

**Perceptions of Innovation based Relationship Marketing (PIRM) in the
Sri Lankan Retail Banking Sector**

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A thesis submitted in partial fulfilment of the requirements of the University of Bolton
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Dedication

I dedicate this work to my grandmother, father, father-in-law, mother, mother-in-law, uncle, brother, brothers-in-law, sister, sisters-in-law, nephews and talkative nieces and my ever-supportive lovely wife Kumudini and my cute daughter Tilanya

Declaration

This thesis is submitted in fulfilment of requirements for the degree of Doctor of Philosophy in the Institute of Management at the University of Bolton, Manchester, United Kingdom. I sincerely confirm that this thesis has compiled based on my own original work except for citations and quotations which I have duly acknowledged. I also affirm that this thesis has not been previously or concurrently submitted, either in whole or in part, for any other qualification at the University of Bolton or any other institution.

Signed

Roshan Panditharathna

December 2019

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I can do all things through Christ who strengthens me (Philippians 4.13)

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Abstract

The aim of this research is to investigate Sri Lankan bankers' "Perceptions of Innovation based Relationship Marketing" (PIRM). The PIRM model demonstrates how Sri Lankan bankers perceive product innovation, process innovation and organizational innovation to improve relationship marketing. This research used an exploratory mixed-methods design where a qualitative phase was followed by a quantitative phase. Firstly, sixteen in-depth interviews were conducted with bankers from four Sri Lankan retail banks. Secondly, quantitative data were collected from 216 bankers in the same Sri Lankan retail banks. Partial Least Squares (PLS) structural equation modeling was used to evaluate the PIRM model. Results from the qualitative phase showed that bankers mainly rely on three dimensions of innovation: a) product innovation, b) process innovation and c) organizational innovation that facilitate their relationship marketing approach. Results from the quantitative phase show that there is no statistically significant relationship between perceptions of product innovation ($\beta = -0.161$; $p < 0.007$) and perceptions of relationship marketing. Nevertheless, perceptions of process innovation marketing ($\beta = 0.235$; $p < 0.002$) and perceptions of organizational innovation ($\beta = 0.363$; $p < 0.000$) show positive relationships with perceptions of relationship marketing. Additionally, i) perceptions of relationship marketing mediates between perceptions of process innovation ($\beta = 0.119$; $p < 0.007$) and perceptions of SCA and ii) perceptions of relationship marketing mediates between perceptions of organizational innovation ($\beta = 0.184$; $p < 0.001$) and perceptions of SCA. For the contribution to the knowledge, bankers will apply the PIRM model that enables better customer retention and facilitate SCA. As one of the main limitations, the research was considered the perceptions of retail bank employees, nevertheless customers' perceptions were not investigated. Future research may apply the PIRM questionnaire and model in other service industries for training and the development of employees.

Keywords Innovation, PIRM, Relationship Marketing, Sri Lankan Retail Bank Sector

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List of Abbreviations

AIM	Ambidextrous Interpersonal Motives
ALM/ FTP	Asset Liability Management/ Funds Transfer Pricing
30R	Acronym for Total Relationship Marketing
7Ps	Acronym for Service Marketing Mix (Product, Price, Place, Promotion, People, Physical Evidence, and Process)
4Ps	Acronym for Marketing Mix (Price, Product, Promotion and Place)
ADANCO	A Commercial Product for Structural Equation Modelling
AMA	American Marketing Association
A-S	Bank A Secondary Data Source
ATMs	Automated Teller Machines
AVE	Average Variance Extracted
B2B	Business to Business
B2C	Business to Consumer
BM	Bricks & Mortar Banking Innovation
B-S	Bank B Secondary Data Source
CDM	Cash Deposit Machines
CRM	Customer Relationship Management
CIC	Collaborative Innovation with Customers/ customer involvement capability
C-S	Bank C Secondary Data Source
DP	Digital Banking Platforms Innovation
D-S	Bank D Secondary Data Source
EPI	Existing Product Innovation
FLEs	Front-line Employees
FPs	Foundational Promises
FTMs	Full-time Marketers
G-D Logic	Goods-Dominant Logic
HNB	Hatton National Bank
HNB	Hatton National Bank
HTMT	Heterotrait-Monotraits Ratio
ICRM	International Colloquium in Relationship Marketing
IMP	Industrial Marketing and Purchasing Group
IRM	Innovation based Relationship Marketing

IT	Information Technology
KMO	Kaiser-Meyer-Olkin Measure of Sampling Adequacy
KMV	Key Mediating Variables
LCBs	Licensed Commercial Banks
LMU	Ludwig Maximilian University of Munich
LSBs	Licensed Specialized Banks
LTTE	Liberation Tigers of Tamil Eelam
MP	Modified Product Innovation
NP	New Product Innovation
OCI	Organizational Culture Innovation
OECD	Organization for Economic Cooperation and Development
OI	Organizational Innovation
OLI	Organizational Learning Innovation
PCA	Principal Component Analysis
PhD	Doctor of Philosophy
PIRM	Perceptions of Innovation-based Relationship Marketing
PLS	Partial Equation Modelling
POS	Point of Sale
Process I	Process Innovation
Product I	Product Innovation
PTMs	Part-time Marketers
Q^2	Acronym for Predictive Relevance
q^2	Acronym for Effect Size q^2
R^2 value	Coefficient of Determination
RBCA's	Relationship-based Competitive Advantages
RM	Relationship Marketing
RQ	Research Questions
SCA	Sustainable Competitive Advantage
S-D Logic	Service-Dominant Logic
SEM	Structural Equation Modelling
SLFP	Sri Lanka Freedom Party
SMS	Short Message Service
TIRI	Teaching Intensive Research Informed

UK	United Kingdom
UNP	United National Party
VIF	Variance Inflation Factor
β	Path Coefficient

CHAPTER I

1. INTRODUCTION

1.1 Overview

The founding father of modern management studies, Peter Drucker (1954) proposes that “because it is its purpose to create a customer, any business enterprise has two, and only these two, basic functions: marketing and innovation” (p. 37). If his worldview is perfectly accurate, the purpose of this research is phenomenal, as it discusses both distinctive areas of marketing and innovation. The modern era of marketing, marketers seem to address relationship marketing, social media marketing and the consumer decision journey, including big data, in their capacity to battle with highly competitive market structures (Panditharathna and Bamber, 2015). Parenthetically, Heinonen and Strandvik (2015) explain that the holistic market view of an organization tries to understand and maximize customer benefits while earning a profit. In line with the above statements, this research attempts to investigate the Perceptions of Innovation-based Relationship Marketing (PIRM) as a new driving force for creating the Sustainable Competitive Advantage (SCA) in the Sri Lankan retail banking sector.

Even though the exact date of the conception of relationship marketing fundamentals is debatable, Berry (1983) was considered the first to mention the notion of relationship marketing in the service marketing context. Under the purview of marketing, relationship marketing was considered a marketing paradigm (Brodie et al., 1997; Grönroos, 1994; Harker and Egan, 2006; Sharma and Sheth, 1997; Sheth, 2000; Varey, 2002) which enables organizations to build a long-lasting relationship with their customers (Asif and Gouthier, 2014; Athanasopoulou, 2009; Deb, 2014; Palanisamy and Manohar, 2016), suppliers (Christoph et al., 2016) and other stakeholders (Buttle, 1996; Payne, 2000). Conversely, some scholars claim that the discipline of relationship marketing is not a totally new phenomenon, but it is an alternative discipline to traditional marketing (Kumar, Bohling and Ladda, 2003). However, academics and practitioners have admitted its richness and the progressively expands of the boundaries of relationship marketing (Berry, 1995; Palmer, 2002; Reynolds and Beatty, 1999).

The purpose of relationship marketing is to amplify relationships and transform heterogeneous customers into loyal ones (Berry and Parasuraman, 1991). From another perspective, there is a growing phenomenon in the marketplace where organizations tend to adopt relationship marketing principles in the hope of retaining customers for a long period (Payne and Frow, 2005). In business, relationship marketing brings stability to and decreases uncertainty in a company (Alexander and Colgate, 2000). For customers, relationship marketing maintains a sustainable relationship that yields mainly three types of benefit: social (familiarity, friendship and information-sharing), economic (discounts or other money-saving benefits) and customisation (tailor-made services or products) (Berry, 1995).

The thesis context is based on the Sri Lanka in which “is a resplendent island located at the southeast tip of India” (Ramanayake and Wijetunga, 2017, p. 13). Sri Lanka is separated from India by the Palk Strait, which is 32 kilometres at its narrowest point (Fernando, Bandara and Smith, 2013). The central part of the island is covered by rocky hills and ambient weather, while the northern half is largely comprised of plains (Fernando *et al.*, 2013). Sri Lanka has a legacy of rich culture and is well-known for its hospitality and humble people. Based on such cultural characteristics, everyday banking involves a healthy relationship with customers. However, although the Sri Lankan banking sector is built on traditional principles, there is a growing phenomenon in the industry where innovative products and services are promoted by the banks (Central Bank of Sri Lanka, 2015). Moreover, with continued expansion in economic activities, the Sri Lankan banking sector has displayed structural changes during the recent past (Central Bank of Sri Lanka, 2015). Consequently, the changes in the Sri Lankan banking industry have become visible in the areas of banking operations, a growth in the number of banks and bank branches, the adoption of technology, skill deployment of banking staff and changes in the institutional structure of the industry (Seelanatha, 2010).

In the banking sector, relationship marketing has become a popular strategy (Colgate and Stewart, 1998; Zineldin, 1995). Relationship marketing expects to be based on a well-structured mission, policies, programs and organizational strategies that build a customer-centric organization with motivation to win the trust and loyalty of customers (Moriarty, Kimball, and Gay, 1983; Perrien, Filiatrault, and Richard, 1993). However,

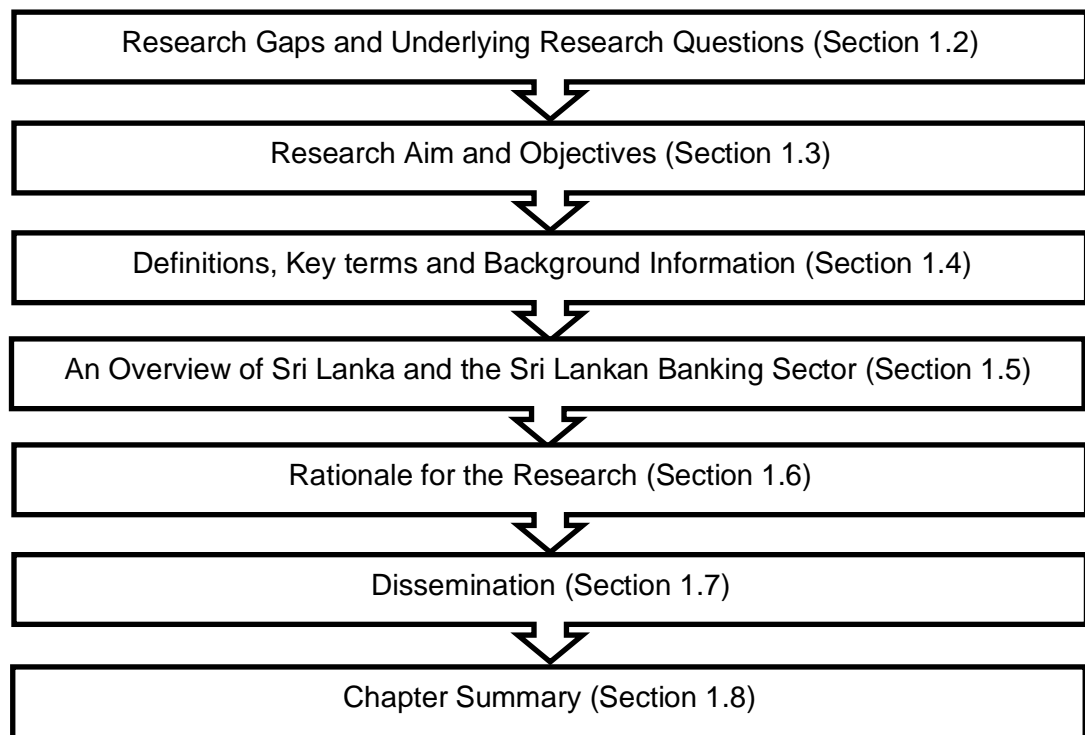
scholars have begun to perceive the concept of relationship marketing which yields value for both suppliers and customers has now come to a mature level in its life cycle (Palmatier, 2008; Sheth, 2017). Confirming the above statement, scholars who have participated in recent international colloquiums on relationship marketing (2015, 2016 and 2017) have held detailed discussions about the validity of relationship marketing under the ever-evolving marketing sphere. They propose either marketers should go back to the roots, where transactional marketing is dominant, or improve the notion of relationship marketing with new features. However, most scholars propose that exploring possible ways of improving the notion of relationship marketing would be the feasible solution. In such a situation, innovation can play an important role in the matter of advancing the relationship marketing domain (Panditharathna and Bamber, 2016).

In order to attract and retain customers, banks should consider investing in the areas of product, process, market and organizational managerial level innovation (Yordanova, 2013). According to academics and practitioners, innovation might be one of only a few lasting sources of competitive advantage (Dess and Picken, 2000; Gardaker, Ahmed and Graham, 1998; Tushman and O'Reilly, 1996, 2002). Even though the general perception of innovation is limited to technological innovation, recent research suggests that innovation can also be applied to many other areas of business (Gallouj and Savona, 2009; Gallouj and Weinstein, 1997; Tether, 2005). Thus, organizations may adopt technical as well as non-technical innovations which can lead to sustainable competitive advantage (SCA) (Weerawardena, 2003). Furthermore, innovation can provide a vital role in any value-creating activity (Weerawardena, 2003).

