Another Attempt to look inside the "Black Box" of Performance Creation: A Case Study Approach

Rifat Kamasak, PhD, FCMI, Finst L M, MCIM[1]

ARTICLE INFO

Available Online July 2014

Key words:
Performance Creation;
Resource-Based View;
Qualitative Study;
Case Analysis.

ABSTRACT

This study aims to investigate the complex interaction of different resource sets and capabilities in the process of performance creation within the context of resource-based theory. In order to address this objective, a case study approach that included multiple data collection methods such as in-depth interviews, observation and documentation was utilised. Qualitative data analysis indicated organisational culture, human capital, and business processes as the most important determinants of firm performance within the context of an emerging market firm case study findings. Whilst human capital was observed as a strategic initiative and enabler of resource interaction in the process of performance creation, a unique culture that shapes the spoken and unspoken norms and rules of the firm created a working atmosphere and environment for maximum worker productivity and performance. Moreover, the findings indicated the vital role of business processes such as IT, electronic data interchange (EDI), and in-house developed software to achieve strategic flexibility and efficiency. Therefore, effective resource allocation with respect to mentioned resources should be the priority of management.

1. Introduction

Major developments in economic systems and international politics along with globalisation that generates open markets with no government protection, and the widespread use of technology and telecommunication have created a new economy in which the competition has become fiercer and inexorable. In such a business environment, the focus of every firm has been to overcome intense competition and outperform the competitors by creating competitive advantage. In other words, firms have striven to find an explanatory answer to the question: "*what makes one firm more successful than others?*"

As a theoretical stream of strategic management, resource-based view (henceforth known as the RBV) explains the performance differences among firms in relation to internal or firm-specific factors (Hoopes *et al.*, 2003; Barney *et al.*, 2011). Hence, while not altogether excluding industry structure, the RBV considers the internal, idiosyncratic resources as the most important factors to explain the performance variation among firms competing within the same industry (Wernerfelt, 1984; Barney, 1991; Peteraf & Barney, 2003). The RBV asserts that the ownership or the control of valuable resources which are also termed "strategic assets" (Barney, 1991; Amit & Schoemaker, 1993) along with the capabilities that integrate, build or reconfigure the resource base (Teece *et al.*, 1997) determine which organisations will earn superior profits and achieve sustained competitive advantage in the markets.

2. Motivation of the Research

The RBV considers firms as the bundles of intangible and tangible resources, and capabilities and a firm cannot compete on the basis of a single resource or a capability (Sirmon *et al.*, 2011; Kor & Mesko, 2013). However, most of the studies that examine the effects of resources on firm performance employ either a single major intangible factor or a few intangible factors to account for performance variation (*i.e.*, Powell & Dent-Micallef, 1997; Hatch & Dyer, 2004; Boyd *et al.*, 2010; Surroca *et al.*, 2010).

[1] Associate Professor of Management, Head, Department of Tourism & Hotel Management, Deputy Director, Graduate School of Social Sciences, Faculty of Commerce, Yeditepe University, Kayisdagi Cad. 34755, Atasehir, Istanbul TURKEY, E-mail: rkamasak@yeditepe.edu.tr.

Moreover, an overall investigation regarding the use of research approaches in strategy research to explore performance differences among firms, the articles from all issues of the *Strategic Management Journal* from 1997 to 2012. The review of 704 empirical articles revealed that of these empirical articles over three quarters were quantitative 81% (n=570) and only 19% (n=134) of articles were qualitative and mixed-methods (Molina-Azorin, 2009). This study illustrates that there is a high level of usage and acceptance of quantitative methods within the strategic management field. In a similar line, Molloy *et al.* (2011) and Molina-Azorin (2012) state that quantitative methodology is very prevalent in strategy research. Although large-scale empirical studies can be used to explore the direct resource-performance relationship, these quantitative methods bypass the complex and embedded nature of intangibles and provide only a limited understanding of why some resources are identified as strategic but others are not, what their roles are, and how these resources are converted into positions of competitive advantage (Rouse & Daellenbach, 1999; Newbert, 2007, 2008; Molloy *et al.*, 2011).

As of yet, the "black box" role of these social and organizational capabilities in creating firm performance is an unexplained issue in the RBV research which needs further examination (Maritan & Peteraf, 2011; Sirmon *et al.*, 2007, 2011; Bridoux *et al.*, 2013; Huesch, 2013). Sirmon *et al.* (2011) and Bridoux *et al.* (2013) suggest that a complete understanding of the interactions, causal relationships and other value-creating mechanisms among resources and capabilities is not only a necessary condition for managers to make effective decisions regarding their own resource investments but also an important issue for academics to build a more accurate resource-based theory.

Therefore, understanding of complex nature of resources that are embedded in organisations designates the need for more fieldwork based qualitative studies. In a similar line, Molina-Azorin (2009) emphasises the importance of qualitative research in understanding the managerial and organisational processes through which the resources become valuable.

3. Literature Review

In recent years, the RBV's focal point has been to gain insights about managing strategic resources effectively since a firm's ability to acquire, bundle, deploy and develop resources through complex social and organisational capabilities is more important than absolute resource levels in achieving sustainable competitive advantage as well as driving performance (Teece, 2007; Maritan & Peteraf, 2011; Sirmon *et al.*, 2007, 2011).

While Foss (2011) emphasises the importance of knowledge-based capabilities such as routines and knowledge sharing and management tools in incorporating firm-level resources, Maritan and Peteraf (2011) who introduce a process-oriented perspective state the resource-capability linking role of managerial and business processes in explaining the generation of firm performance. Additionally, Sirmon *et al.* (2011) focus on the facilitating role of knowledge in resource-capability interactions and the pioneering role of networking capabilities such as the idiosyncratic relationships between firm managers (Ahearne *et al.*, 2014) and other business parties that may lead to effective strategic partnerships in creating firm performance.

Huesch (2013) combines the arguments of these RBV scholars and discusses about the synergy created by the positive interaction of productive and quality resources with managerial capabilities using business processes (*i.e.*, IT systems, intranet, EDI, and ERP) and knowledge-based routines and other tools (*i.e.*, social relations of employees, mobile and digital social media tools, websites and call centres). The existence of complementarities among resources and capabilities in creating firm performance is a common perception in the RBV research (Sirmon *et al.*, 2011; Huesch, 2013).

