

New theoretical model of New Service Development process in Iranian Governmental Banks

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Abstract

The intensive competition in grasping banking customers, as well as the rapid growth in customers' needs for high quality, proper services have given rise to new innovative methods for optimization of processes, service development and value creation in Iranian Governmental bank systems. Today organizing a new service development is an important topic for decision-delivery in service banks. New Service Development (NSD) process providing the lower cost and higher benefit methods for creation of competitive advantage in Governmental banking systems. In this paper the new theoretical model of New Service Development process in Iranian Governmental Banks has been introduced. The qualitative data was collected through interviews. The methodology is adapted from in-depth interviews with academic experts and managers of Governmental banking systems until theoretical saturation state achieved. The gathered data was analyzed using axial and open coding methods. The results shows that the NSD process Iranian Governmental banking systems is includes of four main stages and 35 secondary factors consist of analysis& new concept development, design, pilot and launch, development. Eventually, the results of this paper can be used for the new services development in Governmental banking system in a competitive environment at the other countries.

Keywords: Innovation, banking services, New Service Development, Governmental banking systems

Paper Type: Research Paper

1. Introduction

A large share of innovative efforts in business is related to the development of new services (OECD, 2000; Howells, 2000). Despite its significance, many service firms still struggle with their innovative efforts. Authors like Cook et al. (1999), Den Hertog (2000), Avlonitis et al. (2001), Gadrey et al.(1995) and Chase et al. (1998) have stressed that innovation in services can be related to changes in various dimensions. Some examples include innovation in the service concept, the client interface, the delivery system and technological options. Innovation in the

service concept includes changes in the characteristics of the service itself. This dimension is most widely recognized. In financial services, for instance, new service development (NSD) is usually organized in a sequential manner (Vermeulen, 2001; Vermeulen & Dankbaar, 2002). NSD is one of the best systematic approaches for innovation development in service organizations, especially in banking systems. The main goal of this paper is the finding of the "new theoretical model of New Service Development process in Iranian Governmental Banks."

2. Literature Review:

For a long time, New Service Development (NSD) has been based on NPD. Earlier research in this field concentrated on the concept of New Product Development (NPD) rather than the NSD (Dolfsma, 2004). According to Johnes and Storey (1998), NPD makes radical changes in properties of products and services. However, NSD cannot be the same as the development of a tangible product (Kelly & Storey, 2000), and it could get more comprehensive and complicated because of its concern with developing new service products (Johnes and Storey, 1998). Cadwallader et al. (2010) stated that the success of NSD is defined by measures which refer to the NSD project itself, for example by measuring its duration or cost, as well as the success of the developed and implemented service, expressed through financial or market factors. Nowadays, since the service sectors in developed countries have the highest growth in GDP and employment, the significance of service sectors is increasing remarkably. Moreover, ventures' tendency toward offering new services to customers has converted new service development (NSD) management to one of the main concerns of businesses (Johnson et al., 2000; Menor et al., 2002). However, NSD remains among the least studied and understood topics in the service management literature despite the existence of many research and models on product development, especially in recent years (Menor et al., 2002). As a result, considering the importance of the NSD process in a rapidly changing environment, it seems critical for much more in-depth research to be done in the field.

In fact, new service development relies on tasks that are difficult to understand or solve and anticipate a change in customer needs (Matthing et al., 2004). According to Johnson et al. (2000), new service development is defined as the process of offering a service not previously available to a customer, and results from the addition of offerings, radical changes in the service delivery process, or incremental improvements to an existing service package or delivery processes that customers perceive as being new. According to Cooper and Edgett (1996), the rate of failure in businesses trying to offer new services is approximately 50%. Consequently, the high rate of failure, huge expenses, and the customers' displeasure at not gaining adequate value, reveal the importance of identifying effective factors in the NSD process of banking systems. In hard competition systems in banking in Iran, changed development cycles of new services, and more needs and customer expectations, the banks are in constant need of new approaches to services. Alinvi & Barbi, (2007), are of the view that customers' preferences change on a constant basis, and organizations adjust in order to meet these changes to remain competitive and profitable. Rao, (2008), attempted to understand how service firms actually innovate. He found that all the Governmental life insurance companies have a formal New Service Development (NSD) unit and top executive and R&D department participate in the creation of new services. Although all the companies are aware of the importance of customer

involvement, the results shows that there is potential for increasing customer involvement in NSD process. NSD has not only become an important competitive factor in many industries (Menor et al., 2002), but has also raised the interest of researchers in the fields of innovation, marketing and operations management (De Brentani, 1989,Thwaites,1992, Cooper et al., 1994, Johne and Storey, 1998, Storey and Kelly, 2001, Menor and Roth, 2007). Therefore, creation and development of service innovation thorough NSD process has the great significance in service organizations. In fact, using NSD process models has a vital role in meeting customer 'needs and improving quality in service design process. Meigounpoory et al. (2013), study the high prevalence of chronic diseases in Iran and the high expenses resulting from inadequate health services such as nutrition counseling. Results of this paper identified the effective factors in NSD process in nutrition counseling field for creating value and competitive advantage. Table - 1 displays the results of some studies in this field.