Product innovation plays a crucial role in the marketplace, where consumers make their purchase decisions based on the merits and quality of the products (Geroski and Mazzucato, 2002). According to Schumpeter (1934), process innovation refers to the introduction of a new production method that includes a novel way of handling a commodity commercially. Contrarily, organizational innovation is strongly linked with all administrative efforts to renew organizational routines, procedures, mechanisms and systems in order to renew teamwork, sharing of information, coordination, collaboration and learning (Günday *et al.*, 2011). Probably, innovation may have numerous influences on relationship marketing because product innovation is based

on meeting customers' preferences by designing a new or considerably improved product, whereas process innovation relates to the enhancement of operations and supply chain (Organization for Economic Cooperation and Development) (OECD, 2005)). The desire to build a model which explains bankers' perceptions of innovation-based relationship marketing is what mainly motivated to complete this thesis. The rest of the chapter arrangement can be found in Figure 1.1.

Figure 1.1 Chapter Organization



1.2 Research Gaps and Underlying Research Questions

Leiva, Culbertson and Pritchard (2011) argue that innovation plays an important role in the success of the organization. Moreover, organizations must take actions for meeting diverse customer needs while ensuring the innovative changes bring efficiency and effectiveness proactively (Baregheh, Rowley and Sambrook, 2009; Leiva *et al.*, 2011). This implies that innovation, as a concept and as a strategic instrument, can and must be seen from both a technological and market-oriented viewpoint, resulting in the situation that innovation in some form or another can be identified in almost any firm or organization (Baregheh *et al.*, 2009). On the other hand, relationship marketing is a strategic element that leads to building a lasting relationship

with customers and other actors. However, current theories and understanding do not show the explicit interaction that connects innovation with relationship marketing (Panditharathna and Bamber, 2017). Simon and Yaya (2012) claim that organizations have been forced to become more innovative to provide a quality service and respond more effectively to consumers' needs and preferences. Nowadays, it is crystal clear that organizations apply innovative strategies that allow them to surpass rivals in the marketing (Simon and Yaya, 2012). The role of innovation can act as an enabler for enhancing customer relationships (Panditharathna and Bamber, 2016) in the Sri Lankan retail banking sector. Hence, the following section elaborates the knowledge gaps and related research questions which address the dearth of current research knowledge on relationship marketing and innovation.

1.2.1 Research Gaps

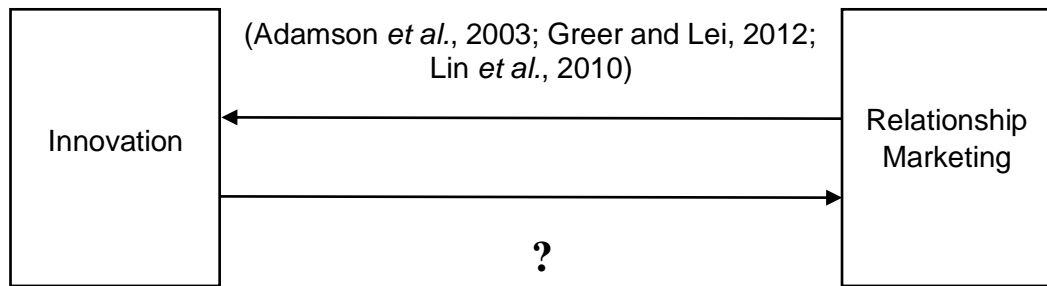
This thesis contributes to building an integrated approach to relationship marketing which can address a few distinctive gaps in the current literature. There are three distinct areas of deficiencies within prior research pertaining to innovation and relationship marketing which are addressed in the current study: the gap between innovation and relationship marketing, the gap between PIRM and SCA, and finally the effect of PIRM on the Sri Lankan retail banking sector. The following section explains each research gap respectively.

- *Explore the gap between innovation and relationship marketing*

Although prior research investigates the concept of 'relationship innovation' or 'relationship-based innovation' (Ruiz-Molina, Gil-Saura and Servera-Frances, 2017), the inverse effect is not yet addressed in the literature (Panditharathna and Bamber, 2016). Moreover, previous research does witness the intervention of relationship marketing into innovation and relationship marketing as a tool of innovation (Adamson, Chan and Handford, 2003; Greer and Lei, 2012; Lin, Chen and Chiu, 2010) and records the effect of innovation on relationship marketing as being scant (Lagrosen, 2005). Figure 1.2 shows the existing research gap between innovation and relationship marketing. Extending Figure 1.2, Lin *et al.* (2010) investigate the effects of various dimensions of customer relationship management (CRM) on the different capabilities of innovation. They study the relationship between five distinctive CRM

related dimensions such as information sharing, customer involvement, long-term partnership, joint problem-solving, and technology-based CRM against five types of innovation capabilities (product, process, administrative, marketing and service innovations) (Lin *et al.*, 2010).

Figure 1.2 Research Gap between Innovation and Relationship Marketing



? Denotes the lack of research from innovation to relationship marketing

Greer and Lei (2012), who explain their view based on a literature survey, indicate that collaborative innovation with customers (customer involvement capability) (CIC) is pivotal when crafting a product or service for customer satisfaction (Greer and Lei, 2012). Greer and Lei (2012), who cited Ritter and Walter (2003), confirm that relationship marketing has a positive relationship with CIC. However, Christensen (1997) shows that customer collaboration may discourage organizational efforts at radical innovation due to a desire to avoid disruption in the existing markets.

Lagrosen (2005) redefines customer involvement based on the level of relationship which is originally proposed by Ford *et al.* (1998). Lagrosen (2005) classifies the interaction between customer and supplier as transactional relationships (designing products for customers), facilitative relationships (designing the products with customers) and integrative relationships (designing the products by the customers). This implies that new product or service development is a recurrent process where both providers and customers co-create the value for mutual benefits (Lagrosen, 2005). Moreover, Lagrosen (2005) argues that cross-functional teams and customer involvement are key ingredients for new product development. However, most of above studies explain some level of interaction between innovation and relationship marketing in different perspectives, the link between innovation and relationship marketing has not been explicitly explored. In short, current literature is lack with any comprehensive study to find the effect of innovation on relationship marketing

(Panditharathna and Bamber, 2017). Hence, the thesis makes an important contribution to marketing theory with the introduction a new approach to the study the relationship marketing.

- *Explore the gap between PIRM and SCA*

The connection of innovation with relationship marketing will lead to a new marketing phenomenon which may build a more comprehensive body of marketing knowledge (Panditharathna and Bamber, 2017). Even though a few research studies advocate the interaction between relationship marketing and innovation (Greer and Lei, 2012; Lagrosen, 2005; Lin *et al.*, 2010), the potential effects of PIRM, which explains the interaction between innovation and relationship marketing, have not yet been comprehensively addressed in the literature so far. Thus, the lack of any comprehensive theory for PIRM can be highlighted as an important shortcoming in the literature. None of the studies undertaken so far has addressed the PIRM effect on SCA. The current research is a step forward in connecting the intervention of innovation with relationship marketing that enables the achievement of the SCA.

- *Explore the effect of PIRM on Sri Lankan retail banking sector*

Relationship marketing has become a leading strategy in the banking industry in both Western and Asian countries (Colgate and Stewart, 1998; Gilbert and Choi, 2003; Jumaev and Hanaysha, 2012; Sayil, Akyol and Simsek, 2019; Zineldin, 1995). Even though a vast pool of knowledge has been added to relationship marketing since its conception, Saren and Tzokas (1998) note that there has been a gap between the expansion of relationship marketing theory and the development of frameworks to aid relationship marketing implementation. Furthermore, from the industry's point of view, thus far no studies have been undertaken to explore PIRM in the banking and finance sector, as confirmed by Emeritus Professor Christian Grönroos at a recent International Colloquium on Relationship Marketing. Hence, this research will contribute to filling this gap in the current literature and knowledge, and thus banks will be able to use a PIRM model that directs bankers to shape their marketing strategies. Moreover, banks may use the PIRM model to better enable customer retention, and as a new sustainable way of promoting competitive advantage.

1.2.2 Research Questions (RQ)

The research is explicitly designed to gain insight into how different innovation types lead to fostering the notion of relationship marketing. Based on relationship marketing and innovation concepts, the following research questions have been formulated:

RQ1. How does product innovation improve the notion of relationship marketing in the Sri Lankan retailing banking sector?

RQ2. How does process innovation improve the notion of relationship marketing in the Sri Lankan retailing banking sector?,

RQ3. How does organizational innovation improve the notion of relationship marketing, in the Sri Lankan retailing banking sector?

RQ4. How does perceptions of innovation-based relationship marketing contribute to achieving a sustainable competitive advantage in the Sri Lankan retail banking sector? and

RQ5. Can a research model derive and test to reflect the PIRM phenomenon in the Sri Lankan retail banking sector?

1.3 Research Aim and Research Objectives

1.3.1 Research Aim

The aim of this research is to investigate the bankers' perceptions of innovation-based relationship marketing as a driving force for sustainable competitive advantage in the Sri Lankan retail banking sector. Hence, this research mainly focuses on four key areas: relationship marketing, innovation, SCA and the Sri Lankan retail banking sector.

1.3.2 Research Objectives

After scrutinising the related literature, problems and gaps, the researcher has been motivated to create the following five research objectives which are supposed to be fulfilled upon completion of this thesis:

- *To identify the bankers' perceptions of the relationship between product innovation and relationship marketing, particularly in the Sri Lankan retail banking sector,*
- *To identify the bankers' perceptions of the relationship between process innovation and relationship marketing that is particular to the Sri Lankan retail banking sector,*
- *To identify the bankers' perceptions of the relationship between organizational innovation and relationship marketing that is particular to the Sri Lankan retail banking sector,*
- *To assess the link between PIRM and sustainable competitive advantage that is particular to the Sri Lankan retail banking sector and*
- *To derive and test a new theoretical model for PIRM, which is particular to the Sri Lankan retail banking sector.*

1.4 Definitions, Key terms and Background Information

The following section explains the definitions, key themes and background information particular to this study, which can be listed as; relationship marketing, product innovation, process innovation and organizational innovation.

1.4.1 Product Innovation and Relationship Marketing

Product innovation can be generally defined as creating goods or service that is considered as new or whose usage or purpose have been dramatically improved (OECD, 2005). Christensen, Cook and Hall (2005) argue that if marketers can understand their customers, products can be designed (innovated) which specifically solve identified 'problems'. With the growing pressure of the external environment, Sarkar (2016) claims that many banks are introducing new financial products while updating the existing offerings.

From the relationship marketing point of view, organizations have undertaken varied and creative approaches to drawing customers closer to their organizations in the pursuit of longer, more profitable relationships (Auh *et al.*, 2007; Brown, 2000; Harun *et al.*, 2019). The present study is an attempt to identify the innovation which underpins relationship marketing. This is an area that has been substantially under-researched,

and there is no clear evidence previously available that product innovation supports relationship marketing (Panditharathna and Bamber, 2017).

1.4.2 Process Innovation and Relationship Marketing

Particular to banking operations, front office operations and back office operations should be properly linked in order to maintain a sustainable relationship with customers. It is also systemically important for banks to improve their geographical presence especially a country like Sri Lanka (Seylan Bank, 2015). However, there is a trend in the market, bankers are moving away from traditional bricks and mortar-based banking to digital banking platforms in which they yield dramatic results (Lumbera *et al.*, 2019). Thus, mobile banking, Internet banking, telebanking, automated teller machines (ATMs) and cash deposit machines (CDM) are available to customers around the clock (Chaouali and Hedhli, 2019; Chauhan, Yadav and Choudhary, 2019; Sinha *et al.*, 2019). Such platforms enable customers to reduce dependency on the bank, allowing banks to significantly lower their operating expenses (Akhisar, Tunay and Tunay, 2015). With an increasing number of scholars undertaking research in relationship marketing, “it was not surprising that different themes and foci were starting to develop” (Payne and Frow, 2017, p. 2). However, despite a large number of studies on relationship marketing, no study has considered the process innovation that impacts on relationship marketing (Panditharathna and Bamber, 2017).

1.4.3 Organizational Innovation and Relationship Marketing

Organizational innovation is strongly related to all the administrative efforts of renewing the organizational routines, procedures, mechanisms and systems to promote teamwork, information sharing, coordination, collaboration, learning, and innovativeness (Günday *et al.*, 2011). In other words, organizational innovation is the implementation of a new organizational method in the firm’s business practices, workplace organization or external relations (Günday *et al.*, 2011).

According to Blery and Michalakopoulos (2006), relationship marketing is a strategy that can help companies to build long-lasting relationships with their customers and increase profits through correct management systems and the application of

customer-focused strategies. In this sense, organizational innovation can promote relationship marketing to a greater extent. However, there is no explicit relationship between organizational innovation and relationship marketing proposed or empirically tested in the literature (Panditharathna and Bamber, 2017). In this particular study, it is obvious that organizations employ different types of innovative capabilities such as product innovation, process innovation and organizational innovation (Drejer, 2002; Garcia and Calantone, 2002; Johannessen, Olsen and Lumpkin, 2001; Lin and Chen, 2007; Yoo and Jung, 2019).

1.5 An Overview of Sri Lanka and the Sri Lankan Banking Sector

Situated in the southern tip of India, Sri Lanka is a tropical island which is potentially one of the major economically lucrative countries in the world (BBC, 2018). Sri Lanka can be categorised as a lower middle-income country, with a population of 21.4 million people, with a USD 4,065 per capita income in 2017 (World Bank Report, 2018). During the last three decades, Sri Lanka has not been able to exploit many opportunities in terms of economic and social development due to the North and East separatist war and Southern political violence (Fernando *et al.*, 2013). However, the economy of Sri Lanka is transforming from being a predominantly rural-based economy to a more sophisticated industrial-oriented economy that caters to manufacturing and services (World Bank Report, 2018).