Argyres and Zenger (2012, p. 1649-51) illustrate the complementarity and synergistic interactions among resources and capabilities with Walt Disney example:

> "In the 1950s and 1960s, Disney created a number of famous characters such as Micky Mouse and Donald Duck (**intellectual property-intangible resources**) and developed a unique capability in animation (**animation production capability**). However, following Walt's death, Disney failed to appreciate animation's key role in generating value. The board decided to hire Michael Eisner as CEO (**strategic decision making capability**). After a detailed internal analysis and information gathering about the future trends (**knowledge management**), Eisner rediscovered Disney's strategic map

> specifying the unique complementarities among Disney's activities and assets (**managerial processes**). As a consequence, the company decided to diversify its activities such as theme parks, books, movies *etc*. By the mid- to late 1990s, Disney had clearly lost its superior capability in animation since Pixar have developed a unique technology in producing animations. Disney made a contractual agreement with Pixar to produce five animated films for Disney (**managerial processes and networking capabilities**). Thus, Disney governed access to a uniquely complementary animation capability through a contractual relationship with Pixar. Disney eventually acquired Pixar and the acquisition was completed in January 2006 for 7.4 billion dollar in stock (**strategic decision making capability, managerial processes and financial tangible resources**)".

Hence, different types of interactions between tangible and intangible resources along with capabilities created sustainable competitive advantage for Disney that lead firm performance. However, as stated by Maritan and Peteraf (2011) and Sirmon *et al.* (2011), the nature of these interactions is still unknown in the RBV literature and more attention should be paid to "how" questions in order to have a better understanding about the underlying mechanisms of firm performance.

The resource-capability interactions on the way of creating performance are just more than complex and still remain opaque in strategic management literature (Maritan & Peteraf, 2011; Bridoux *et al.*, 2013). However, these interactions that are called micro-foundations certainly need to be explained thoroughly to be able to understand the performance related issues in the organisations (Teece, 2007; Foss, 2011). Micro-foundations of the RBV are defined "as the foundations that are rooted in individual action and interaction" (Foss, 2011, p. 1414).

According to Foss (2011), the roles that micro-foundations play in explaining firm-level performance are critical since they take into account individual level heterogeneity of resources, address macro-constructs such as routines and capabilities in terms of individual behaviours, explain how the links between macro variables are mediated by micro-mechanisms related to behaviours, and investigate how strategic dynamics may be rooted in individual characteristics and behaviours. Abell *et al.* (2008) claim that links between macro variables are always mediated by individual action and interaction and for this reason, the micro-foundations have a certain explanatory power. Among micro-foundational issues, appropriation, routines, work top management teams, leadership characteristics of owners and managers, creative skills of managers and employees, strategic human resource management, management of knowledge and relationships established with external parties along with networking capabilities can be mentioned (Foss, 2011; Argyres & Zenger, 2012).

Maritan and Peteraf (2011) suggest that lack of thorough investigation of micro-foundational aspects of the RBV limited the understanding of the issue of how intangibles, routines, capabilities and firm performance are linked. Most of the RBV studies which were based on statistical data sources (*e.g.*, Powell & Dent-Micallef, 1997; Schroeder *et al.*, 2000; Roberts & Dowling, 2002; Galbreath & Galvin, 2008; Surroca *et al.*, 2010; Weigelt, 2013) that measure the links between a single resource or a number of resources and firm performance provided atomistic evaluations about specific resource-performance relationships rather than offering a holistic understanding about the creation of performance in an organisation.

However, "the ability of a firm to create performance is a function of multitude of factors" (Levitas & Ndofor, 2006, p. 139) and "firms generally compete by deploying bundles of complementary resources" (Foss, 2011, p. 1384). Therefore, resource-based competition along with performance creation cannot be understood through analysing an independent single transaction of resources.

4. Methodology

An inductive case study method that offers "a rich content of organisational complexity from an insider's perspective by providing insightful stories" (Collis & Hussey, 2003, p. 68) is found appropriate for this study since the research issue is grounded on "understanding" the main sources of performance in an organisation. Specifically, *in* organisation was outlined in the research question and the research regards organisation as the main focus. Rouse and Daellenbach (1999) suggest that the roles of complex system resources should be examined *in* natural organisational settings and there is no need for the researcher to control and manipulate behavioural events neither in identifying nor in examining resources and capabilities. Thus, the *in* organisation aspect of this study points out the choice of a case study.

Additionally, given the complex and embedded characteristics of resources and capabilities, the exploratory nature of the study requires the use of "what", "how" and "why" types of questions and researchers need to interact closely with top managers in the organisation to maximise the quality of data collected. In such circumstances, case studies provide in-depth knowledge and deeper understanding of the sources of firm success by taking the researcher into the organisation (Eisenhardt, 1989; Yin, 2003). Lastly, a case study approach is appropriate for this study since it integrates multiple sources such as in-depth interviews, observation and documentation that were considered important in this research (Eisenhardt, 1989). In qualitative research, whilst some theorists (*e.g.*, Glaser, 1992) argue that a researcher should adopt the research problem with almost no prior models and previous literature in mind, others (*e.g.*, Strauss & Corbin, 1998) suggest that past experiences, understandings and existing literature should be used in developing theory to stimulate theoretical sensitivity. They also claim that inductive aspects which may cause to extremely subjective research findings should not be overplayed. According to Creswell (2003), the ideal starting point in building new theory is to omit all preconceptions emerging from existing literature but this is impractical and misleading.

Eisenhardt (1989), Creswell (2003) and Saunders *et al.* (2007) concur that unless the field of research is truly novel, existing literature should be considered and incorporated with current research to guide the formation of research questions and ensure that the research is valuable to the field. Lin (2007), stating that failure to refer to relevant literature reduces confidence in findings, suggests that the literature comparison helps the researcher to find "similarities, differences and reasons behind any new hypothesis and has the overall effect of increasing both the quality and validity of findings" (p. 132).

Despite some of its ambiguous aspects which need further examination, the RBV is widely acknowledged as a well-established and powerful theory in management literature (Barney *et al.*, 2011). Thus, concerning its strong theoretical base, the previous RBV literature cannot be ignored in theory development phase of this research.