Table - 1: The effecting factors of NSD process in the literature

Authors	Year of Study	Identified factor(s)
Drew, A.	1995	Training and education in NSD process
Johne&Harborne,	1985	
Johne&Harborne,	1985	
Nijhof et al	2002	focuses on some particular sectors & Financial services
Hellström&Hellström,	2002	
Cook <i>et al.</i>	1999	
Den Hertog	2000	innovation in services
Avlonitiset <i>al</i>	2001	
Gadreyet <i>al</i>	1995	
and Chase <i>et al</i>	1998	
De Brentani	2001-2000	Innovation process in firms
Kelly &Storey	2000	beneficial new service development
Johnson et al.	2000	Service nature Project synergy NSD process type Service market characteristics Innovation culture
Cooper & de Brentani	1991	Customer involvement Service delivery
Bardhan et al.	2007	System and Process design
e.g. Van de Ven	1986	The people-related characteristics the NSD process
Meigounpoory, et al.	2013	effective factors in NSD process in nutrition counseling business

Johnson et al. (2000) suggested a model describing the new service development process that can present four main stages with twelve tasks having to be done to launch a new service. These four stages are design, analysis, development, and launch as the following:

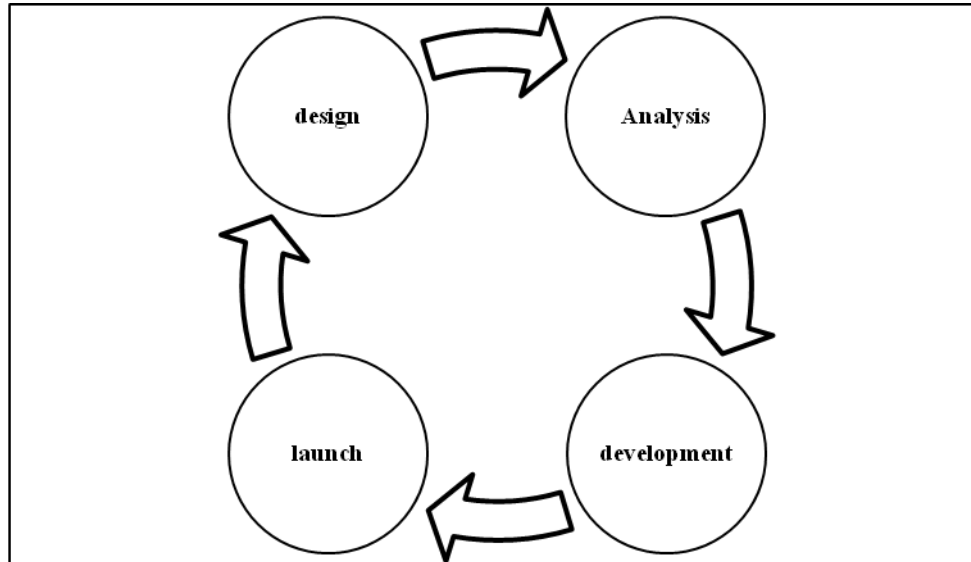
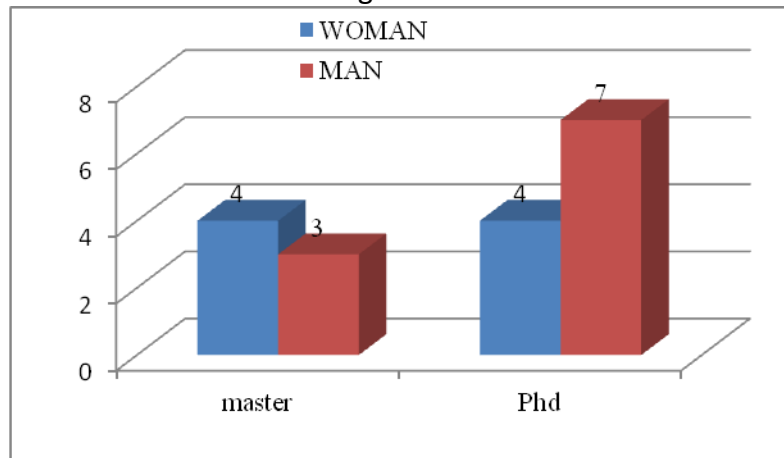


Figure1. New service development process based on Johnson et al.(2000)