Since the civil war ended in 2009, the economy has grown on average at a rate of 5.8 percent a year, reflecting a peace dividend and a commitment to reconstruction and growth (World Bank Report, 2018). The post-war Sri Lankan state has been able to perpetuate an ethno-nationalist Sinhala hegemony because of the ways in which capital and labour have implicitly or explicitly subscribed to a dominant ethno-nationalist and neoliberal ideology (Kadirgamar, 2013). Many people in Sri Lanka are now very optimistic about peace and prosperity in the country and believe that there will be a long-term political solution to the so-called ethnic problem, where there are opportunities for people to work together as one nation (Fernando *et al.*, 2013). The peace process has brought about the development of tourism, banking and other services sectors (Athukorala, 2016). Moreover, the positive contribution of the Sri Lankan government to building, reconstructing, renovating, and eliminating the marks

of destruction and devastation in public spaces is impressive since the country has emerged from the brutal war (Jayasuriya, 2016).

For the betterment of the banking sector in terms of competitiveness and efficiency, the Central Bank of Sri Lanka initiated financial reforms in 1977 (Seelanatha, 2010). The effective banking system is not only helping economic activities, but also ensuring the stability of the financial system by scrutinising the monetary policy in the country (Ariyadasa *et al.*, 2017). In the recent past, the financial industry in Sri Lanka has added value for improving the economic condition progressively (Ariyadasa *et al.*, 2017). The banking system, as a key player in the overall financial sector, accounts for almost half of the financial system's assets and represents a lending mechanism for both government and people (Ariyadasa *et al.*, 2017). As a result of these financial reforms, the private sector was offered the opportunity to enter the banking sector in Sri Lanka (Seelanatha, 2010). The Sri Lankan banking sector has been transformed as a consequence of deregulation and liberalisation measures being taken to stimulate and facilitate greater competition and react to trends in the global banking sphere (Perera, Skully and Nguyen, 2012; Seelanatha, 2010).

Although, the prolonged ethnic conflict between the Sri Lankan government and the Liberation Tigers of Tamil Eelam (LTTE) slowed down the growth of the banking sector, the Sri Lankan licensed commercial banks (LCBs) appear to have become healthier in recent years (Ariyadasa *et al.*, 2017). The three largest banks in Sri Lanka hold 64% of the total assets in the banking industry (Perera *et al.*, 2012). The main reason for the dominance of the largest banks in the sector is that most foreign banks have based their operations in the major cities, and operate limited branch networks (Perera *et al.*, 2012). Moreover, many offshore banks, which are mainly located in the capital city of Colombo, represent a 7% total asset in the sector (Perera *et al.*, 2012). Figure 3.1 shows some of the domestic and foreign banking institutes that currently operate in Sri Lanka.

Figure 1.3 Some of the Domestic and Foreign Banking Institutions in Sri Lanka



In the recent past, the banking sector has shown a technologically oriented trend that has gradually transformed the brick-and-mortar style banking to digital banking (Central Bank of Sri Lanka, 2017). Hence, through increasing the usage of digital technology, customers are able to share the common facilities such as ATMs and CDM with other banks in the industry (Seelanatha, 2010). In 2016 alone, Internet and mobile banking grew by 75% in Sri Lanka, indicating that people and businesses are adopting new tools and facilities at a fast pace (World Finance, 2017). This will improve the competitiveness, overall productivity and efficiency of the banking sector (Seelanatha, 2010).

With the growing need to adopt the latest technology to meet customer satisfaction, opportunities have been unlocked that were never fulfilled by conventional banking and banks have become orientated towards the digitalised era (Central Bank of Sri Lanka, 2017). Customers tend to use mobile wallets, e-wallets, pre-paid cards, contactless cards, wristband payments and other digitalised alternatives that result in the bricks and mortar banking sector having to think innovatively in order to stay connected to customers (Central Bank of Sri Lanka, 2017). However, the Sri Lankan banking sector needs to improve technology that involves customer satisfaction and retention by changing products and developing delivery systems that are more efficient and effective (Central Bank of Sri Lanka, 2017). The reason for this is that digitalisation has undoubtedly become a facilitator for bankers to stay competitive, not only locally but also internationally (World Finance, 2017). Sri Lanka is no exception: the country's banking sector looks to avenues not only to meet customers' expectations but also to be one step ahead in offering innovative products and services (World Finance, 2017).

1.6 Rationale for the Research

The rationale for this research is mainly concerned with both relationship marketing and innovation point of view. The following section explains both perspectives, respectively.

1.6.1 The Rationale for Relationship Marketing

Relationship marketing has been one of the prominent speciality areas of marketing in the last few decades (Sheth, 2017). However, the paucity of empirical studies which emanate from a review of the literature sheds light on considering the PIRM concept for this study. The banking sector is one of the most highly competitive industries in Sri Lanka, where relationships, innovations and networks are key ingredients for the success of the business. The rationale from the industry point of view, Boot and Thakor (2000) explain, is that the relationship-oriented culture would lighten competitiveness, allowing banks to differentiate themselves from their rivals. Among many strategies, relationship marketing is an effective strategy which can be implemented by the Sri Lankan retail banking sector in order to establish, maintain and enhance profitable relationships with its clients.

The rationale from the organizational point of view, Berry and Gresham (1986) explain that a relationship-based service is ideal when it comes to customers who expect personalised service or selling. Hence, banks need to build their capabilities in line with customer requirements and properly handle customer expectations to serve them meaningfully (Andaleeb, Rashid and Rahman, 2016). Tran and Corner (2016) recommend that retail banks must introduce innovative banking services in order to maintain the competitive edge while satisfying to customer expectations and demands. Indeed, this research will widen and deepen the current literature and knowledge of relationship marketing in which retail banks may deploy them to shape their strategies. The rationale from the research perspective, the hiatus of application of innovative concepts in relationship marketing is significant especially with the innovation and competitive advantage point of view.

1.6.2 The Rationale for Innovation

Innovation plays a major role when it comes to the banking sector, where survival may depend on the level of innovation (Mahmoud *et al.*, 2016; YuSheng and Ibrahim, 2019). Therefore, innovation can be categorised broadly in terms of product innovation, process innovation and organizational innovation (Günday *et al.*, 2011). This rationale aids bankers to stay competitive in the marketplace with the help of product innovation, process innovation and organizational innovation. The rationale from the organizational point of view, innovation leads to satisfying customers through new products and modifying existing products.

Process innovation streamlines the internal processes that allow the provision of better services to external customers. In particular, bricks and mortar banking innovations and digital banking innovations may provide dramatic results for the banking sector, where relationship marketing can benefit. Furthermore, organizational innovation may provide a new edge for bankers who can enhance the relationship marketing efforts. The rationale from the research perspective is that the interaction of innovation on relationship marketing is significant. Thus, this research widens the knowledge and understanding of innovation as well as relationship marketing.

1.9 Dissemination

Table 1.1 Conferences, Colloquiums and Seminars

Conference and Colloquia	Paper	Venue	Date
Postgraduate Students Society Annual Conference	PhD Work in Progress	University of Bolton	2015
Postgraduate Annual Conference	Condensed Report my Masters' Thesis	Canterbury Christ Church University, United Kingdom (UK)	2015
3 rd International Conference on Contemporary Marketing Issues	Condensed Report my Masters' Thesis	Kingston University, UK	2015
10 th International Research Conference on Management & Finance (Doctoral Colloquium)	PhD Work in Progress - Peer Reviewed	University of Colombo, Sri Lanka.	2015
23 rd International Colloquium on Relationship Marketing (ICRM)	PhD Work in Progress - Peer Reviewed	Hanken School of Economics, Finland.	2015
Poster presentation under TIRI (Teaching Intensive Research Informed) global week	PhD Work in Progress	University of Bolton	2016
Postgraduate Students Society Annual Conference	PhD Work in Progress	University of Bolton	2016
24 th International Colloquium on Relationship Marketing (ICRM)	PhD Work in Progress - Peer Reviewed	Toulouse 1 Capital University, France	2016
25 th International Colloquium on Relationship Marketing (ICRM)	PhD Work in Progress - Peer Reviewed	LMU, Germany	2017
26 th International Colloquium on Relationship Marketing (ICRM)	PhD Work in Progress - Peer Reviewed	Cardiff University, UK	2018

In addition to above conferences and colloquia, I attended the postgraduate research students' skills development programme conducted by the University of Bolton in 2014 - 2015. I took part as the research assistant in a workshop on mixed research methodology conducted by my director of studies Dr David Bamber in May 2016 at

Liverpool John Moores University. In 2017, I followed a course called ‘theory building and testing in business and management and PLS-SEM using Smart PLS’ at the University of Manchester. As the joint - secretary to the University of Bolton’s postgraduate research students’ society, we successfully organised the 2nd postgraduate students’ society annual conference in 2016.

1.10 Chapter Summary

Although only a few studies hints at the interaction between relationship marketing and innovation (Adamson *et al.*, 2003; Greer and Lei, 2012; Lin *et al.*, 2010), these published studies do not consider the impact of innovation on relationship marketing (Panditharathna and Bamber, 2016; 2017). This chapter primarily focuses on highlighting the research aim is to investigate the bankers’ perceptions of innovation-based relationship marketing as a driving force for sustainable competitive advantage in the Sri Lankan retail banking sector. The overview highlights the general explanation of relationship marketing, innovation, the Sri Lankan retail banking sector and SCA. Moreover, distinctive research gaps and underlying research questions are explored.

Apart from the research aim, the subsequent research objectives pertaining to this study are also presented. In order to clarify the background of the research and formation of the study, several definitions, key terms and background information are collectively reviewed. In addition, the rationale has been presented from both the innovation and relationship marketing perspectives. Furthermore, the contribution to knowledge is analysed from three aspects: the theoretical contribution, the empirical contribution and the managerial contribution. Limitation of the study is identified broadly across various perspectives. Finally, dissemination has been declared mainly through seminars, conferences and colloquiums. The study, from this point, progresses into the next chapter, which is the review of the literature.

CHAPTER II

2. LITERATURE REVIEW

2.1 Purpose

This chapter is mainly dedicated to reviewing the previous research in relation to marketing, relationship marketing, innovation and SCA and the Sri Lankan retail banking sector. Caulley (1992) explains that the literature review should comprise different worldviews of authors, constructive criticism on research methodologies, highlight the gaps in research, and link previous studies to the current research. The aim of the study is to investigate the bankers' perceptions of innovation-based relationship marketing as a driving force for sustainable competitive advantage in the Sri Lankan retail banking sector. The chapter organization can be found in Figure 2.1, as follows:

Figure 2.1 Chapter Organization



2.2 Focus of the Research

The lack of comprehensive research that explains the relationship between innovation and relationship marketing itself motivates the researcher to pursue this research. Thus, the main focus of this research is to find the connection between innovation and relationship marketing which is particular to the Sri Lankan retail banking sector. Furthermore, this research attempts to elaborate the impact of PIRM to SCA.

2.3 Relationship Marketing

2.3.1 Evolution of Marketing

Although the discipline of marketing is recognized as a recent phenomenon (Egan, 2011), many concepts including markets, marginal analysis, value, production, humans as social and economic entities, competition and the role of governments have been discussed and practised as far back as in ancient Greek times (Wilkie and Moore, 2003). Gradually, marketing which is considered to evolve from Economics has managed to create its own identity over the passage of the time. Further, Ambler (2004) claims that marketing is thought to date back to the Middle Ages, with the formal analysis of buyer motivation, market price and psychological benefits of a product first introduced by St. Thomas Aquinas (1225-1274) and St. Bernardino of Siena (1380-1444). Nevertheless, Wilkie and Moore (2003) argue that the formal foundation of marketing was shaped between in 1900 and 1920, when the title of marketing was added to the management lexicon. Following this, the field of marketing flourished from 1920 to 1950 with the publication of *The Principles of Marketing* (Clark, 1923). At the time, marketing was defined as the efforts which shift the possession of goods (Wilkie and Moore, 2003). Between 1950 and 1980 was considered as the paradigm-shifting era when McCarthy (1960) presented the 'marketing mix' concept by refiguring and condensing Borden's original 12 elements of marketing mix into the 4Ps (price, product, promotion, and place) model of marketing (Wilkie and Moore, 2003). However, the so-called golden era of marketing declined, to some extent in the 1980s with the challenges of short-term financial focus, downsizing and globalization (Wilkie and Moore, 2003). However, enlightening the era, Berry (1983) introduced the concept of relationship marketing into the marketing sphere by focusing on long-term customer relationships.

2.3.2 Marketing Mix Concept

The concept of the marketing mix has served at the core of marketing theory for many years. Thus, marketing theory has originally developed with the notion of transactional based approach which aims to generate businesses through acquiring customers (Storbacka, Strandvik and Grönroos, 1994). Transactional marketing which is largely nourished by the marketing mix concept was one of the dominant paradigms of marketing in the 20th century (Grönroos, 1994; Gummesson, 1994a; Harker and Egan, 2006; Vargo and Lusch, 2004).

Certainly, the marketing mix is a conceptual model that highlights how managers offer their products and services to customers (Goi, 2009). However, with the subsequent evolution of marketing theory, the 4Ps has been questioned in numerous ways. The validity of the marketing mix has become controversial with the later development of relationship marketing, though recent studies arguably confirm that the 4Ps may still apply in some business contexts (Zineldin and Philipson, 2007). One of the major criticisms of the marketing mix concept is that it focuses mainly on the attainment of new business and has no clear intention of building customer relationships (Gummesson, 1999a). Kotler *et al.* (1999) recognise the 4Ps as representing only the provider's aspect of marketing and proposes marketers should reflect from the customer point of view. Table 2.1 depicts the elements of the marketing mix (Product, Price, Place and Promotion) and associated meaning.