The literature was used as a starting point to formulate the research problem but close examination of the theory (in this case developing categories of resources and capabilities, examining complex systems of resources and capabilities along with the roles of processes) was avoided (Eisenhardt, 1989). Therefore, the previous RBV literature was employed to identify potentially relevant resources and capabilities, and to enable prompts for the semi-structured interviews while developing theory.

5. Unit of Analysis

Collis and Hussey (2003) define the unit of analysis in case study research "as the focus point to which the phenomena of interest (and therefore the research questions) refer" (p. 116). According to Saunders *et al.* (2007), the unit of analysis determines the whole concentration of a study since it is the central concept under investigation. As such, the unit of analysis is the phenomenon under study about which data is collected and analysed. The focal point of this research is the examination of the relationship between resources and capabilities, and firm success. Thus, this study seeks to examine the sources of value to the customer and to assess the origins of firm performance in the area of the resources and capabilities. In this context, the unit of analysis used in this study is clear cut: the resources and capabilities.

6. Qualitative Data Collection

In this research, data was collected by using multiple sources. The multiple sources used in this study were the semi-structured interviews with the managers of the firm taking part in the study, the observations within the organisation in the complete observer mode and the documents that provide information about the organisation. Several researchers (*e.g.*, Eisenhardt, 1989; Collis & Hussey, 2003; Yin, 2003) state that the use of multiple data sources should be a common practice in research which particularly aims to build theory since it increases the validity and reliability of the findings.

Yin (2003) who highlights the supremacy of the use of multiple source of evidence to the single source, describes interviews, physical artefacts, archival records, public and private documentation and observation as the most common sources of evidence in case study research. It should be noted that although insightful stories which provide better understanding of organisational complexity can be generated through in-depth interviews that develop the multiple cases, the interview process is often criticised in terms of the validity and reliability issues (Patton, 1990; Yin, 2003). These issues along with the data collection methods used are discussed in detail in the following sub-sections.

7. Data Analysis

The analysis, which started with data coding, continued with within-case analysis and lastly culminated in building causal network models (Miles & Huberman, 1994). After a detailed examination and comparison for similarities and differences in the scripts based on the words, phrases, meanings, sentences or whole paragraphs that can provide connections to the research objectives and questions, the complete raw data were set down into manageable parts and an initial code
Thus, the initial codes assigned for the central categories were:
TR – Tangible resources
IR – Intangible resources
CAP – Capabilities
PER – Performance

Then, transcripts that contain the answers of the participants, the open-ended text and narratives were interpreted by a thematic analysis based on identifying recurrent words and emerging themes (Patton, 1990). Findings derived from inductive (thematic) analysis along with the development of individual causal network model of the company.

A causal network helps to identify causal mechanisms and complex interactions between variables and provides a rich picture that explains "why variables are related, why they are rated differently, why some precede others, and which ones matter more" (Miles and Huberman, 1994, p. 160). In order to clearly display all kind of relationships between well-defined concepts along with the complex interactions, a causal network model was generated.

In the causal network models employed in this study, whilst dotted lines (- - -) showed the relationships between resources and capabilities, direct lines (—) showed the relationship between a resource/capability and firm performance and points (•) denoted the interactions of resources and capabilities. Direction of the relationships was shown by arrows and names of the resource and capabilities that were derived from the qualitative findings were shown in boxes with assigned numbers and letters (*e.g.*, 1b, 3c). For example, in a relational notation; (1e, 3c → 5a → 11) taken from the case where (1e) was assigned to indicate "friendly and committed personnel", (3c) was assigned to indicate "empowerment and job satisfaction", (5a) was assigned to indicate "strong relationships established with customers", and 11 was assigned to indicate "firm performance", the notation attempted to mean that "highly satisfied friendly and committed personnel who were empowered by the organisation created strong relationships with the customers which increased the overall firm performance through customer loyalty". Causal network modelling is widely used in qualitative investigations because it brings out directional relations along with co-relational ones.

All material of the case was collected through the managers of the bank and consent forms were signed by the managers. However, in the case study, names of the firm and the managers whom interviewed were disguised since the material may include strategic information and data about the bank.

8. Case study: BANK EPSILON

Information about the bank under study

Bank Epsilon which aims to be one of the leading interest-free banking institutions of the world has been operating in financial products and services sector since 1978 with a network comprising of 796 branches in over 72 countries around the world, from Singapore to UK, from South Africa to Morocco, and from Australia to Kazakhstan. The Group which regulates its operations based on the principles of Islamic Shari'a especially shows a strong presence in Jordan, Tunisia, Sudan, Turkey, Bahrain, Egypt, Algeria, Pakistan, South Africa, Lebanon, Syria, Indonesia, Libya, Iraq and Saudi Arabia. The authorised capital of the bank is USD 1.5 billion, while total equity amounts to USD 1.8 billion. Information for this case study was collected from three in-depth interviews that were conducted with the top managers who were responsible from operations, education and HR functions. Causal network model of the bank was shown in figure 1.

Background on the business

The Turkish banking industry performed quite successfully between 2009–2012 despite the effects of the global financial crisis in 2008. On current estimates, the assets of the Turkish banking industry have increased by 21% in 2012 (The Banks Association of Turkey, 2013).

