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## Designing Service Supply Chains Management Model by Grounded Theory

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### Abstract

In highly competitive and uncertain global marketplace, Supply Chains Management (SCM) has become vitally essential approach to gain competitive advantages. Due to the unique characteristics of services, which distinguish them from goods, our knowledge of the structure of supply chains in service businesses is still scant. In this paper, we applied a qualitative research, Grounded Theory, with the ultimate goal of providing a model for service supply chains management (SSCM) in insurance industry. To identify components of the model, interviews were conducted with 14 managers and experts in the insurance industry. With three-stage, open and axial, coding developed a paradigmatic model for SSCM. Then, based on the paradigmatic model, a conceptual framework for insurance service supply chain were provided. It consists of components and management processes required to delivery services to the customers effectively. This framework could be used as basis for design performance measuring or excellence model in service industry.

### Introduction

The supply chain management (SCM) approach was introduced into the business world to deal with increasing competition among firms for survival (Lambert and Cooper, 2000). Nowadays in global markets, firms are no longer units with specific trademarks performing as autonomous entities. The complexity of goods and services in the modern world makes this a rare occasion for organizations and institutes to provide goods or services independently and without the help or cooperation of others (Cooper et al., 1997). Due to this and the highly unreliable

and competitive environment, companies face a real struggle; therefore almost every day, new methods and procedures are being innovated to help them progress under such harsh circumstances (Cooper, Lambert et al. 1997). The Supply Chain Management (SCM), is one of these various methods developed to help companies and corporations overcome such difficulties (Lambert & Cooper, 2000).

In the recent decades, the service sector has had a great share of the global economics; economy services are considered the driving force of many of the developing countries (Giannakis 2011). In the Islamic republic of Iran, more than 50% of the gross production is that of the service sector and the analysis of the national GDP indicates growth in this sector (SCI 2014). Even with the importance of the service sector and the increase in the conversion of global economics to a service based format, the service sector is not as developed as the manufacturing sector (Van Ark, O'Mahony et al. 2008). One of the main reasons for this issue is that many of the production based organizations have had a great opportunity of development which is due to the SCM procedure being applied by them. An effective supply chain is able to both reduce the resources needed for the presentation of the desired services and also to develop customer servicing by the way of increasing the availability of a product and decreasing the order time period as well as the cost of the required service (Banomyong & Supatn 2011).

Although different disciplines of research such as Service marketing, service operations management, service science and service engineering have been developed, little research has been dedicated to the method of Service Supply Chain Management (SSCM), which expands the organization's boundaries (Johnston & Clark 2012). Service standardization, design difficulties and servicing procedures play important roles in the deficiency of research in this field (Lin, Shi et al. 2010). The abstraction and measurement of such services is a difficult matter and in addition to all these, the variety of service sectors has made it even more difficult to suggest a single model for such services (Ellram, Tate et al. 2004). Taking this feature into account and since there has been little research on service supply chains, the present study has been conducted based on views and experiences by insurance industry experts. And attempts to design and provide a model for service supply chain management in the insurance industry.

### **Case Study**

The study used interviews with experts, managers and insurance industry professionals as the main source for gathering data. The major source from

which the main concepts were extracted were interviews performed with 14 managers and experts of the insurance industry in Iran. This research based on the core of SSCs, which companies providing insurance services, carried out presses/procedures of insurance SSCs and designed a conceptual framework for SSCM.

### **Materials and Methods**

Since previous researches have employed week frames to determine the structure of service supply chains, it seems appropriate to utilize a qualitative procedure; and the service supply chain management has been modeled with a qualitative approach by using the data theory method with the help of the Strauss and Corbin (1998) model. Grounded theory is a qualitative research method that develops a theory using a data set.

The researcher has attempted to gather and analyze 13 interviews in three turns. At the beginning and based upon the newly found recognition of the insurance industry, theoretical sampling, and after that and to achieve theoretical saturation, snowball sampling was performed. In this study, 2 introductory interviews were made to better understand the environment; 9 main interviews with the aim of extracting required data, and another two to determine that theoretical saturation is obtained and as a confirmation to the extracted codes were made. Theoretical saturation is a state wherein no new data are discovered, the subject has been extended enough and the connections between the data has been determined (Creswell 2003). Each interview was conducted with either one or two people and in two sessions. The interviews ranged from 30 minutes to two hours. The selected people for the main interview had at least 10 years of experience in the insurance industry. Ten percent of the interviewees had a BA, 50 percent had an MA and 40 percent had a PhD degree.

### **Data analysis and findings**

Coding is a systematic procedure developed by Strauss and Corbin (1998) to explore data categories, features and aspects. In this study, with two-stage, open and axial, coding developed a paradigmatic model for SSCM. This was done through analysis, naming and classifying the acquired data from interviews, observations and technical notes. The shared codes, and codes underlined by all interviewees, as well as codes regarded important by the researcher, were all identified as final codes. Similar codes were combined to form single service supply chain management factors. Then, based on the paradigmatic model and selective coding, a conceptual framework for insurance service supply chain were provided. It consists of components and management processes required to delivery services to the customers effectively. Finally, 8 presses/procedures

were identified for insurance SSCs. These procedures contain all the activities and processes performed in order to deliver a service to a consumer. As the service provider states, some of these activities are seen throughout all the chain, whilst other are seen only in specific phases.

### **Conclusion**

As it was previously mentioned, service industries are greatly influential on the economy of advanced countries and is facing growth in progressing countries; therefore paying attention to the SSC with the purpose of improving it is of great importance. By going through the research literature, it was determined that the models used in production supply chain management are not applicable in the SSC. In this study, it was endeavored to privilege from the opinions of the experts in the field of insurance industry and the use of grounded theory, it better comprehend the nature and the difficulties of the service supply chain. The suggested frame presents a new perspective of managing service procedures in the insurance industry, which can help managers take a different view on designing and managing such procedures and assess themselves in accordance with the aims intended for the company. In the presented service supply chain management model, all the procedures needed for an efficient supply chain have been determined which are: service delivery management, service capabilities management, market management, cash flow management, CRM, SRM and information flow management. Risk management has been described as a specialized process in insurance procedures.

Insurance industry managers can privilege from the model provided by this research as a guideline to achieve competency advantage and lower the unreliability of the environment as well as using it as a basis for insurance's management and supply chain network structure; it may also be used to assess their performance.

**Key Words:** Supply Chain Management, Service Supply Chain, Grounded Theory, Insurance Industry.