Table 2.1 Elements of Marketing Mix

4Ps Element	Explanation
Product	Marketers must develop the right product mix in the right time. It is ideal to expand current product mix by diversifying and increasing the depth of the product line. Furthermore, marketers must answer the question 'what I can do to offer a better product to this group of people than my competitors'.
Price	The price is the product's monetary value which a customer pays to enjoy it. Profitability and survival mainly depend on the determination of the price that fits the customer's perceived value. The price element of the product has a huge impact on the entire marketing strategy as well as the sales and demand for the product.
Place	Place means the act of positioning and distributing a product making it reachable to potential consumers. Efficient positioning and distribution channels will have a dramatic influence on organizational profitability.
Promotion	Promotion consists of many elements including sales organization, public relations, advertising and sales promotion. Promotional strategies mainly depend on organizational budget allocation and the information that needs to be communicated to the customers.

(Source: Marketingmix, 2016)

Cheung and Turnbull (1998) argue that the 4Ps does not adequately cover the concepts of industrial marketing principles. Meanwhile, Zontanos and Anderson (2004) postulate that the marketing mix concept is an ineffective option for small businesses due to resource scarcity. Moreover, Berry and Parasuraman (1991) claim that the validity of the 4Ps can be questioned in service marketing practices unless "quality (Q) is embedded in it" (p. 4). Further, Grönroos (1990) points out that value is pre-produced in the marketing mix rather than co-created concurrently with the customers. Möller (2006) lists the fundamental deficits that persist in the marketing mix concept:

- Marketing mix ignores the behaviour of customers,
- Customers have no opportunity to contact the provider and build relationships,
- The mix is void of theoretical content; it works primarily as a simplistic device focusing the attention of management and
- The 4Ps do not imply any hint regarding personalised offerings.

However, the literature of marketing provides remedies that minimise the conceptual gaps in the marketing mix with the extension of the 4Ps into the 5Ps with the addition of a 'people' element (Judd, 1987), and the 7Ps by adding people, process and physical evidence (Booms and Bitner, 1981). Later, Baumgartner (1991) expands the marketing mix to up to 15 elements. It is noteworthy to mention that expanded versions of marketing mix have not contributed much as the 4Ps did to marketing theory (Egan, 2011).

2.3.3 Relationship Marketing School of Thought

Researchers look at the schools-of-thought concept as a means of comparison of different perspectives of a single topic (Palmer, Lindgreen and Vanhamme, 2005). Relationship marketing has been a topic of serious discussion among academics and marketing practitioners (Egan, 2011). There are various claims as who introduced the relationship marketing fundamentals. However, Palmer (1996) argues that the relationship marketing concepts existed in Eastern cultures before being appropriated by Western markets. According to Sheth and Parvatiyar (2000), features of relationship marketing fundamentals can be retrieved from the pre-industrial age. Gummesson (1999) praises Dale Carnegie's book '*How to Win Friends and Influence People*' for explicitly making a relational approach and names it as the relationship marketing bible. Later, Varey (2002) confirms that direct marketing guru Lester Wunderman exploited relationship marketing principles in 1949.

Even though the exact date of the conception of relationship marketing fundamentals is debatable, Berry (1983) is considered the first to mention the notion of relationship marketing in service marketing context. Hunt (1983) also hints about the relational effect by explaining the basic motive of marketing to "exchange relationship" (p. 9). Meanwhile, Jackson (1985) defines relationship marketing within the industrial marketing context. However, Gummesson (1983) argues that an explicit relationship perspective in marketing was inherent to the Nordic School of thought, prior to Berry (1983) and Jackson (1985) who taxonomize the term of relationship marketing. In addition, the IMP (Industrial Marketing and Purchasing Group) group embedded the relationship concept in their network approach to industrial marketing (Håkansson, 1982; Snehota and Håkansson, 1995). Later, academics and practitioners have

admitted its richness and expanded the boundaries of relationship marketing steadily (Sheth, 2017).

Concurrently, the relational approach was implicitly expressed in the North American 7Ps (product, price, place, promotion, people, physical evidence and process) model of service marketing of the early 1980s (Booms and Bitner, 1981). In this 7Ps model, the people element is represented by the employees who are directly and indirectly in contact with the customers (Van Vliet, 2013). Physical evidence denotes that the environment in which the interaction of employees and customers take place with a tangible commodity is underpinned by business cards, business attire and the condition of the business premises (Van Vliet, 2013). Furthermore, the process element of the 7Ps model refers to the actions, activities and procedures (Van Vliet, 2013) that deliver the products or services, especially through user-friendly Internet experiences, waiting times, and the information given to customers and the helpfulness of staff (Chartered Institute of Marketing, 2015). However, the process element related to the retail banking segment can be analysed from the perspective of relationship marketing and innovation or combined form. From the retail banking perspective, the process element can be reflected in the channel selection of the bank where single channel, cross channel, multi-channel and omnichannel retailing are significant. However, modern retail banking relies on multi-channel and omnichannel services where customers can seamlessly enjoy the services of the banks (Picot-Coupey, Huré and Piveteau, 2016, Reis, Amorim and Melão, 2019; Shi *et al.*, 2020).

In particular, the process element is critical to the retail banking sector where most of the bankers employ omnichannel process strategies to meet and exceed the customer experience (citation required). This means that under the process element, bankers provide bricks and mortar services and digital banking platforms for their customers. Though bricks and mortar banking is traditional oriented, most of the bankers redesign their bricks and mortar banking process with digital elements and proactive front-line employees (FLEs). Hence, ATM machines, online banking facilities and telebanking are integrated into the bricks and mortar facilities in the banks. On the other hand, FLEs provide essential services by solving customer queries at a minimum time. Therefore, the process element in the retail banking sector is streamlined at the greatest level. Digital banking platforms are introduced to customers with the advent

of Internet technologies. As a result, mobile banking, SMS banking, Internet banking are progressively accepted by customers. Despite the traditional way of retaining customers through bricks and mortar facilities, bankers are able to create online relationship marketing with the support of digital banking platforms. However, orthodox research show that some customers do not like to expose to a multi-channel environment where they feel ambiguous and complicated process (Reis *et al.*, 2019). Therefore, bankers must employ their process element in a sensible manner where customers feel satisfied.

The retail banking industry is becoming disruptive in which a lot of innovative process elements stimulate the relationship marketing efforts. Blockchain technology, artificial intelligence (Jakšič and Marinč, 2019) and big data analytics. Many well-known retail banks increasingly consider using blockchain related mortgages, cross-border payments, consumer rewards and loyalty (Higginson, Hilal and Yugac, 2019). Santander bank made history by introducing the first UK based blockchain international payment app (Santander, 2015). The application of artificial intelligence helps bankers to meet customers' needs and provide customised services by better understanding behaviour of customers (Jaiswal and Akhilesh. 2020). This enables bankers to speed up their traditional processes into hassle-free automated services (Jaiswal and Akhilesh. 2020). Based on the structured and unstructured data, many retail banks extrapolate the hidden patterns of the customer behaviour by using big data principles (variety, volume, velocity and veracity) (Arthur and Owen, 2019). In order to decide optimum solutions for credit underwriting and pricing mechanism, one of the largest banks in Europe analyses the customer behaviour by using a large set of big data (Baltassis *et al.*, 2015).

Table 2.2 depicts the key conceptual differences between transactional marketing and relationship marketing, namely: sales orientation, the length of customer contact, the focus of the relationship, the length of the relationship, consideration of customer service, the level of meeting customer expectation and concern with quality within the organization.

Table 2.2 The Comparison between Transactional Marketing and Relationship Marketing

Transactional Marketing	Relationship marketing
<ul style="list-style-type: none"> • Orientation is to single sales • Discontinuous customer contact • Focus on the product features • Short term scale • Little emphasis on customer service • Limited commitment to meeting customers' expectation • Quality as the concern of production staff 	<ul style="list-style-type: none"> • Orientation is to customer retention • Continuous customer contact • Focus on the customer value • Long term scale • High emphasis on customer service • High commitment to meeting customers' expectations • Quality as the concern of all staff in the organization

(Source: Payne, Ballantyne and Christopher, 2005)

Although the origin of relationship marketing was to be found in the industrial marketing context (Payne, Ballantyne and Christopher, 2005), there is growing interest in the service sector in which marketers can enhance and maintain customer relationships in a profitable manner (Peck *et al.*, 1999). Kotler (1991) noticed a paradigm shift which was taking place within marketing theory as being that the long-term relationship with partners would be the future shape of marketing rather than short-term transactional exchanges. Moreover, Sheth, Gardner and Garrett (1988) recognise customer retention as one of the top priorities in an organization. This leads to an emerging relational exchange with customers in contrast to mere transactional exchanges (Sheth *et al.*, 1988). Indeed, the concept of relationship marketing has always been concerned with customer retention, which is less costly than acquisition (Fornell and Wernerfelt, 1987; Reichheld 1996; Rust, Zeithaml and Lemon, 2000; Stone, Woodcock and Wilson, 1996), and trivial increases in retention rates have a dramatic effect on the profits of the company (Fornell and Wernerfelt, 1987).

The Nordic School and North Americans lay the foundation for fostering relationship marketing, which is now considered a well-known distinctive discipline (Healy *et al.*, 2001). Compared to other marketing thoughts or theory, the expansion of relationship marketing has flourished strongly (Sheth, 2017). Scholars from the different school of thoughts - Nordic, IMP, Anglo-Australia, and North American - have expanded the notion of relationship marketing, in return, it now appears as a fully-fledged sub-set of ever-evolving marketing theory (Sheth, 2017).

- The Nordic School of Marketing

The Nordic approach to relationship marketing evolved in the 1970s as a result of drawbacks found in transactional-based marketing (Palmer *et al.*, 2005). Moreover, the Nordic School of thought is built on three major concepts; interaction, dialogue and value (Palmer *et al.*, 2005). Grönroos, von Koskull and Gummerus (2015) specify that the Nordic School has a legacy and orthodox thinking patterns that mobilise like-minded people. A significant remark about the Nordic School of thought is that it is “never restricted by existing theories, frameworks, models or concepts, nor by dominant scientific approaches and methods” (Grönroos *et al.*, 2015, p. 29). Therefore, under the Nordic approach, researchers are encouraged to explore the areas that no one has thought about before (Grönroos *et al.*, 2015). Thus, the unique feature of Nordic School research compared to North America school of thought is inductive exploratory research in which act as a cornerstone for the other theories, models and frameworks (Grönroos *et al.*, 2015).

Eminent scholars who have contributed to the development of the Nordic School of thought are Christian Grönroos and Evert Gummesson. In addition, scholars from the Hanken School of Economics have provided an immense contribution to the subject of relationship marketing. In addition to the remarkable contribution to the domain of relationship marketing, the Nordic School of thought dominates other research areas, such as value formation, customer experience, internal marketing, markets or ecosystems, and branding (Grönroos *et al.*, 2015). Moreover, notable research knowledge can be found in the service quality model and its marketing implications, the comprehensive definition of relationship marketing, the 30R approach, service logic, and customer-dominant logic.

- Industrial Marketing and Purchasing (IMP) Group

In the mid-1970s, the IMP Group was formed through the collaboration of European countries and universities (IMP Group, 2017). Currently, the IMP group is regarded as an informal and scholarly network which addresses marketing, purchasing, technological development and management from an interactive perspective, in a B2B and a B2C context (IMP Group, 2017). The principal argument of the IMP group is that a dyadic relationship with a provider and customer should be investigated concurrently

(Strandvik and Heinonen, 2015). Notable scholars of the IMP group are David Ford, Adam Lindgreen, Ivan Snehota and Håkan Håkansson.

- Anglo-Australian Approach

The Anglo-Australian approach to relationship marketing follows the combination of quality management, customer service management and service marketing concept (Christopher, Payne and Ballantyne, 1991). The six-market model is one of the most prominent theoretical contributions ever introduced under the Anglo-Australian approach. The International Colloquium in Relationship Marketing (ICRM), which initiated under the Anglo-Australian school of thought, began in 1993. The ICRM discusses the contemporary and debatable relationship marketing issues with scholars from all around the world. In 2018, the 26th edition of ICRM was held in Cardiff, Wales. Notable scholars in the Anglo-Australian school of thought are David Ballantyne, Adrian Palmer, Martin Christopher, and Adrian Payne.

- North American Approach

As a prominent school of thought, the North American approach has contributed to shaping relationship marketing impressively. With a seminal research proceeding, Berry (1983) coins the term of relationship marketing in the service marketing sphere. Following this, the noted 'trust-commitment theory' was added to the literature by Morgan and Hunt (1994). Other notable scholars in the North American school of thought include Robert Palmatier, Jagdish Sheth and Atul Parvatiyar. The special feature of the North American school of thought is that the research tradition is mainly based on the quantitative approach rather than the qualitative.

2.3.4 Relationship Marketing: Definitions and Background Conditions

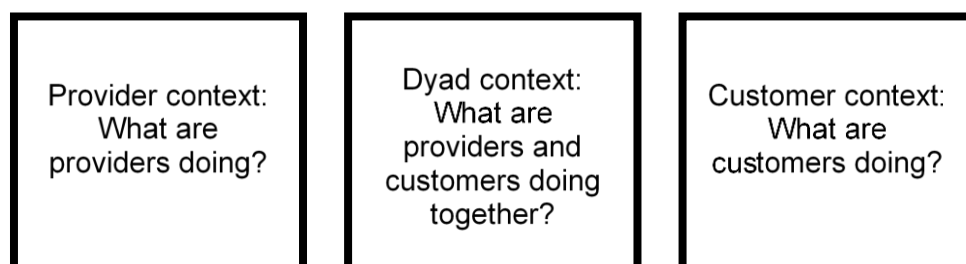
Loyal customers who make regular purchases are a competitive asset and a distinctive driving force for healthy financial performance and profitability for an organization (Dekimpe *et al.*, 1997; Jones, Sasser and Earl, 1995). Building long-term customer relationships are one of the main strategic choices that financial institutions can make in order to continue to be in business. Therefore, relationship marketing has been considered as a key strategy for bankers to establish a unique long-term relationship

with customers (So and Speece, 2000). Heinonen (2014) stresses that banks should pay more attention to their customers by improving customer satisfaction and loyalty while catering to different multi-channels such as the Internet and mobile banking.