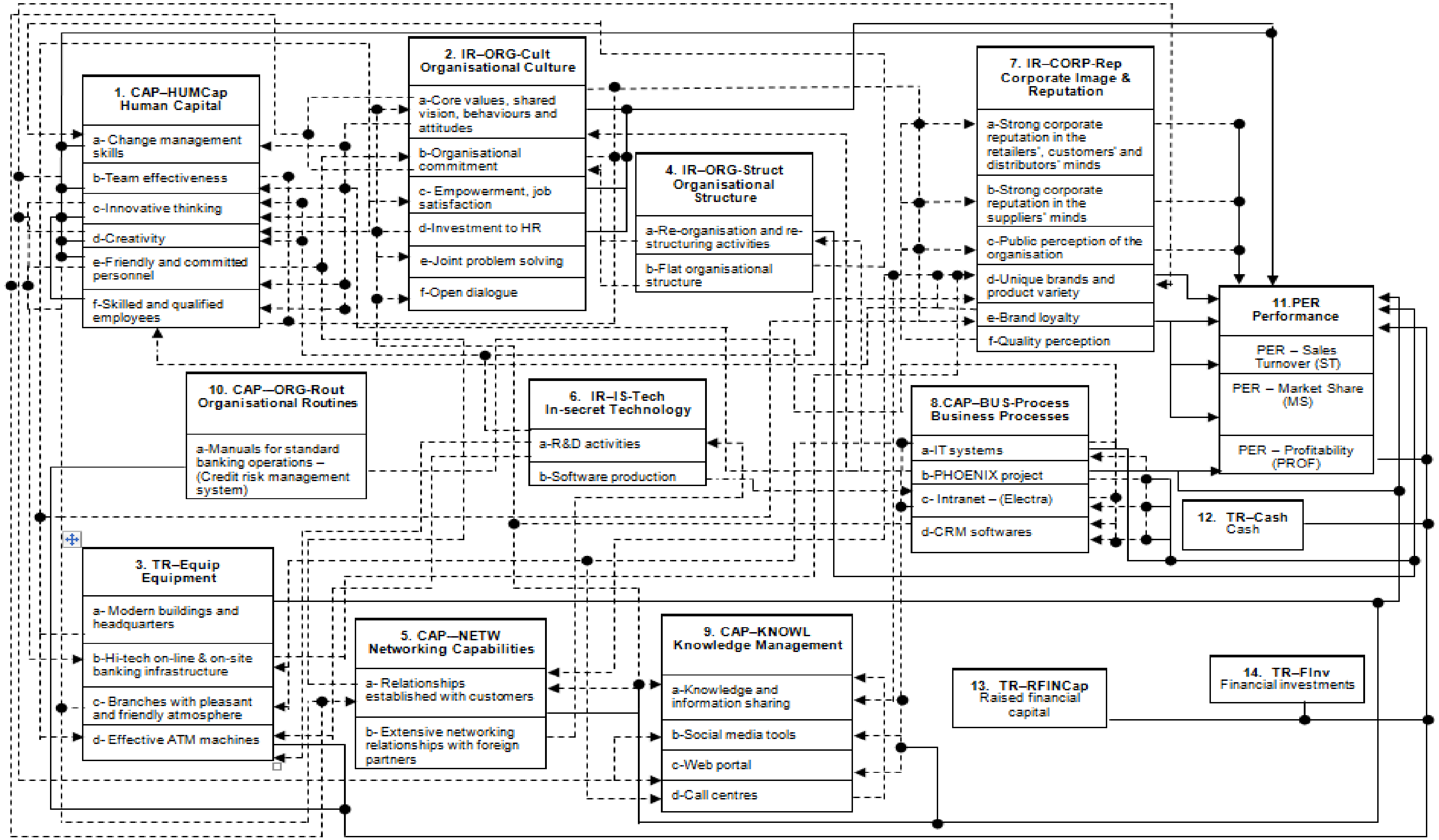

Figure 1. Causal network model of relationships between resources, capabilities, and firm performance for Bank Epsilon

This robust growth was nourished partly by the rapid recovery of the world economy and mainly by the strong banking infrastructure of the country that was established after the local Turkish banking crisis occurred in 2001. Surprisingly, the interest-free banking segment even achieved a relatively better performance than traditional banking segment after the global financial crisis since Islamic finance was considered as a more secure alternative to conventional banking. There are four major players in the interest-free banking segment in Turkey, the competition is fierce and the total market share of these four banks represents only 7% of the financial products and services market in Turkey. However, interest-free banking sector has a strong growth potential and it aims to increase its market share from 7% to 15% until 2015.

All of the participation banks offer a full range of financial and banking services through different distribution channels such as physical branches, telephone banking, internet banking, ATM machines and the other electronic commerce initiatives.

Bank Epsilon collects funds through current and participation accounts (which grant customers joint-profit gain instead of interest gain based on Islamic finance rules) in its branches all over the country, most of them are in Istanbul, and in turn it circulates the funds into the economy via its banking activities that include individual and corporate financing, financial leasing and profit/loss sharing based on the projects that are authorised to provide financial services through interest-free banking. With the mission of adding value to its stakeholders, the bank aims to achieve a modest-aggresive growth rate of 15% in total assets for 2013.

Organisational culture, shared understanding, and customer relations

Starting from the early years of its establishment, Bank Epsilon aimed to create a distinct organisational culture that includes core values and beliefs which help individuals understand the organisational function and expected behaviours. Bearing in mind the customer portfolio of the bank that consists of a large number of customers who consider bank interest as a religious prohibition and have a relatively conservative life-style, the organisation has always been very susceptible to its core values that project positive and proactive behaviours agains the expectation of the customers (2a → 7e). The manager A of the bank states:

> “We need to harmonise the beliefs and faith of our customers with the banking operations (5a). They will continue to be our customers as long as they trust us (7e → 11). The most important thing for our customers is the sincerity that has always been among our core values. Stickiness to our core values enables us to offer friendly and accommodating services as well as provide utmost customer satisfaction through our products and services with respect to our customer-oriented banking approach which is crucial to organisational success (7e → 7d → 11)”.

In 2009, Bank Epsilon started a new corporate identity change and re-branding project called “sunset” in order to renew itself for its stakeholders and provide better services to its customers (7f → 7a, 7b, 7c → 7d). Unique and conservative organisational culture was so important for the customer loyalty and corporate success (2a → 7e → 11) that the messages emitted during the new identity project was about keeping its interest-free principles and business philosophy strictly while changing other things. The manager B elaborates this situation:

> “When the brand transformation project started in line with the Group’s “one mission, one vision, one identity”, there have been some rumouring and confusion among the customers with a concern that the bank would become just like the other deposit banks. Our identity and culture clearly define ourselves and provide clues about “the way we do things around here” (2a). Hence, we had to stress that we would persevere to provide the same quality of service with interest-free principles that our customers were accustomed to, just with a renewed appearance (2a → 7e). This was necessary not only for eliminating the discomfort of our customers but also for informing our skilled and high quality employees who work with a broad vision in good faith, diligence and team spirit (2a → 7e, 1f, 1b, 2b)”.