Research Methodology

This research was implemented as a qualitative study, which involved the collection of data through face to face interviews. As a principle, the targeted sampling covered the academic experts and managers of Governmental systems banking. Case of study has been focused on the Keshavarzi Bank of Iran. The sampling approach that was used is known as snowballing. Using this approach, the researchers first searched an adequate expert, and through his/her interview and recommendations obtained a list of experts as potential study participants. In the majority of qualitative studies, sample size should generally follow the concept of saturation (Glaser & Strauss, 1967). In the present study saturation was reached after 18 interviews. The whole interviews were recorded and converted to transcripts. According to the method of Strauss and Corbin (1999), the data were analyzed using open and axial coding. Codes form the basis for later aggregation into concepts, in open coding. The aim of open coding is to begin the unrestricted labeling of all data and assign conceptual codes to each outstanding incident within the data (Strauss, 1987). Axial coding always follows open coding, and identifies relationships between open codes for the purpose of developing core codes (Strauss and Corbin, 1990). Statistical analysis of the research indicates that the respondents' demographics of the participants were consist of 44.5% women and 55.5% men. Figure 1 shows the distribution of the respondents' demographics.

Figure – 2: distribution of the participants 'demographics based on academic degree and gender



Results

In order to finding the factor affecting on new service development process in Iranian Governmental Banks, the coding results were compared, discussed, and modified for any probable discrepancies. The attained final factors are shown in Table (2)-(5).

Table - 2: Results of the qualitative study, effective factors in NSD process - *New Concept Development & Analysis stage*

Concept	Index	Frequency
New Concept Development & Analysis	SWOT	12
	Identify new opportunities	13
	New Concept Development	12
	Business Analysis	7

Table - 3: Results of the qualitative study, effective factors in NSD process –*service design stage*

Concept	Index	Frequency
Service design	Platform design	4
	Portfolio Design Service	11
	design of service Algorithm	12
	Design of service delivery	11
	Design of Process	14
	Design of Training	7
	Modular design	6

	Design of testing and evaluation	11
	Design for standardize the rules	12
	Design for compliance with security rules	11
	Design for compliance with legal rules	14
	Design for flexibility of service	12

Table - 4: Results of the qualitative study, effective factors in NSD process -*Pilot &Launch stage*

Concept	Index	Frequency
Pilot &Launch	Select Location of piloting	9
	Resources estimation	12
	Pre-Pilot of services	11
	Launch a pilot of service	13
	Design of marketing process	13
	Market testing and evaluation	12
	Focus on Customers	8
	Pilot revised before launch	9
	Standardization and patenting of new service	12

Table - 5: Results of the qualitative study, effective factor in NSD process- *Development stage*

Concept	Index	Frequency
Development of new service	Launched in national large-scale	11
	Service implementation in other branches of bank	12
	Development of new strategies	13
	Branding business services	8
	Creation of international scope of service delivery	12
	Coordination between, new services development processes and organizational processes	6
	The new definition of service	7

	Project Time Management	4
	Test, evaluations and Corrections	9

Discussion and conclusion

In this paper factors effecting on new service development process in Iranian Governmental Banks has been introduced. The qualitative data was collected through interviews. Results of this paper indicated that NSD Process in Iranian Governmental banking systems (case of study: Iran KESHAVARZI Bank) is consist of four stages. The first stage of NSD process i.e. *New Concept Development & Analysis stag* is consists of SWOT analysis, new concept development and business environment analysis according to coding techniques.. Although in NSD model of Johnson et al. (2000), the first stage is called design and the second is analysis, findings of this study illustrate that in order to reduce the expenses of NSD process, it is more appropriate to develop of new concept, analyze the business, and then design the system process. The next stage of NSD process is service design that is consist of Platform design, Portfolio Design Service, design of service Algorithm, , design of service delivery, design of process, design of training, , modular design, testing and evaluation, Design for standardize the rules, Design for compliance with security rules, Design for compliance with legal rules, and Designed for flexibility of service. According to data analysis, the third stage is pilot and launch having five categories such as planning for the pilot, pre-pilot review, running pilot, marketing and the post-pilot review. Additionally, findings of the interviews indicate that the last stage is development which is made up of launching in large-scale, development of new service in other branches of banks, using new development strategies, branding and internationalizing of new services.

Table-6 also shows this comparison of this paper results with other researchers in detail.

Table - 6: The comparison of factors effecting on new service development process in Iranian Governmental Banks with other researchers studies

Effective Factors- Present Study	Effective Factors- other researchers Study
New Concept Development	Scheuing& Johnson, 1989 Edvardson& Olson, 1996 Meigounpoory&Hashemi& et al. 2013
Business Analysis	Scheuing& Johnson, 1989 Meigounpoory&Hashemi& et al. 2013
SWOT	Bullinger& Schreiner, 2006
Service design	Edvardsson& Johnson, 1996 Bardhan et al., 2007
Employee training	Scheuing& Johnson, 1989
Pilot	Scheuing& Johnson, 1989
Development of new service	Scheuing& Johnson, 1989 Scheuing& Johnson, 1989

As the Table 6 is shown, the results of this paper have been confirmed by other researchers. Finally the New theoretical model of New Service Development process in Iranian Governmental Banks is shown in figure-3.