Heinonen (2014) argues that the provider-customer relationship in the banking industry is “dynamic and unpredictable” (p. 450). Regarding relationship marketing, Grönroos (2000) and Raval and Grönroos (1996) explain that relational exchanges may flourish during transactions between the provider and the customer, in addition to the usual exchange of products or services. Moreover, customers understand relational exchanges are worthwhile (Anker *et al.*, 2015) and this may lead to an improvement in repeat purchases (Hoffmann and Ketteler, 2015; Parasuraman, Berry and Zeithaml, 1991).

The Banking industry previously believed that providing a personalised service, having diverse branch networks and offering an array of products would be enough to stay connected to customers (Heinonen, 2014). However, customers today expect more than such services. Heinonen (2014) explains that many of the high street banks fail to build profitable customer relationships because of improved customer knowledge and customer empowerment through performing tasks which used to be handled by the banks (Heinonen, 2014). Thus, focusing on customer loyalty and satisfaction have proved to be insufficient in contemporary banking (Heinonen, 2014). Heinonen (2014) identifies three pillars of customer relationships, namely; provider context, dyad context, and customer context (Figure 2.2).

Figure 2.2 Perspectives on Customer Relationships



(Source: Heinonen, 2014, p. 451)

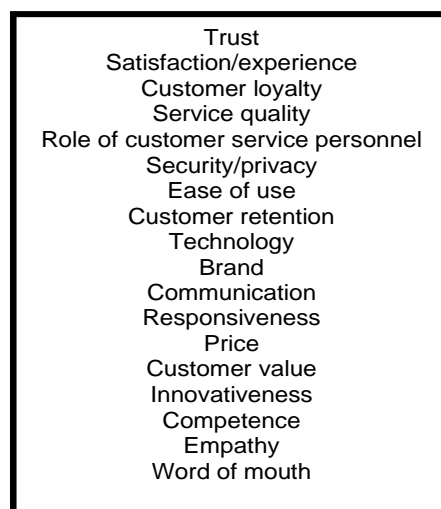
In this particular research, the provider perspective of relationship marketing is considered to apply to the IRM concept. In particular, this may work for financial

service providers in thinking of robust mechanism to improve customer related relationships (Heinonen, 2014). However, Bhaskar and Khera (2014) claim that bankers face many challenges when they try to maintain and enhance relationships with customers. In a distinctive approach, Healy *et al.* (2001) propose that relationship marketing may develop and evolve in three strategic stages: relationship marketing, neo-relationship marketing and network theory.

- Relationship marketing: It involves only the interaction between the service provider and customer,
- Relationship marketing plus stakeholders (neo-relationship marketing): All the supporting actors who facilitate the dyadic relationship of service provider and customer and
- Network theory: building and maintaining the relationship between three or actors in the organizational ecosystem (Healy *et al.*, 2001).

Eiriz and Wilson (2006) argue that the insights gained from supply chain management, interaction theory, database marketing and services marketing may provide a solid foundation for research in relationship marketing where innovation is applied in this particular research. In their content analysis paper, Agariya and Singh (2011) identify 18 specific defining constructs of relationship marketing particular to the banking sector. Those constructs are summarised in Figure 2.3.

Figure 2.3 Key Relationship Marketing Constructs Related to Banking Sector



(Source: Agariya and Singh, 2011, p. 230)

- *Definitions of Relationship Marketing*

The formation and shape of relationship marketing have been well-defined by many scholars within different contexts and industry verticals (Agariya and Singh, 2011).

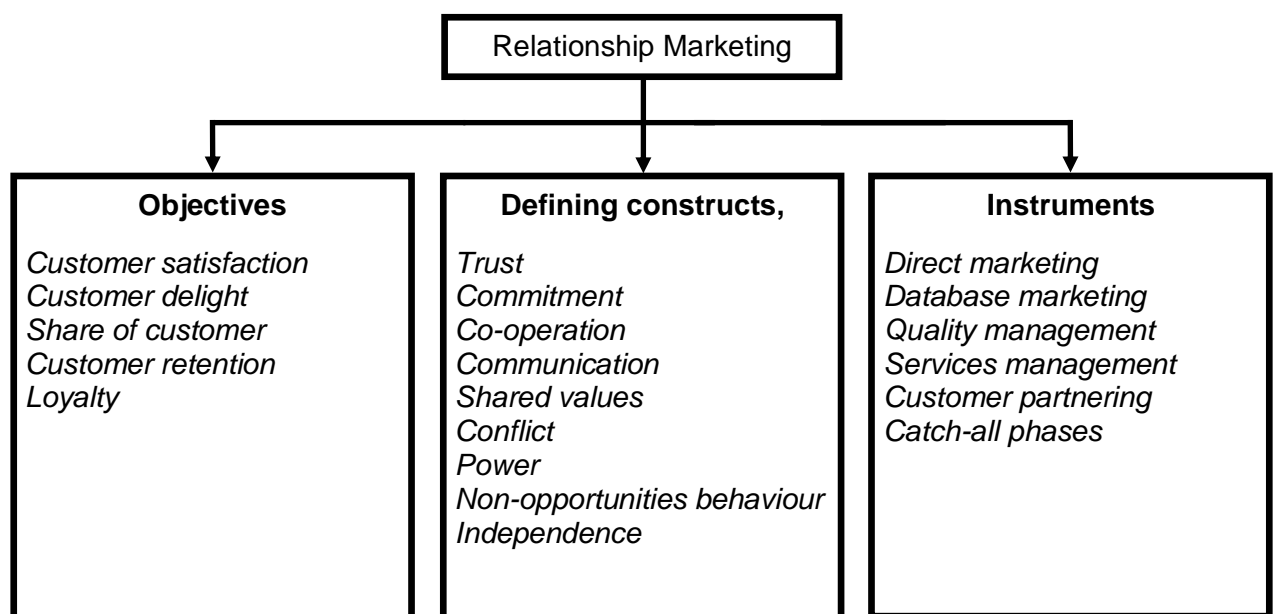
Table 2.3 Definitions of Relationship Marketing

Author	Definition
Grönroos (2015, p. 281)	"To identify and establish, maintain and enhance, and when necessary terminate relationships with customers (and other parties) so that the objectives regarding economic and other variables of all parties are met. This is achieved through a mutual making and fulfilment of promises".
Gummesson (1999, p. 1)	"Relationship marketing is marketing seen as relationships, networks and interaction".
Sheth and Parvatiyar (1995)	The process of developing cooperative and collaborative relationships with customers and other market actors.
Ballantyne (1994, p. 3)	"An emergent disciplinary framework for creating, developing and sustaining exchanges of value, between the parties involved, whereby exchange relationships evolve to provide continuous and stable links in the supply chain".
Morgan and Hunt (1994, p. 22)	"Relationship marketing refers to all marketing activities directed to establishing, developing and maintaining successful relational exchanges".
Porter (1993, p. 14)	"Relationship marketing is the process whereby both parties - the buyer and provider - establish an effective, efficient, enjoyable, enthusiastic and ethical relationship: one that is personally, professionally and profitably rewarding to both parties".
Shani and Chalasani (1992, p. 44)	"An integrated effort to identify, build up, and maintain a network of individual customers, and to strengthen the network continuously for the mutual benefit of both sides through intuitive, individualized, and value-added contacts over a long period of time".
Jackson (1985, p. 2)	"Marketing oriented towards strong, lasting relationships with individual accounts".
Berry (1983, p. 25)	"Relationship marketing is attracting, maintaining and in multiservice organizations - enhancing customer relationships".

(Sources: Ballantyne, 1994, p. 3; Berry, 1983, p. 25; Grönroos, 2015, p. 281; Gummesson, 1999, p. 1; Jackson, 1985, p. 2; Morgan and Hunt, 1994, p. 22; Porter, 1993, p. 14; Shani and Chalasani, 1992, p. 44; Sheth and Parvatiyar, 1995)

Thus, there are many definitions that can be found related to relationship marketing in the marketing literature. Table 2.3 illustrates the different definitions that explain the nature of relationship marketing. The common theme which emerges from these definitions is that organizations should create and maintain a strong relationship with customers and other partners over a long period of time. From an analytical model, Lindgreen (2001) explains the composition of relationship marketing in terms of objectives, defining constructs, and instruments (Figure 2.4).

Figure 2.4 Breakdown of Relationship Marketing into Objectives, Defining Constructs and Instruments



(Source: Lindgreen, 2001, p. 76)

- Background Conditions of Relationship Marketing

To be successful in relationship marketing, certain conditions should be met throughout the value creation process; long-term orientation, commitment and fulfilment of promises, customer share, customer lifetime value, two-way dialogue, and customisation.

- Long-term Orientation

Long-term orientation is a principal condition in relationship marketing. This orientation is evaluated as the ability to continue a healthy relationship with customers and a share of the customer wallet (Sheth, 2017). Gummesson (1999) reports that long-term

collaboration is vital to relationship marketing. Therefore, relationship marketing should bring about a win-win situation rather than a win-lose situation, which is created instinctively through the nature of transactional marketing (Gummesson, 1999a). Thus, the intention of relationship marketing is to develop and maintain a long-term and trustful relationship with customers and other actors (Gilaninia *et al.*, 2011). From the banking perspective, bankers should be able to build a long-term relationship with customers and be in touch with customers constantly (Taleghani, Gilaninia and Mousavian, 2011). As a local private bank in Sri Lanka, Hatton National Bank (HNB), claims, its primary aim is to create and maintain mutual benefits and long-lasting relationships with customers (Hatton National Bank, 2015). Compared to the short-term of relationships, long-term relationships are believed to be more profitable for an organization (Reinartz and Kumar, 2000). However, not all customers tend to build long-term relationships with the provider (Reinartz and Kumar, 2000).

- Commitment and Fulfilment of Promises

Gummesson (1996) points out that relationship marketing has a genuine concern to meet or exceed the expectations of the customers and provide an excellent service in the environment of trust and commitment. Therefore, relationship marketing honours the trust among parties who are involved in the relational exchange. In addition, each party should be able to keep promises and deliver the intended promises responsibly (Grönroos, 2009). Nurturing of trust and commitment is particularly important as it is clear now that satisfaction alone does not necessarily lead to customer loyalty (Heinonen, 2014). Banks should create an environment where both customers and employees try to solve difficulties and feel a responsibility to repay each other's kindness (Taleghani *et al.*, 2011). Customers' perceived trust in the usage of the Internet banking leads to building a long-term relationship with banks (Chauhan *et al.*, 2019; Hong and Cho, 2011; Ofori *et al.*, 2017). In addition, previous research acknowledge the importance of consumer trust in e-payment systems, mobile banking and electronic commerce adoption (Chauhan *et al.*, 2019; Dimitriadis, Kouremenos and Kyrezis, 2011; Humbani and Wiese, 2019; Yang *et al.*, 2015).

- Customer Share Not Market Share

Relationship marketing concentrates on acquiring a substantial share of customers' wallets rather than considering only the market share. Traditional marketing believes in the success of the market share, and usually ends with engagement on a short-term basis. Market share has been an important background condition for traditional marketers who use it for sales, marketing and budget allocation activities (Day, Shocker and Srivastava, 1979). In contrast, customer share emphasises a long-term orientation, and is a lucrative way of ladder up in the marketplace. Customers who have been recognised as valuable must be treated individually and urged to buy products during the lifetime of the relationship (Pine, Peppers and Rogers, 1995). However, arguing for the revitalisation of relationship marketing, Sheth (2017) explains that providers need to shift from the share of wallet concept to the share of heart approach. Further, Sheth (2017) stresses that providers must move from "managing relationships" with customers to "managing contractual or virtual joint ventures" with customers, as the process of relationship marketing" (pp. 3-4).

- Customer Lifetime Value

It is prudent to understand that not every customer has the intention of maintaining a long-term relationship with the supplier; therefore, it is not effective to invest the same level of input in order to create a long-term relationship with all customers (Reinartz and Kumar, 2000). Hence, a decision should be made regarding who will be the most important customers when it comes to customer lifetime value. Because, relationship marketing is a strategic approach which turns a transactional perspective of marketing into a relational perspective of marketing (Sheth, 2017). Thus, the relationship approach allows companies to calculate the lifetime value of customers (Reinartz and Kumar, 2000) through the bundling of offerings; customer profitability analysis and strategic partnering with customers (Sheth and Parvatiyar, 2000).

- Two-way Communication

Two-way communication is vital for both provider and the customer in order to identify needs and devise solutions. Gummeson (1999) recommends that communication should not be restricted to a supplier or single party in a network, rather everyone

should actively participate in the network. Wolfe (1998) explains that there are three conditions which must be met in order to communicate successfully with all parties involved:

- Conversational reciprocity: responses or feedback may communicate based pre-determined rules,
- Reciprocal empathy: responses may depend on how individuals perceive others' feelings and motivation and
- Reciprocal vulnerability: parties are communicating among them with some controlled mechanisms that still open them to communicate effectively (Wolfe, 1998).