With the corporate identity revamp project “sunset”, the bank aimed to renew its visual identity that includes change of the logo and re-design of the branches, adopt a unique and comprehensive business philosophy which strengthens the customer orientation approach of the bank, and adapt itself to the needs of the changing and developing business world. Obviously, a strong brand provides several benefits to organisations (7d →11). In the light of this argument, successfully implemented re-branding projects may lead to positive outcomes such as increasing brand loyalty and the number of brand loyal customers (7e → 7d, 5a), attracting potential skilled job seekers (7e → 1f), strengthening corporate image and reputation (7e

→ 7a, 7b, 7c), and improving financial figures such as market share, profitability, and sales turnover (7e → 11 [PER–MS, PER–ST]). The manager B continues:

> "... A new, modern and competitive look was a must for the bank since the organisation was looking obsolete. That was not only viable for the banking operations but also for the physical buildings, headquarters, branches *etc*. (3a, 3b, 3c). After the corporate identity revamp (including the building of new headquarters), job satisfaction and employee commitment were positively affected (7e, 3a → 1e, 2a, 2b, 2c). Financial performance has also increased. Although I am not able to assess the exact contribution of this project on performance, the positive effects of this new and dynamic image on financial figures are indisputable (7e, 3a → 11)".

In the process of a corporate identity revamp, maximum effort was shown to protect the core values along with the unique and conservative nature of the organisational culture. As a reflection of the Bank Epsilon's organisational culture, a friendly and warm climate was seen both in the headquarters and branches. The manager A indicates that Bank Epsilon's values revolve around:

> "… Sincerity, honesty, and integrity which are expressed throughout the organisation are indispensable assets for our success (2a → 11). Our customers expect personalised and cheerful service approach and we offer it ! Excellence in customer relations has always been among our strengths to sustain competitive advantage (5a → 11). Our committed personnel are willing to spend time to develop the relationships with the customers and keep them work with us (1e, 2b → 5a). Unlike the other banks, the reason of our customers' branch visits may just be to make a chat or have a cup of coffee. They want to feel themselves in a family environment and we provide this setting to them (1e, 3c → 5a → 11)".

Customer service capability of the organisation that is essential for the firm success was achieved by the high performance, excitement and motivation of achieving satisfactory business results of the committed and skilled employees (2a, 2b → 1e, 1f → 5a → 11). The bank has been very cautious in providing equal working conditions and career development opportunities to its staff. Moreover, Bank Epsilon provides an extensive induction programme for new staff. The induction programme introduces new employees to the culture and core values concurrently with making them aware of the history, vision and mission of the bank (2a). Hence, a shared vision along with team spirit that stands out Bank Epsilon from other competitors would be created (2a → 1b → 11). The manager B explains how the bank treats its employees by stressing the importance of the human capital of an organisation (2c, 2d → 11):

> "First of all, we guarantee equal employment opportunities to our staff by ensuring that decisions are based on performance and achievement (2c). We are conscious that the way we treat to our staff affects their commitment and performance (2c, 2d → 2b → 11). Therefore, the HR policy of the bank is always to be supportive to our staff in all respects. Skills and quality of the employees are sources of competitive advantage in this sector and because of that we make investment to our staff to develop their skills and abilities (2d → 1b, 1c, 1d, 1e, 1f → 11). For example, we have special agreements with a couple of universities that offer customised MBA and professional certificate programmes according to the needs of our staff… As a consequence of this approach, the bank has achieved to have a high-quality young and dynamic staff with high level of job satisfaction who were equipped with skills, and acted with a strong team spirit in the way of experiencing a unique position of advantage which is the most important aspect of the overall firm performance (2d → 2b, 2c → 1b, 1f → 11)".

Another initiative of the bank regarding the realisation of its vision to become the world's best interest-free participation bank is the PHOENIX project. The PHOENIX project that is the official name of the corporate transformation programme was launched in 2012 with the aim of grouping the detailed projects encompassing nearly all of the bank's internal and external units and processes (8b). The PHOENIX project contributes to the bank in several areas: (1) all projects will be collected in a pool and these projects will be conducted and coordinated by a separate division (Transformation Management Office –TMO). With this new system, not only efficieny and effectiveness will be ensured but also substantial cost-cutting will be achieved especially after discarding many other divisions (8b → 11 [PER–PROF]); (2) Since project teams and other TMO members were drawn from among the personnel of different units of the bank to carry out their specific tasks, a shared understanding (2a) and team effectiveness (1b) that are compatible with the bank's ultimate objectives will be established and a long term transformation towards a more modern, responsive and adaptive organisation will be warranted (8b → 2a, 1b → 1a → 11); (3) With the software content of the PHOENIX, most of the business processes (*e.g.*, intranet and IT systems) and knowledge management tools (*e.g.*, web portals and social media components) will be also integrated effectively (8b → 8a, 8c, 9b, 9c → 11). The manager B elaborates the importance of this project for a better performing bank (8b → 11):

> "The programme which is a constellation of all projects of the bank is expected to run through to the end of 2015. With the PHOENIX project, we seek to achieve a long term organisational transformation through a linkage of changes that are individually and collectively compatible with the bank's ultimate objectives and the realisation of this project is vital for the future performance of the bank (8b → 11)... We believe that our properly defined core skills and competencies and our customer-focused service approach will reach to higher levels with this transformation programme".

The PHOENIX project included a susbstantial re-organisation activity such as the set up of a new commercial marketing department to expand Bank Epsilon's customer base in the SME segment, opening of four new corporate branches to serve customers in the corporate banking segment (4a). Moreover, five regional departments were also set up in order to support the new organisational structure of the bank. In line with the bank's strategy of pursuing growth in different segments, these re-organisation activities enable Bank Epsilon to offer the same level of product and service quality to every customer segments (4a → 11). The final stage of the departmental re-organisation was the establishment of the new performance and career department that was in charge of the realisation of Bank Epsilon's human resources vision (8b → 4a → 2b → 1e, 1f). While the transformation project was continuing, no resistance to change from the employees was observed (1a, 2b). The manager A elucidates this:

> "... Although we were expecting to have at least modest resistance from our employees, they have been so willing and supportive during the process. This situation really impressed me and made me think that the bank created some kind of a change management capability with the help of corporate culture (2a → 1a). We always respected to our employees and concerned them as a real source for sustaining competitive advantage since the establishment of the bank (2d, 1e, 1f → 11). Besides, we have encouraged them to develop their personal and technical skills, and made them feel as our partners rather than employees (2d → 2c). For this reason, we always refrained adapting a strict hierarchical structure to the bank (4b → 1a, 2b). I believe we are getting our human resources investments worth now..."

