituency has its own combination of strategic ingredients. Indeed, each e-banking sociotechnical constituency has its own evolutionary way of focusing on certain features that give competitive advantage to e-banking products and services. While some Saudi banks focus more on inter-organisational features, others focus more on intra-organisational ones, suggesting the importance of not only investing in banking technologies, but also importing such technologies from outside to enhance the performance of the e-banking constituency-building process.

Overall, this thesis contributes to provide a rich insight into the emergence and evolution of e-banking in Saudi Arabia. Such contribution may be used to inform the future alignment strategy pursued by each the Saudi Arabian e-banking constituencies.