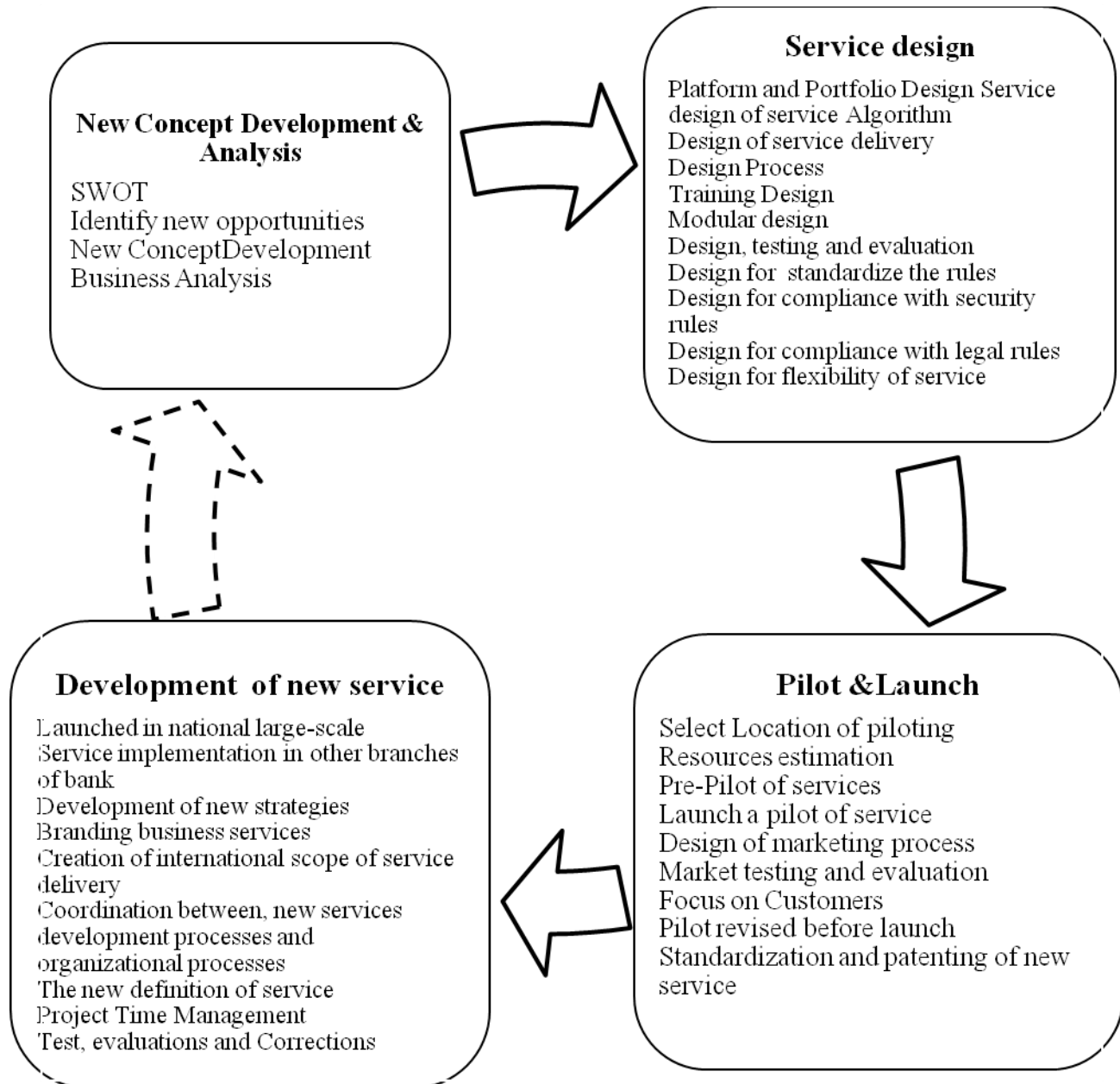


Figure-3: the new theoretical model of New Service Development process in Iranian Governmental Banks

Furthermore, the comparison of the literature of NSD with the findings of present survey demonstrates that the results is confirmed by the studies of some previous authors such as

Scheming and Johnson (1989), Edvardsson and Olson (1996), Bullinger and Schreiner (2006) and Bardhan et al. (2007). The results of this paper can be implemented by R&D centers of Iranian Governmental banks and banking system managers of Keshavarzi bank of Iran. The new theoretical model of this paper can be used for the Governmental banking systems of the world especially for Middle East countries.

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