In order to measure the effectiveness of the transformation programme, key performance indicators were defined and standardised business processes were used by branch personnel and an organisational unit was created specifically for strategy and performance management.

Information Technology (IT) as a core value

Bank Epsilon considered information technology (IT) as a core value of the organisation and the importance of information systems is frequently mentioned in the bank (8a → 11). In line with this, most of the managers at the senior positions have a fundamental knowledge of information technology and an extensive understanding about its benefits to the organisations. The manager C states the pivotal role of the IT in the banks's operations:

> "Information technology (IT) is among the most essential components of our business processes and part of the vibe of the organisation that is incontestably important for the realisation of the bank's vision (8a)".

Bank Epsilon has many different IT applications that serve different stakeholders of the bank. The CRM function which was considered critical to establish and develop long-lasting relationships with the customers (5a), provides better customer services and increases joint problem solving opportunities (2e), and supports open dialogue (2f) along with the knowledge sharing ability of the bank (9a) was particularly directed by the IT system (8a → 8d → 5a, 2e, 2f, 9a → 11). This is summarised by the manager C:

> "... With the knowledge of being the key factor for the success of the bank, due diligence was always shown to the effective development, implementation, and use of information systems (8a → 11). Supported by the IT applications, our fabulous CRM system (8d) that was linked to the call centres (9d), branches (3b, 3c), and customers' on-line accounts tells us everything about our customers (8a → 3b, 3c, 9d → 9a)... I cannot imagine a customer who is in a hurry but unable to realise an on-line money transfer because of the problem that exist in our IT systems."

Success of the CRM comes from the other core components such as the intranet of Bank Epsilon which provides a central knowledge base and communication channel (8c → 8d). The intranet – *Electra* was developed in-house (6b → 8c) by the software engineers who work for the R&D department (6a) of the bank. The PHOENIX transformation project also encompasses the upgrade of the intranet in order to integrate the CRM, alternative delivery channels, credit management, risk management, and funding management functions of the bank (8b → 8a, 8c, 8d → 11). Top management of the bank is aware that conservative banking methods and classical financial products and services may not sustain competitive advantage for the next years in this dynamic sector. Hence, R&D department of the bank was established in the beginning of 2000s in order to boost the organisational creativity and increase number of the innovative financial products and services (6a →1c, 1d →7d).

Continuous development in the financial product and service innovation

Bank Epsilon recognises that maintaining its competitive position in the sector requires continuous effort and innovation (6a →1c, 1d →7d). Hence, the bank employs a strategy that focuses on gathering information and understanding the customer needs and continuously developing innovative products and services to meet them. To address the innovation and continuous development needs of the bank, a number of applications were designed. For example, *Cherry* was an in-house developed application which worked as an open electronic brainstorming session and aimed to foster the new and innovative ideas that can be turned to product and services later on (1c → 7d → 11). This programme has formed linkages with the web-portal and the social media tools that were used by customers and employees for knowledge and information sharing facilities that enhance the creative and innovative abilities of the bank enormously (1b, 1c → 9b, 9c → 9a → 7d). The manager A comments on the innovation ability of the bank:

> "There is so much change going on in the finance sector and the customer expectations… Innovation that is integrated with our culture has been a part of our life to survive (2a, 2d, 2f → 1c → 11). Innovative ideas from top to bottom are listened and discretionary time and budgets are allocated to unique and creative projects… Cherry acted as a big funnel to capture new ideas from employees in all parts of the organisation and generated quite a bit innovative outcomes (1c, 1d, 1f → 7d). Among these innovative products, new credit cards that enable customers to make their payments in monthly instalments, new user friendly applications and menus in on-line banking, and unique flower names for the divident payment methods can be listed (1c → 3b → 7d)".

Other than the new services and products mentioned by the general manager, perhaps the most radical, effective, and profitable innovation generated by the *Cherry* application was the gold participation accounts that provide the opportunity to invest in gold and receive a profit share (1c, 1d → 3d → 11). Apart from the daily wearing of gold as jewellery, Turkish people use gold for the gift purposes in weddings, deliveries of babies, and birthday celebrations as a cultural tradition. For this reason, there is a considerable amount of gold transaction in Turkey. The bank management decided to exploit this opportunity and offer gold accounts. This idea was the result of the effective working R&D department along with the creativity and innovation ability of the employees (6a → 3d → 11[PER–PROF]). With the provision of the fastest way of purchasing gold, the bank gained transaction fee from the customers that affected the financial figures of the table. Some technology know-how was also transferred from the foreign partners of the bank (5b → 6a → 3d).

The finance sector is a highly regulated sector by law and rules. It is also very risky in terms of collecting the credits. Therefore, many banks have created their internal regulations such as codified manuals that exist in other sectors (10a). Bank Epsilon has its own credit risk management system that steers its employees in evaluating the credit recourses. The system helps the staff to decrease the risks of the use of credits by providing standard procedures that includes the evaluation of financial ratios, sector and company ratings, and other related accounting or financial measures. The system is completely integrated to the CRM (8d) and intranet (8c) systems for having better intelligence about the applicant (10a → 8d, 8c). The manager C emphasises the importance of the credit risk management system:

> "… Apart from the convenience that the system provides to our employees, one of the most important problems for every bank, percentage of the dead loans substantially decreased from 5% to 3%. Obviously, that was a great success on the way increasing the profitability of the bank (10a → 11[PER–PROF])".

Strong financial ability was frequently mentioned among the most important determinant of success by both assistant general managers (12, 13, 14 → 11). The manager C states:

> "… Cash is our most important raw material and product at the same time, it is like blood in our veins. Do you know any financial institution that can survive without considerable amount of cash? More cash means more credit or other financial product to offer customers and more customers mean better financial performance (12 → 11[PER–PROF, PER–MS, PER–ST])... Other financial instruments such as stocks, securities, treasury bonds, company shares *etc*. in our portfolio strengthen the capital structure of the bank (13, 14 → 11)".

As a dynamic bank in the interest-free participation bank segment, Bank Epsilon continues to implement its medium and long term strategic plans in line with the vision of the organisation. It is conscious of the consequences of omitting the requisite organisational developments that are mandatory for the survival of the bank.