- Customisation

As being a central background condition, customisation is imperative for relationship marketing in many ways. Berry (1995) states that the provider who engages in relationship marketing gains a better knowledge of the customer's requirements and needs. This knowledge then converts to tailor-made offerings that suit customer specifications. However, customisation does not always mean that offerings are tailored made on an individual basis. It can also mean mass customisation, whereby a provider focuses on unique segments or microsegments of the market (Gilmore and Pine, 1997). Moreover, Gilmore and Pine (1997) propose four approaches to customisation (Table 2.4) which companies can adapt to satisfy customers' economic requirements:

Table 2.4 Approaches to Customisation

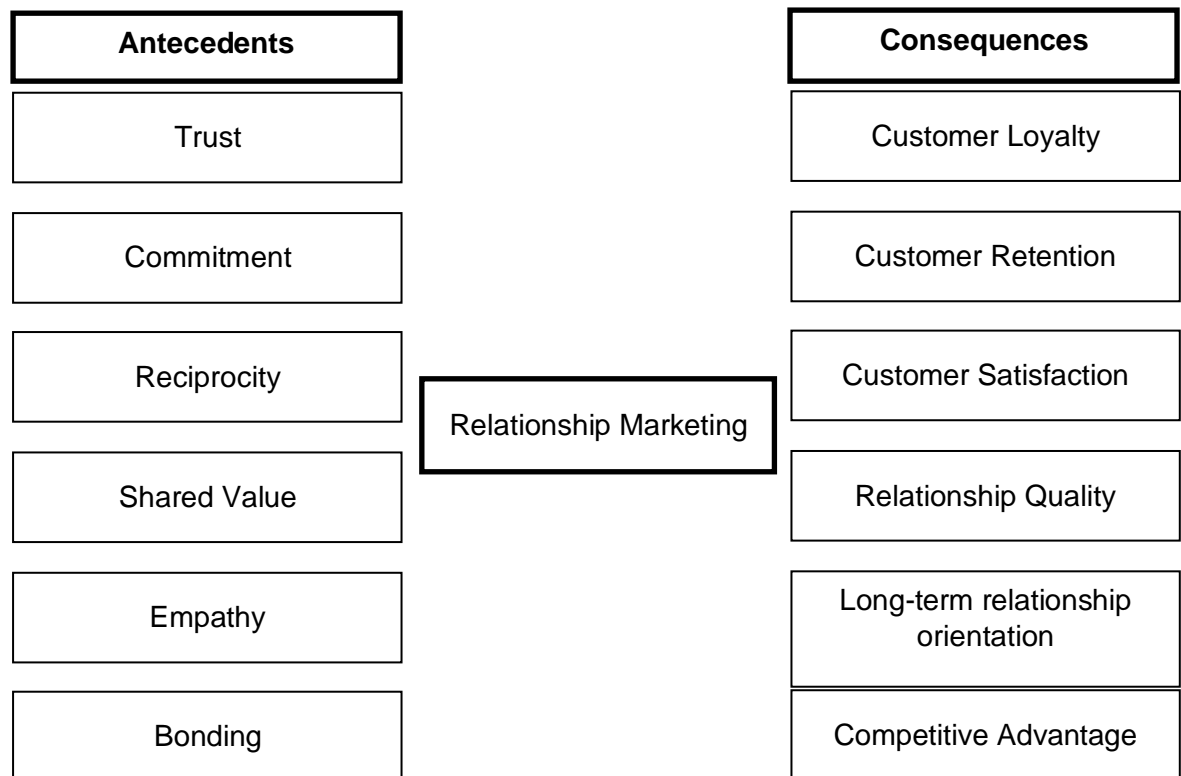
Approaches to Customisation	Explanation
Collaborative customisation	Collaborative customisation starts effectively as a result of two-way communication between a supplier and a customer. The supplier then understands what exactly the customer expects from a particular product or service.
Adaptive customisation	It is mostly applicable for the situations where customers utilise the products differently on different occasions.
Cosmetic customisation	It is mostly applicable for the product packaging where personalisation is the key.
Transparent customisation	It is applicable for the situations where consumer behaviour can be predicted accurately. The special feature of this customisation is that products are modified without informing the customers who do not change their behaviour constantly.

(Source: Gilmore and Pine, 1997)

2.3.5 Antecedents and Consequences of Relationship Marketing

Though there can be many antecedents and consequences of relationship marketing emerged in the marketing theory, the most prominent elements can be illustrated in Figure 2.5 as trust (Morgan and Hunt, 1994), commitment (Morgan and Hunt, 1994), reciprocity (Dwyer, Schurr and Oh, 1987), shared value (Evans and Laskin, 1994), empathy (Berry, Zeithaml and Parasuraman, 1990) and bonding (Callaghan, McPhail and Yau, 1995). On the other hand, consequences of relationship marketing (Figure 2.5) are: customer loyalty (Ndubisi, 2007), customer retention (Coviello *et al.*, 2002; Grönroos, 1991; Magasi, 2015; Verhoef, 2003), customer satisfaction (Ndubisi and Wah, 2005), relationship quality (Crosby, Evans and Cowles, 1990; Ravald and Grönroos, 1996; Vesel and Zabkar, 2010), long-term relationship orientation (Ravald and Grönroos, 1996) and competitive advantage (Guo, Holland and Kreander, 2013).

Figure 2.5 Antecedents and Consequences of Relationship Marketing



(Sources: Berry, Zeithaml and Parasuraman, 1990; Callaghan *et al.*, 1995; Coviello *et al.*, 2002; Crosby, Evans and Cowles, 1990; Dwyer, Schurr and Oh, 1987; Evans and Laskin, 1994; Grönroos, 1991; Guo, Holland and Kreander, 2013; Morgan and Hunt, 1994; Ndubisi and Wah, 2005; Ndubisi, 2007; Raval and Grönroos, 1996)

- Customer Retention

In the volatile marketing landscape, banks try to create, maintain, enhance and retain customers by using many marketing strategies (Mahmoud, 2019). In this current study, relationship marketing has been assumed to equal customer retention. Customer retention defines “maintenance of continuous trading relationships with customers over the long term” (Buttle, 2009, p. 258). Kanagal (2009) argues that customer retention is synonymous with relationship marketing where a long-term relationship between actors are expected. Customer retention has been regarded as a preliminary reason for adopting relationship marketing (Coviello *et al.*, 2002; Grönroos, 1991). By referring the existing literature, Kassim and Souiden (2007) define customer retention as the duration of which the customers may stay with the current service provider.

According to Zineldin (2006), customer retention is a commitment to continue to do business or exchange with a particular company on an ongoing basis. Though the nature and measurements of customer retention may vary among industries and organizations, the common measurements of customer retention may be characterised as;

- Total customer volume including dormant,
- Active customer volume,
- How often a customer buys from the organization,
- Recent buying behaviour,
- Shopping value,
- Cross-selling and up-selling,
- After sales services and
- Repurchase intention (Aspinall, Nancarrow and Stone, 2001).

Moreover, customer retention is key for being competitive in the market where many players strive hard to gain higher profit and income (Bó, Milan and Toni, 2018). In some cases, existing customers do not sufficiently receive discounted prices and tend to pay higher prices than new customers (Ang and Buttle, 2006). However, Lindgreen *et al.* (2000) explain that “it can be [up to] ten times more expensive to win a customer than to retain a customer and the cost of bringing a new customer to the same level of profitability as the lost one is up to 16 times more” (p. 295). Ahmad and Buttle (2001) claim that customer retention is countertheory of customer defection in which low customer defection means higher customer retention rate.

Customer retention and brand loyalty often regard as similar constructs in the literature. Therefore, customer retention can be acquired in two ways. Firstly, building attitudinal and behavioural loyalty may lead to building a long-lasting relationship with customers (Kassim and Souiden, 2007; Patterson and Smith, 2003). Secondly, imposing a level of exit barriers that customers judge those barriers in terms of financial, time and psychological (Kassim and Souiden, 2007. Patterson, 2004). In another representation, Liu and Wu (2007) argue that customer retention may show a repeated buying behaviour in a particular brand, however, it becomes much complicated when the customer involves cross-buying behaviour. The main

implication of Liu and Wu's (2007) study prescribes that banks must employ dynamic service attributes in order to amplify customer retention. Ahmad and Buttle (2002) explain the means of customer retention can be obtained by engaging financial, social and structural bonds with customers. Previous research witness that financial bonds do not offer a competitive edge for organisations as competitors can easily imitate (Balci, Caliskan and Yuen, 2019; Zeithaml and Bitner, 2003).

Chiu *et al.* (2007) find that financial bonds impose the least impact on customer loyalty, while social bonds have a moderation impact on customer loyalty. Moreover, the structural bonds show the biggest impact on customer loyalty (Chiu *et al.*, 2007). However, based on a survey, Balci *et al.* (2019) reveal that financial bonds have the most significant direct effects on customer satisfaction, while social bonding strategies have the strongest direct impact on customer loyalty. In a banking context, Bowen and Chen McCain (2015) claim that customer satisfaction is not an overarching principle in the dynamic banking environment, however, banks need to exceed the customer expectations that lead to achieving customer retention and loyalty. Customer retention provides numerous benefits for an organisation where a well-planned customer retention strategy hamper the customer switching behaviour and churn rate (Buttle, 2009). Therefore, customer retention can reflect in terms of maintaining a long-term relationship and reducing customer defections (Buttle, 2009). Buttle (2009) recommends that if organizations wish to retain customers in the longer run, they should consider the following factors;

- Number of competitors: *if there are many competitors in the market, customer switching behaviour cannot be stopped easily,*
- Corporate culture: *it stems that the tendency of the organization to serve customer meaningfully,*
- Channel configuration: *customer touchpoints must be employed sensibly so that customers are not overloaded with channel selections,*
- Purchasing practices: *organisations must track the frequency of repurchase practices when they offer benefits to customers,*

- Ownership expectations: *it is advisable to clarify the organizational expectations of engaging customer retention and*
- Ethical concerns: *organizations must not use unethical business practices to retain customers.*

Mahmoud (2019) reports that banks may have to pay attention to customer retention, not just mere customer satisfaction through various strategies. Campbell and Frei (2010) explain that close customer relationships may act as a shield for companies where competitors may try to reach. On the other hand, organizations are increasingly investigating innovative ways of retaining their customers, mainly because of losing customers may degrade the business performance (Petzer, Steyn and Mostert, 2009).

2.3.6 Relationship Marketing Related Concepts

- *Relationship Quality*

Relationship quality refers to a variety of relationship outcomes that reflect the overall strength of a relationship (Crosby *et al.*, 1990; Smith, 1998). The purpose of relationship quality is twofold: to strengthen already strong relationships and to convert indifferent customers into loyal ones (Berry and Parasuraman, 1991). Ford (1980) claims that the quality of a relationship may improve the mutual understanding of providers and customers. This leads to harvesting benefits which may go beyond the mere exchange of goods (Ford, 1980). Moreover, the relationship quality aims to maintain a long-term and more stable relationships with customers (Burca, Fynes and Roche, 2004).

Huntley (2006) confirms that customers are more likely to refer the provider's offerings to their colleagues if the relationship quality is relatively high. Scholars argue that relationship quality consists of different combinations of relationship outcomes. Palmer and Bejou (1994) prescribe that the quality of customer relationships should include relationship satisfaction, seller's trustworthiness, seller's customer orientation, selling orientation, seller's expertise and seller's ethics. However, relationship quality is consistently conceptualised as a higher-order construct; no universal agreement proposes its combination (Adjei, Griffith, and Noble 2009; Leonidou *et al.*, 2014; Skarmeas *et al.*, 2008). The underlying principle of relationship quality can be derived

from reciprocity, which can be described as involving the mutual exchange of favours (Lee *et al.*, 2008), and as establishing a stable set of mutual rewards that guide interactions (Graham *et al.*, 1988). Thus, reciprocity determines the effectiveness of relationship marketing in developing quality relationships (Leonidou *et al.* 2014).

Indeed, relationship quality is considered as a means of achieving a competitive advantage (Vieira, 2013). Relationship quality is recognised as an overall assessment of the strength of a relationship (Garbarino and Johnson, 1999), a green light for long-term relationship maintenance (Grönroos, 1997), and captures the essence of relationship marketing (Jap, Manolis and Weitz, 1999; Ural, 2007). Upon analysing the relationship quality, its antecedents, dimensions and consequences, Athanasopoulou (2009) concludes that many studies related to relationship quality are considered in the B2B context, and in most cases relationship quality is measured using trust, satisfaction and commitment. Wong, Hung and Chow (2007) reveal that financial service providers need to cultivate a good-quality relationship with customers, especially through regular and open information sharing, in order to maintain them in the long-term (Wong *et al.*, 2007). Vesel and Zabkar (2010), who study relationship quality from the retailing perspective, find that relationship quality is a second-order factor which influences emotional commitment and calculative commitment and is a combined construct of trust and satisfaction.

Relationship quality is also a dominant factor in customer retention, a concept that has been confirmed empirically for some parts of the service sector (Hennig-Thurau, Klee and Langer, 1999). Rajaobelina and Bergeron (2009) investigate the antecedents and the consequences of customer-provider relationship quality in financial services. The authors show that both purchase intention and word-of-mouth prove positive relationships with relationship quality, which caters to enhance the relationship between financial advisors and clients (Rajaobelina and Bergeron, 2009).

- *Customer Relationship Management (CRM)*

Over the past few decades, CRM has been an attractive domain among academics and practitioners (Bhat and Darzi, 2016; Debnath, Datta and Mukhopadhyay, 2016). CRM, which is considered one of the most dynamic topics of the new millennium, has had a significant impact on the success of an organization (Bose, 2002; Debnath *et*

al., 2016; Heinonen, 2014; Padmavathy, Balaji and Sivakumar, 2012). Relationship marketing is the foundation of CRM, which also aims to stabilise long-term relationships through the profitability of customers by strengthening customer-centric marketing (Debnath *et al.*, 2016).

CRM is different for different organizations; the aviation industry perceives CRM as predictive modelling and a yield management system (Sheth, 2017). For other organizations, it is a post-sales and marketing tool (Sheth, 2017). However, many organizations believe it is a tool for managing loyalty and a form of customer profitability analysis (Sheth, 2017). Moreover, Nitzan and Libai (2011) claim that organizations may use CRM technologies for a better understanding and prediction of customer retention. To sum up the rationale behind the usage of CRM, it is used to create and maintain relationships with customers through customer retention and loyalty (Al-hawari, 2015; Leverin and Liljander, 2006; Thakur, 2014). Loyalty can be perceived as actual retention, which is a founding principle of CRM (Gustafsson, Johnson and Roos, 2005).

