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Strategic Value Co-Creation Model in Banking Industry

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Abstract

Value creation has long attracted scholars' and managers' attention. This concept has transformed in the context of marketing paradigms. This paper aims to develop strategic value co-creation model in banking industry in Iran. Applying a mixed methodology, in the first phase a multiple case study was operated in three selected banks. A purposeful sampling helped data gathering. Data analysis in the qualitative phase was done through qualitative content analysis based on which the research model was extracted. Followed by the qualitative phase, the model was tested in a quantitative manner by a survey in the aforementioned selected banks. To do this, 70 questionnaires were distributed in a sample chosen by simple random sampling. The model was then tested in Smart PLS using least partial squares. The results show that the strategic value co-creation has two dimension including organizational value co-creation (with 7 factors encompassing marketing ability, service development ability, relational ability, IT ability, Organizing ability, organizational culture and human resource management ability) and customer value co-creation (with 5 factors encompassing contribution to service development, transactional ability, feedback giving, loyalty and responsible behavior).

Introduction

Marketing has traditionally borrowed transaction and exchange models from economics and the good-dominance-logic. The main focus, in the context of

this logic was on offering goods and services regardless of customers' preferences and inclinations. (Zhang et al., 2017; Galvagno and Dalli, 2014; Ranjan and Read, 2016; Pansari and Kumar, 2017; Venkatesan, 2017). Organizations had scarce information about customers' needs and thus offered their own solutions to meet their demands. Many new products failed due to inconsistency of products and services features with customers' wants (Pinho et al., 2014; Vivek et al., 2014). The emergence of service-dominance-logic changed the marketing paradigm and presented a new approach in customer's cooperation in co-creating values. Value co-creation refers to organizations and customers' actions and necessities in order to develop solutions meeting the mutual needs (Skålén et al., 2015). The environment of banking industry in Iran is highly competitive due to the great number of banks and financial and credit institutions. According to the investigations, one of the leading private banks in Iran had experienced a customer churn of 14% during last three years. A following pathology study revealed that customers left the bank as a result of inefficient transactions between the bank and customers which led to low levels of co-operations in problem solving. This paper aims to answer this question that what capabilities and necessities in organizations and customers are needed to pave value co-creation path. In order to reach competitiveness based on value co-creation with customers and to prevent services failure through creating value by integrating the resources of organization and customers, it is necessary to scrutinize the capabilities, features and actions needed in both parties to co-create value. This can result in higher levels of customers' satisfaction and loyalty, lower customers' churn rate, decreasing the costs of new customer attraction and competitiveness (Hunt et al., 2012; Tu et al., 2018; Oyner and Korelina, 2016, Thiruvattal, 2017). This research aims firstly to develop a model for strategic value co-creation in Iranian banking industry and secondly to determine the components and dimensions of organization value co-creation and customer value co-creation in Iranian banks.

Case study

In this article, the multiple case studies in three Iranian banks have been applied as the strategy of qualitative research to gain comprehensive knowledge about value co-creation in Iranian banks and their corporate customers. Based on the principles of data gathering in case studies proposed by Yin (2014), the data was gathered through observations, interviews and investigating documents and organizational news.

Materials and Methods

In order to meet the research goals through mixed research methodology, data gathering and data analysis were done in two phases including qualitative phase and quantitative phase. The populations in qualitative phase encompassed experts in banking industry and their corporate customers. Applying the purposive sampling method, 15 experts besides 9 corporate customers were selected for deep interviews. The interviews continued to reach theoretical

saturation. Besides, the organizational news and documents were investigated and observations were documented in all three banks. The gathered data was analyzed through qualitative factor analysis and the strategic value co-creation model was extracted. The second phase (quantitative phase) was pursued in order to test the goodness of fit of the model extracted through the qualitative phase. In this phase the confirmatory factor analysis was applied through least partial squares in Smart PLS.

The population in the quantitative phase encompassed the employees in selected banks with work experience in the realms of marketing, banking strategy, products and services development and corporate banking. Based on the Morgan sampling table for a population of 80 employees, the sample in this phase included 70 people chosen by random sampling method. Based on the indices identified in the qualitative phase, a questionnaire with 76 questions was developed and distributed in the sample. The questions were replied through 5 point Likert scale.

Discussion and Results

The gathered data from three cases were encoded applying inductive content analysis and in the end after analyzing 1250 codes, three levels of concepts encompassing micro concepts (third level concepts), middle concepts (second level concepts) and principal concepts (first level concept) were identified to form the value co-creation model in banking industry of Iran. In order to analyze the goodness of fit of the developed model, the confirmatory factor analysis was done by applying structural equation modelling in Smart PLS. The results showed the model was appropriately fit.

Conclusion

The results show that the strategic value co-creation is a three-level-construct with two dimensions including organizational value co-creation (with 7 factors encompassing marketing ability, service development ability, relational ability, IT ability, Organizing ability, organizational culture and human resource management ability) and customer value co-creation (with 5 factors encompassing contribution to service development, transactional ability, feedback giving, loyalty and responsible behavior).

Key Words: strategic value co-creation, organizational value co-creation, customer value co-creation, mixed methodology, qualitative content analysis, least partial squares.