9. Discussion

Although the contextual analysis of interview material identified several resources and capabilities to be sources of sustained competitive advantage at Bank Epsilon, human capital, organisational culture and business processes were noted as the key performance drivers. Especially, organisational culture played a very important role to drive the elements of human capital such as change management skills, team effectiveness, innovative thinking, creativity, friendly and committed personnel, and skilled and qualified employees that ultimately affect firm performance by interacting with business process, in-secret technology, and knowledge management elements.

Among human capital elements, the innovative thinking and creativity's integration with R&D and software production (in-secret technology) abilities yielded unique services. Knowledge management elements *(e.g*., social media tools, web portals and call centres) help reveal and share embedded information and knowledge sources of the organisation that enhance the innovative and creative skills of the employees. Lastly, business processes such as IT systems and the intranet (*Electra*) are used for fostering improvements within the relationships between human capital, in-secret technology and knowledge management skills of the organisation.

The influence of organisational culture which is considered as a taken-for-granted organisational reality accreted through decisions made over time and events in corporate history (Wilkins and Ouchi, 1983; Barney, 1986) seemed very prevalent in Bank Epsilon. Culture of the firm that is associated with the various types of embodied and embedded values and norms played significant roles especially in the development of human capital and knowledge creation and control processes of the bank. However, it should be noted that culture is rather less susceptible to change and hard to alter in the short term (Wilkins and Ouchi, 1983). Namely, traditional and firm organisational culture of the bank as today's the most critical element (or the core capability) of firm performance may become a core rigidity (Leonard-Barton, 1992) for innovativeness, organisational renewal or initiation of other capabilities in the fast changing business settings. Notwithstanding, the bank started to implement an organisational change project with no resistance from its employees, the bank was found the latest initiator of this kind of a project among other interest-free banks in the industry when searched. Although the reason of late initiaton was explained by the manager A with the long and detailed project preparation efforts of the bank, some employees link this to the frugal nature of the bank associated with its firm culture.

Even though they were not recognised as the most critical success factors, tangible assets (*e.g*., modern buildings and branches, and hi-tech banking infrastructure) that were mentioned in the bank Epsilon case appeared to be related to firm performance as well. This result can be related to the nature of the business that is executed in the organisation.

10. Managerial Implications

A critical issue for management studies is how they can guide managers and organisations to a consistent level of success. Of course, this study cannot provide definitive answers and the findings cannot be generalised for the whole banking industry but can provide insights that might be helpful. Hence, this section highlights three important managerial implications arising from the study:

(1) Human capital was seen as the most important strategic initiative and enabler of resource interaction in the process of performance creation in banking operations. In nearly every process, from structuring the firm's portfolio of resources, to bundling those resources into capabilities, and leveraging the capabilities to realise competitive advantage, managerial intervention is required. Human capital can influence firm performance directly and indirectly. At the individual level, it is quite apparent that the interaction of key individuals and legendary managers with organisational systems can generate direct influences on organisational outcomes (Coff & Kryscynski, 2011). For instance, while stock prices fluctuated with the health of key contributors such as Steve Jobs at Apple Computer, the leadership style of Sam Walton of WalMart has been a source of inspiration as well as gratification for the employees. Similarly, talented employees with creative and innovative skills can be the sources of competitive advantage or strategic decisions of managers regarding the investments of the firms may result to direct financial consequences. Besides, managers can create indirect effects on performance through re-configurating the resource-base of the firms by hiring employees with new characteristics or by creating conditions that favour the accumulation of certain kinds of human capital (Coff & Kryscynski, 2011). Therefore, given the truly strategic role of human capital in firm success, acquiring, attracting, retaining, and motivating human capital through effective HRM policies should be management priorities.

(2) Another managerial implication is that the findings suggest that organisational culture is among the the most important determinants of firm performance. Thus, one priority of management should be developing a unique culture via shaping the spoken and unspoken norms and rules of the firm that creates a working atmosphere and environment for maximum worker productivity and performance.

(3) As a more banking industry specific finding, this study emphasises the vital role of business processes such as IT, electronic data interchange (EDI), and in-house developed software especially for strategic flexibility, business effectiveness, and efficiency. IT systems have a direct effect on firm performance because they provide an effective and user friendly internet banking to its customers that increase customer loyalty, market share and profitability in banking industry. The benefits of a sophisticated IT system are not limited to customers because they can offer many advantages to employees. IT systems provide banks agility and enable them to respond market demands quickly (Ray *et al.*, 2004, 2013). Apart from the turbulent and fluctuating business environments, (especially in emerging markets), banks must deal with a high variety of market segments along with rapid and discursive consumer shifts (Cavusgil *et al.*, 2013). In this situation, effective IT systems may help banks to address market needs, increase their responsiveness and provide sufficient intelligence pertaining to current and future customer needs, competitor strategies and actions, channel requirements, and the broader business environment through different kinds of social software tools. In this sense, allocation of resources in favour of business process development such as strengthening IT infrastructure and software development should be another concern for managers in banking operations.

References

Abell, P., Felin, T., & Foss, N.J. (2008). Building micro-foundations for the routines, capabilities, and performance links. *Managerial and Decision Economics, 29*(6), 489–502.

Ahearne, M., Lam, S.K., & Kraus, F. (2014). Performance impact of middle managers' adaptive strategy implementation: The role of social capital. *Strategic Management Journal, 35*(1), 68–87.

Amit, R., & Schoemaker, P. (1993). Strategic assets and organizational rents. *Strategic Management Journal, 4*(1), 33–47.

Argyres, N.S., & Zenger, T.R. (2012). Capabilities, transaction costs, and firm boundaries. *Organization Science, 23*(6), 1643–1657.

Barney, J.B. (1986). Organizational culture: Can it be a source of sustained competitive advantage?. *Academy of Management Review, 11*(3), 656–665.

Barney, J.B. (1991). Firm resources and sustained competitive advantage. *Journal of Management,17*(1), 99–120.

Barney, J.B., Ketchen, D.J., Jr., & Wright, M. (2011). The future of resource-based theory: Revitalization or decline?. *Journal of Management, 37*(5), 1299–1315.

Boyd, B.K., Bergh, D.D., & Ketchen, D.J. (2010). Reconsidering the reputation-performance relationship: A resource-based view. *Journal of Management, 36*(3), 588–609.