Mohammadhossein and Zakaria (2012) recognise seven core benefits of CRM: targeting distinctive customers, cross-selling and upselling, measuring the effectiveness of the sales team, market driven pricing strategy, cater to individual customer needs, enhanced customer service and customised marketing channels. On the other hand, CRM technologies help organizations to understand their customers before developing a successful relationship (Ramesh, 2013). Improved relationships with customers can eventually lead to greater customer loyalty and retention and, also, secure a better competitive advantage over others (Boateng, 2019; Brun, Rajaobelina and Ricard, 2014; Lin *et al.*, 2010; Sayani, 2015). In addition, CRM allows organizations to develop innovative capabilities (Debnath *et al.*, 2016) that also sustain the competitive advantage (Lin *et al.*, 2010).

CRM enables organizations to determine the targeted customers and their retention, optimising the operations and forecasting demand (Bhat and Darzi, 2016). Thus, through customer information, CRM helps the organizations to know about the preferences and attitudes of the customers (Bhat and Darzi, 2016). In other words, information gathering from various customer interactions and points of delivery across

all functional areas provides a full profile of customer information which eventually turns into a valuable source for predicting customer needs (Fox and Stead, 2001). CRM ensures customer loyalty in which organizations are guaranteed business profitability and long-term competitiveness (Siddiqi, 2011). The effective implementation of the CRM system would improve customer service in which pays back as unique competitive advantage and increases revenue (Nguyen, Sherif and Newby, 2007). Certainly, CRM combines technology capabilities and marketing expertise that improve organizational long-term survival and bottom line. Foss and Stone (2002) summarise the outcomes of using CRM technologies in the banking sector:

- Helps to create a consumer-centric culture,
- Strengthens customer relationships,
- Expands customer profitability and
- Strategically allocates resources based on customers' requirements.

Das (2009) distinguishes relationship marketing as relatively more strategic in nature when compared to CRM, which is more tactical. CRM is concerned with implementing relationship marketing using IT (Ryals and Payne, 2001). In contrast, relationship marketing goes beyond the customer and supplier tradition and encompasses building relationships with all stakeholders (Gummesson, 1994b). Moreover, relationship marketing concentrates on emotions and behaviours, using concepts such as bonding, empathy, reciprocity and trust. On the other hand, CRM focuses on managerial aspect that improves the enhance customer relationships (Sin, Tse and Yim, 2005). Zeynep Ata and Toker (2012) explore the impact of CRM on customer satisfaction and organizational performance in the B2B context in Turkey. Their findings reveal that CRM shows a positive relationship on both customer satisfaction and firm's performance (Zeynep Ata and Toker, 2012). However, they further claim that CRM does not substantially support financial performance but does so for marketing performance significantly (Zeynep Ata and Toker, 2012). Mithas, Krishnan and Fornell (2005) claim that CRM supports the enhancement of customer satisfaction in three ways; CRM technology helps customise the company's, improves the perceived quality of products, and manages customer relationships in all phases of the relationship-building process.

- *Service-Dominant Logic (S-D Logic) from the Relationship Marketing Perspective*

S-D Logic has been a subject of great conceptual debate over the past decade (Lamberti and Paladino, 2013). First named by Vargo and Lusch, S-D Logic, however, is not a completely new approach. It has “both radical components and also familiar associations for B2B marketers” (Ballantyne and Aitken, 2007, p. 363) in its focus on co-creation and mutual value. Value is not embedded within goods by enterprises that generate value to be passed onto ‘passive’ customers who destroy that value through the use or consumption process (Hilton and Hughes, 2013). S-D Logic is “a mindset for a unified understanding of the purpose and nature of organizations, markets and society” (Gannage, 2014, p. 1). The underlying argument for S-D Logic is that organizations, markets and society should mainly consider the exchange of services and the applications of competencies (knowledge and skills) for the betterment of the customer (Gannage, 2014). Thus, S-D Logic is concerned with how all parties or actors integrate their resources to co-create value (Hilton and Hughes, 2013).

Though S-D Logic is theoretically sound, it should be applied in a sensible manner so that it does not interrupt or sabotage the functional activities of an organization (Gannage, 2014). Hence, the service offerings that are co-created can never be temporary, but instead must be continuously active with the service provider in which customer can rely upon (Gannage, 2014). Gummesson and Grönroos (2012) point out that the contribution of S-D logic may lead to changing the distinction or disparity between product or services. According to Vargo and Lusch (2004) “the customer becomes primarily an operant resource (co-producer) rather than an operand resource (“target”) and can be involved in the entire value and service chain in acting on operand resources” (p. 11). It is important to distinguish between co-creation and co-production because the terms are not interchangeable within S-D logic (Hilton and Hughes, 2013). Some academics have misunderstood the concepts of co-creation and co-production, but Vargo and Lusch clearly distinguish the concepts whereby co-production means customer involvement in producing products or services, while co-creation relates quite specifically to value (Hilton and Hughes, 2013). Indeed, researchers generally agree that S-D Logic is a term and a concept which still remains ambiguous (Hilton

and Hughes, 2013). Vargo and Lusch (2004; 2008, 2016) have introduced S-D Logic through foundational promises (FPs) which can be explained as follows;

Table 2.5 Modified FPs with the Explanations

Modified FP	Explanation
FP ₁ Service is the fundamental basis of exchange	The application of operant resources (knowledge and skills), “service,” as defined in S-D logic, is the basis for all exchange. Service is exchanged for service
FP ₂ Indirect exchange masks the fundamental basis of exchange	Because service is provided through complex combinations of goods, money, and institutions, the service basis of exchange is not always apparent
FP ₃ Goods are a distribution mechanism for service provision	Goods (both durable and non-durable) derive their value through use - the service they provide
FP ₄ Operant resources are the fundamental source of competitive advantage	The comparative ability to cause desired change drives competition
FP ₅ All economies are service economies	Service (singular) is only now becoming more apparent with increased specialization and outsourcing
FP ₆ The customer is always a co-creator of value	Implies value creation is interactional
FP ₇ The enterprise cannot deliver value, but only offer value propositions	Enterprises can offer their applied resources for value creation and collaboratively (interactively) create value following acceptance of value propositions, but cannot create and/or deliver value independently
FP ₈ A service-centered view is inherently customer oriented and relational	Because service is defined in terms of customer-determined benefit and co-created. It is inherently customer oriented and relational

FP₉ All social and economic actors are resource integrators

Implies the context of value creation is networks of networks (resource integrators)

FP₁₀ Value is always uniquely and phenomenologically determined by the beneficiary

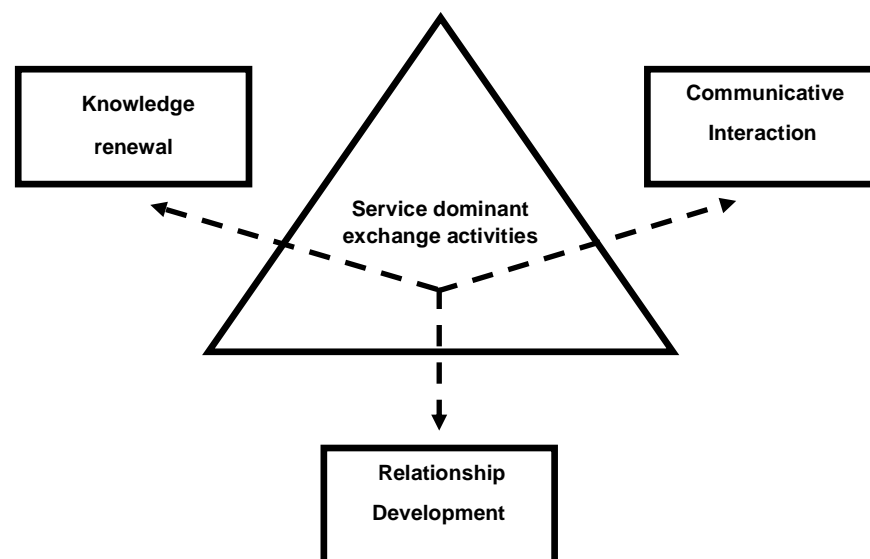
Value is idiosyncratic, experiential, contextual, and meaning laden

FP₁₁ Value co-creation is coordinated through actor-generated institutions and institutional arrangements

(Source: Vargo and Lusch, 2004; 2008, p. 7; 2016)

Figure 2.6 illustrates the service-dominant exchange activities as being: knowing through knowledge renewal (knowledge generation and application), relating to relationship development, and communicating through dialogue and other forms of communicative interaction (Ballantyne and Varey, 2006).

Figure 2.6 Service-dominant Exchange Activities



(Source: Ballantyne and Varey, 2006, p. 343)

Taking a triangulated view of value-creating activities gives more scope for communication in a variety of modalities and for developing relationships to support mutual learning and knowledge renewal (Ballantyne and Varey, 2006). In the goods-dominant logic (G-D Logic), the marketing focus is on the exchange of material outputs

and discretely associated activities (Ballantyne and Varey, 2006). In the S-D Logic, marketing tries to maximise the customer experience, streamline the business processes and continuous growth of the organization. Moreover, the value-creating activities are not located uniquely with the supplier firm, or even exclusively within the customer domain, but between customers and suppliers as productive exchange connections (Ballantyne and Varey, 2006).

Grönroos and Gummerus (2014) explain that S-D Logic is a provider-driven approach, and there is a need to reinvent marketing by creating value through a customer-driven approach called 'Service Logic (S-L)'. Unlike other marketing concepts, the concept of S-L is considered 'potential value-in-use' which is as the real value for the customer during usage (Grönroos and Gummerus, 2014). Heinonen *et al.* (2010) also argue that both G-D Logic and S-D Logic are supplier-oriented. Thus, the requirement to build a customer-oriented approach is a necessity for marketing and which is called customer-dominant logic (C-D Logic) (Heinonen *et al.*, 2010). However, the transition from supplier-oriented dominant logic to customer-oriented logic raises some issues for service marketers such as the company involvement, company control in co-creation, visibility of value creation, scope of customer experience and character of customer experience (Heinonen *et al.*, 2010). The authors further recommend that C-D Logic can be possibly used as the initial step in setting up organizational marketing and business efforts (Heinonen *et al.*, 2010).

- The Similarities between Relationship Marketing and S-D Logic

It is crystal clear that there are many similarities between relationship marketing and S-D Logic, yet few comparisons have been drawn in the literature. After reviewing 11 relationship marketing-related papers and 13 S-D Logic papers, Johns, Blackman and Low (2009) identify four types of similarities between relationship marketing and S-D Logic as being collaboration and co-creation, value, resource focus and relationship requirements. The following account is based on findings of Johns *et al.* (2009):

- Collaboration and Co-creation

The literature review of both S-D Logic and relationship marketing show the significance of collaboration in marketing and customer relationship (Johns *et al.*,

2009). Both spectrum of literature accepts the importance of relationships that are directed at the building of alliances (Johns *et al.*, 2009). Further, the co-creation of value sheds light on the creation of mutual benefits between a provider and a customer (Johns *et al.*, 2009). Relationship marketing encourages a healthy relationship between customer and provider (Maxim, 2009). As a result, both parties share mutual win-win situations while co-creating values each other (Maxim, 2009). To keep up and upgrade customer and shareholder esteem, collaboration is vital (Lusch and Vargo, 2006; Ballantyne and Varey, 2008). The task of the marketers turns out to be more centred on overseeing open collaboration in various modalities and in encouraging key connections (Johns *et al.*, 2009). This shows the help of key connections, or coordinated effort, is a need territory of S-D Logic (Johns *et al.*, 2009). Moreover, client value is by and large made through association and encounters, requiring collaboration amongst marketers and customers (Aitken *et al.*, 2006).

Value co-creation is a collaborative activity between a provider and a customer who engage unique type of collaboration, bringing about value through dialogical interaction (Ballantyne and Varey, 2006, 2008). Customers' repurchase choices can be stimulated through active supplier contributions due to S-D Logic, and relationship building due to relationship marketing (Ballantyne and Varey, 2008).

- Value

Grönroos (2011) claims that value is created through relationship interactions, partly in interactions between the customer and the supplier or service provider. This is one of the key drivers of S-D Logic and relationship marketing. S-D Logic concentrates on creating the mutual beneficial value to the marketer and the customer (Lusch and Vargo, 2006), while in relationship marketing, the value is also perceived by beneficial mutual exchanges as well (Grönroos, 2004).

- Resource Focus

Service offerings, underpinned by the resources, are key to both S-D Logic and relationship marketing. S-D Logic believes that the resources mainly co-create value through the operant resources rather operand resources (Vargo and Lusch, 2004, 2008). In relationship marketing, resources are also vital to maintain relationships with

customers (Johns *et al.*, 2009). Madhavaram and Hunt (2008) confirm that organizational resources can be used to enhance those relationships.

Apart from those similarities, there are some differences between S-D Logic and relationship marketing. Relationship marketing roots can be traced from a B2B context and services marketing, whereas S-D Logic is underpinned by a B2C context (Johns *et al.*, 2009). Additionally, relationship marketing is considered as a theory while S-D Logic has been proposed as a framework or pre-theory and has not properly been tested (Johns *et al.*, 2009).