Bridoux, F., Smith, K.G., & Grimm, C.M. (2013). The management of resources: Temporal effects of different types of actions on performance. *Journal of Management, 39*(4), 928–957.

Cavusgil, T., Ghauri, P.N., & Akcal, A.A. (2013). *Doing business in emerging markets (2nd ed.)*. London, UK: Sage Publications.

Coff, R., & Kryscynski, D. (2011). Drilling for micro-foundations of human capital-based competitive advantages. *Journal of Management, 37*(5), 1429–1443.

Collis, D.J., & Hussey, R. (2003). *Business research: A practical guide for undergraduate and postgraduate students (2nd ed.)*. Basingstone, UK: Palgrave Macmillan

Creswell, J.W. (2003). *Research design: Qualitative, quantitative, and mixed method approaches (2nd ed.)*. Thousand Oaks, CA: Sage Publications.

Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of Management Review, 14*(4): 532–550.

Foss, N.J. (2011). Why micro-foundations for resource-based theory are needed and what they may look like. *Journal of Management, 37*(5), 1413–1428.

Glaser, B.G. (1992). *Basics of grounded theory analysis*. Mill Valley, CA: Sociology Press.

Hatch, N.W., & Dyer, J.H. (2004). Human capital and learning as a source of sustained competitive advantage. *Strategic Management Journal, 25*(12), 1155–1178.

Hoopes, D.G., Madsen, T.L., & Walker, G. (2003). Guest editors' introduction to the special issue: Why is there a resource-based view? Towards a theory of competitive heterogeneity. *Strategic Management Journal, 24*(10), 889–902.

Huesch, M.D. (2013). Are there always synergies between productive resources and resource deployment capabilities?. *Strategic Management Journal, 34*(11), 1288–1313.

Kor, Y., & Mesko, A. (2013). Dynamic managerial capabilities: Configuration and orchestration of top executives' capabilities and the firm's dominant logic. *Strategic Management Journal*, *34*(2), 233–244.

Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal, 13*(Summer Special Issue), 111–125.

Levitas, E., & Ndofor, H.A. (2006). What to do with the resource-based view: A few suggestions for what ails the RBV that supporters and opponents might accept. *Journal of Management Inquiry*, *15*(2), 135–144.

Lin, C.T.S. (2007). Sources of competitive advantage for emerging fast growth small-to-medium enterprises: The role of business orientation, marketing capabilities, customer value and firm performance. *Unpublished Doctoral Dissertation*, Royal Melbourne Institute of Technology (RMIT) University.

Maritan, A.C., & Peteraf, M.A. (2011). Building a bridge between resource acquisition and resource accumulation. *Journal of Management*, *37*(5), 1374–1389.

Miles, M.B., & Huberman, M.A. (1994). *Qualitative data analysis: A sourcebook of new methods (2nd ed.)*. Thousand Oaks, CA: Sage Publications.

Molina-Azorin, J.F. (2009) Understanding how mixed-methods research is undertaken within a specific research community: The case of business studies. *International Journal of Multiple Research Approaches, 3*(1), 47–57.

Molina-Azorin, J.F. (2012). Mixed-methods research in strategic management: Impact and applications. *Organizational Research Methods, 15*(1), 33–56.

Molloy, J.C., Chadwick, C., Ployhart, R.E., & Golden, S.J. (2011). Making intangibles ''tangible'' in tests of resource-based theory: A multidisciplinary construct validation approach. *Journal of Management, 37*(5), 1496–1518.

Newbert, S.L. (2007). Empirical research on the resource-based view of the firm: An assessment and suggestions for the future research. *Strategic Management Journal, 28*(2), 121–146.

Newbert, S.L. (2008). Value, rareness, competitive advantage and performance: A conceptual-level empirical investigation of the resource-based view of the firm. *Strategic Management Journal, 29*(7), 745–768.

Patton, M.Q. (1990). *Qualitative evaluation and research methods*. London, UK: Sage Publications.

Peteraf, M., & Barney, J.B. (2003). Unravelling the resource-based tangle. *Managerial and Decision Economics, 24*(4): 309–323.

Powell, T.C., & Dent-Micallef, A. (1997). Information technology as competitive advantage: The role of human, business and technology resources*. Strategic Management Journal, 18*(5), 375–405.

Ray, G., Barney, J.B., & Muhanna, W.A. (2004). Capabilities, business processes, and competitive advantage: Choosing the dependent variable in empirical tests of the resource-based view. *Strategic Management Journal, 25*(1), 23–37.

Ray, G., Xue, L., & Barney, J.B. (2013). Impact of information technology capital on firm scope and performance. The role of asset characteristics. *Academy of Management Journal, 56*(4), 1125–1147.

Rouse, M.J., & Daellenbach, U.S. (1999). Rethinking research methods for the resource-based perspective: Isolating sources of sustainable competitive advantage. *Strategic Management Journal, 20*(5), 487–497.

Saunders M., Lewis P., & Thornhill A. (2007). *Research methods for business students (4th ed.)*. Essex, UK: Pearson Education.

Sirmon, D.G., Hitt, M.A., & Ireland, R.D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review, 32*(1), 273–292.

Sirmon, D.G., Hitt, M.A., Ireland, R.D., & Gilbert, B.A. (2011). Resource orchestration to create competitive advantage: Breadth, depth, and life cycle effects. *Journal of Management, 37*(5), 1390–1412.

Strauss, A.L., & Corbin, J. (1998). *Basics of qualitative research: Techniques and procedures for developing grounded theory*. London, UK: Sage Publications.

Surroca, J. Tribo, J.A., & Waddock, S. (2010). Corporate responsibility and financial performance: The role of intangible resources. *Strategic Management Journal, 31*(5), 463–490.

Teece, D.J,, Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal, 18*(7), 509–533.

Teece, D.J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal, 28*(13), 1319–1350.

Weigelt, C. (2013). Leveraging supplier capabilities: The role of locus of capability deployment. *Strategic Management Journal, 34*(1), 1–21.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal, 5*(2), 171–180.

Wilkins, A.L., & Ouchi, W.G. (1983). Efficient cultures: Exploring the relationship between culture and organizational performance. *Administrative Science Quarterly, 28*(3), 468–481.

Yin, R.K. (2003). *Case study research: Design and methods*. London, UK: Sage Publications.