- *Trust-Commitment Theory by Morgan and Hunt (1994)*

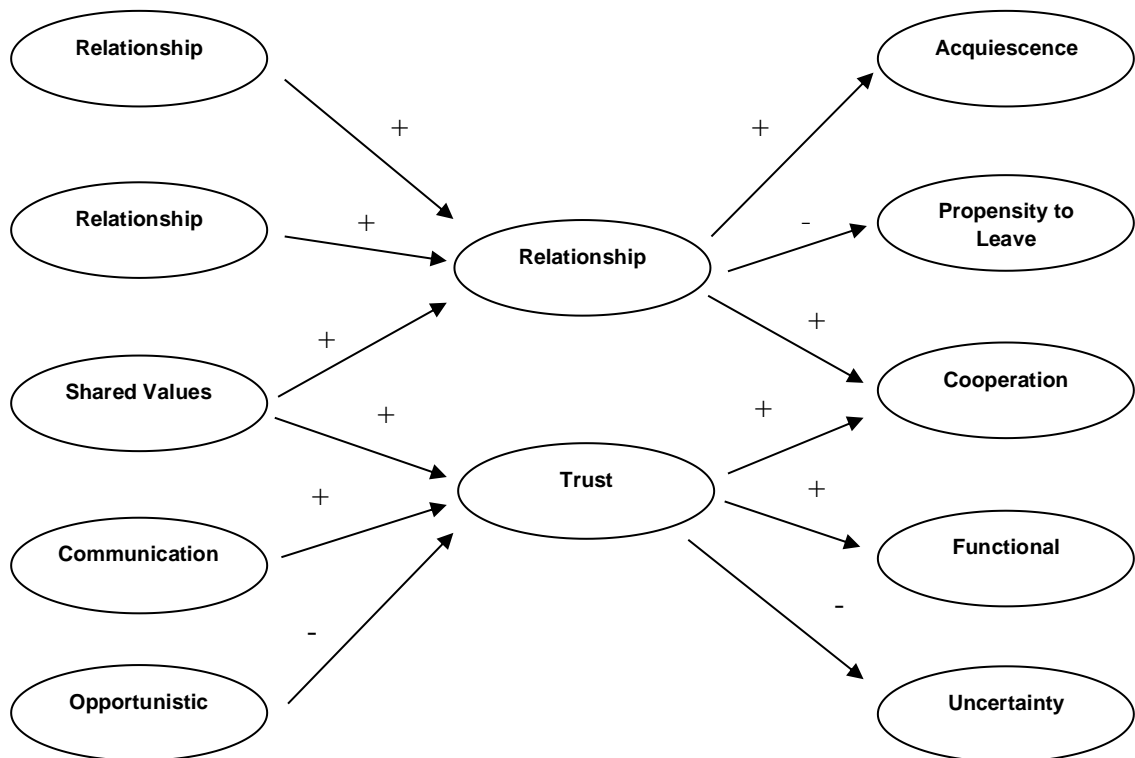
Morgan and Hunt (1994) introduced the Key Mediating Variables (KMV) model where relationship commitment and trust are key constructs which are positioned as mediating variables. This model recognises five important antecedents for commitment and trust, namely: relationship termination costs, relationship benefits, shared values, communication and opportunistic behaviour; for which, there are five outcomes: acquiescence, propensity to leave, co-operation, functional conflict and uncertainty (Morgan and Hunt, 1994).

- Trust

Trust is one of the main concepts in relationship marketing theory (Aurier and N'Goala, 2010; Morgan and Hunt, 1994). Trust is conceptualized as "when one party has confidence in an exchange partner reliability and integrity" (Morgan and Hunt, 1994, p. 23). Trust is often defined as being two-dimensional, even though major references still use unidimensional measures (Morgan and Hunt, 1994). Geyskens, Steenkamp and Kumar (1998) reveal that trust improves the satisfaction and long-term orientation over and beyond the effects of the economic benefits of a relationship. Indeed, the exchange party should be honest and reliable, this being one of the main properties of the trust (Geysken *et al.*, 1998). Trust in a partner's benevolence is the belief that the partner is genuinely interested in one's interests or welfare (Crosby *et al.*, 1990). A benevolent partner balances immediate self-interest with long-term group gain (Crosby *et al.*, 1990).

Trust in a partner's competence or credibility is based on the extent to which one believes that one's partner has the required expertise to perform the job effectively and reliably (Ganesan, 1994). In the service industry context, trust relates to customers' expectations and beliefs that their service provider will carry out actions as promised. This has been conceptualized as the consumer's confidence in a company's reliability and integrity (Morgan and Hunt, 1994), and hence its trustworthiness. Yu, Balaji and Khong (2015) reveal that bank managers should understand the factors that determine trust in Internet banking usage. The study further explains that trust factors such as consistency, integrity and shared values directly link to the usage of Internet banking (Yu *et al.*, 2015). Finally, the research confirms that trust mediates between trustworthiness and Internet banking use (Yu *et al.*, 2015).

Figure 2.7 The KMV Model of Relationship Marketing



(Source: Morgan and Hunt, 1994)

Customers' trust depends on their experience and evaluation of the company (Moorman, Deshpande and Zaltman, 1993). Trust is greatly influenced by customer satisfaction and has an effect on customer loyalty (Morgan and Hunt, 1994; Singh and Sirdeshmukh, 2000). From the banking perspective, customers who trust their bank may be inclined to be more satisfied with their service provider (Marinkovic and

Obradovic, 2015), have positive feelings toward the bank, and tend to remain loyal. Trust is the key for banks and other financial organizations to operate under low risk and effective functioning (van Esterik-Plasmeijer and van Raaij, 2017). van Esterik-Plasmeijer and van Raaij (2017) cited Hurley, Gong and Wagar (2014) as due to the financial crisis, trust in the banking system, trust in banks, and trust in financial institutions such as insurance companies and pension funds, has declined in many countries. In a survey among respondents from the Netherlands, Van Esterik-Plasmeijer and Van Raaij (2017) explore trust based on competence, stability, integrity, customer orientation, transparency, and value congruence. The authors reveal that integrity is the most important determinant of bank trust. However, transparency, customer orientation and competence are also significant (Van Esterik-Plasmeijer and Van Raaij, 2017).

- Commitment

Morgan and Hunt (1994) characterise commitment as “a variable [they] believe to be central in distinguishing social from economic exchanges” (p. 23). Commitment can also identify as the continuous dedication among parties to keep maintaining valuable relationships (Moorman, Zaltman and Deshpande, 1992). This means that the committed actors understand the value of relationships and consider carrying over a long period (Morgan and Hunt, 1994). Moreover, Morgan and Hunt (1994) argue that relationship commitment can only exist when the relationship is recognised as important. Berry and Parasuraman (1991) recognise that relationships are built on the foundation of mutual commitment.

- *Total Relationship Marketing - 30R Approach*

A seminal study presented by Evert Gummesson describes the 30R approach, which is “an effort to transform theories of relationships, networks and interactions into something tangible which can be applied in a company’s marketing planning” (Gummesson, 1994b, p. 11-12). Gummesson (2011) divides the 30 elements, into four major themes, as indicated in Table 2.6.

Table 2.6 Classification of 30R Concept

Category	Explanation
Classic market relationship	The most common relationship which connects the provider and the customer.
Special market relationships	The relationships represent certain aspects of the classic market relationships.
Mega relationships	Such relationships position above the market relationships, therefore, those relationships cover the whole economy and society as general.
Nano-relationships	Such relationships are very niche and position below the market relationships. Specifically, those relationships are concern internal business environment.

(Source: Gummesson, 2011)

The above four categories can be expanded (Table 2.7), however, the most relevant elements of this thesis were discussed follows.

- R4: Relationships via full-time marketers (FTMs) and part-time marketers (PTMs) (Special Marketing Relationship)

Those who work in marketing and sales departments - the FTMs - are professional relationship-makers. All the others who perform other main functions, but yet influence customer relationships directly or indirectly, are PTMs. In this thesis, FTMs are frontline bankers, relationship managers and marketing department individuals. PTMs are bankers who work in the back office and carry out other departmental functions which influence the overall marketing activities.

- R5: Service Encounter (Special Marketing Relationship)

The service encounter, where the frontline personnel meets the customer, involves interaction (De Keyser et al., 2019). Delivery of services involves the customer in an interactive relationship with service provider personnel (Gummesson, 2011).

- R25: Internal customer relationship (Nano Relationships)

The interactions among different departments are where the links between front office, middle office, back office, human resources and marketing are considered.

- R27: Internal marketing: relationships with the 'employee market' (Nano Relationships)

Internal marketing acts as a supporting activity that strengthens the relationships with external customers (Gummesson, 2011).

- R28: The two-dimensional matrix relationship (Nano Relationships)

Organizational matrices are frequent in large corporations, above all in the relationships between product management and sales (Gummesson, 2011).

Table 2.7 Elements of Total Relationship Marketing

Classic Marketing Relationship	R1: The classic dyad R2: The classic triad R3: The classic networks
Special Marketing Relationship	R4: Relationships via full-time marketers (FTMs) and part-time R5: Service Encounter R6: The many-head customer and the many-head supplier R7: The relationship to the customer's customer R7: The close versus the distant relationship R9: The relationship to the dissatisfied customer R10: The monopoly relationship: the customer or supplier as R11: The customer as 'member' R12: The electronic relationship R13: Parasocial relationships R14: The non-commercial relationship R15: The green relationship R16: The law-based relationship R17: The criminal network
Mega Relationships	R18: Personal and social networks R19: Mega marketing R20: Alliance change the market mechanisms R21: The knowledge relationship R22: Mega alliances change the basic conditions for marketing R23: The mass media relationship
Nano Relationships	R24: Market mechanisms are brought inside the company R25: Internal customer relationship R26: Quality providing a relationship between operations R27: Internal marketing: relationships with the 'employee R28: The two-dimensional matrix relationship R29: The relationship to external providers of marketing R30: The owner and financier relationship

(Source: Gummesson, 2011)

- *Six Markets Model*

This six markets framework represents the group of components which are critical to building and maintaining relationships. Table 2.8 shows the six elements of the model and associated meaning.

Table 2.8 Synopsis of Six Markets Model

Market Type	Explanation
Customer markets	These markets consist of buyers, intermediaries, existing and potential end users.
Referral markets	These markets comprise mainly of customer and non-customer referral sources.
Supplier markets and alliance markets	These markets comprise suppliers who supply resources to the organization. They can be strategic suppliers, key suppliers, approved suppliers and nominated suppliers.
Influence markets	These markets are more dynamic and consist of financial and investor groups, unions, industry bodies, regulatory bodies, business press and media, user and evaluator groups, environmental groups, political and government agencies and competitors.
Recruitment markets	Comprise all potential employees together with the third parties that serve as access channels. They can be segmented by function, job role, geography and level of seniority. Channels include executive search companies, employment agencies, job centers, off-line and on-line advertising, and using an organization's own staff to suggest potential applicants.
Internal markets	This segmentation of markets is used by potential employers in the recruitment market (by function, job role, geography and level of seniority). Special emphasis needs to be placed on behavioural characteristics for customer-facing employees.

(Source: Payne *et al.*, 2005, p. 861)

- *The Promise Concept in Relationship Marketing*

Calonius (1986) introduces the promise concept which is partially founded on the influence of Levitt (1981). However, Calonius (1986) defines the promise concept as “a more or less explicitly expressed conditional declaration or assurance made to another party, or to oneself, with respect to the future, stating that one will do or refrain from some specific act, or that one will give or bestow some specific thing” (p. 518).

Berry (1995) argues that keeping promises leads to retaining and maintaining long-term customer relationships. However, the promise concept may be perceived differently by different people (Grönroos, 2009). Thus, expectations of the promise concept may vary from person to person and even from situation to situation (Grönroos, 2009). The promise management definition of marketing is introduced by Grönroos (2006, p. 407) as “marketing is a customer focus that permeates organizational functions and processes and is geared towards making promises through value proposition, enabling the fulfilment of individual expectations created by such promises and fulfilling such expectations through assistance to customers’ value-generating processes, thereby supporting value creation in the firm’s as well as its customers’ and other stakeholders’ processes”.

Grönroos (2017) highlights that marketing mix model does not address the promise theory explicitly. However, the promise concept can be seen in some of the marketing activities related to pricing and marketing communication activities (Grönroos, 2009). Additionally, promises can be identified in other activities and processes as being order taking, deliveries, repair and maintenance, recovery of problems and mistakes and call centre advice (Grönroos, 2009). Employees, irrespective of their delegation of authority in the organization, are expected to engage and keep promises (Grönroos, 2009); these responsibilities are called enabling promises (Bitner, 1995). However, employees who hold critical roles are expected to show willingness and motivation to fulfil the promises (Grönroos, 2009). The enabling promises also recognise other means of resources such as goods, IT and other systems, physical resources and information, and include as a resource external people such as the customer himself or herself and network partner employees (Grönroos, 2009).

Integrating the promise concept with customer management practices is particularly important for fulfilling customers’ needs, which may include processes outside the marketing domain and sales professionals (Grönroos, 2009). In this way, marketing can regain its lost responsibility for customer management, and once again become relevant for the firm’s customers, top management and shareholders (Grönroos, 2009). Compared to the 4Ps of marketing, the promise management approach cannot be easily named a list of variables that are potentially important for the marketing decision-making process (Grönroos, 2009). Hence, promise management approaches

should be planned and implemented in marketing as: any resource, system or activity that supports value-formation in the customers' processes by making promises, enabling these processes, and fulfilling expectations created by them (Grönroos, 2009). Promise management may provide several benefits for an organization (Grönroos, 2006). Most importantly, the promise concept promotes a value-in-use notion and places marketing at the centre of supporting the customers' value-creating processes and value fulfilment (Grönroos, 2009). Additionally, value fulfilment drives the organization to be a value facilitator for both standard products as well as customized products, which allow the co-creation of value with customers (Grönroos, 2009). After analysing relationship marketing-related concepts, the next section explains the critique that arises from the concept of relationship marketing.

2.3.7 Critique of Relationship Marketing

Even though relationship marketing concepts are now widely accepted, some of the critiques related to relationship marketing still remain unresolved (Hennig-Thurau and Hansen, 2000). The grey side of relationship marketing needs to be addressed in the literature, and this is essential for the future survival of the subject. Many scholars refer to relationship marketing as a paradigm shift (Grönroos, 1994; Raval and Grönroos, 1996; Sheth and Parvatiyar, 2002) which has replaced transactional-based marketing with a relational-oriented marketing approach (Zeithaml and Bitner, 2000). However, Gummesson (2008) argues that relationship marketing is just a new term which stresses a phenomenon that has been practised since the conception of commerce and trade. Li and Nicholls (2000) argue that relationship marketing is more concerned with strategic choice, which is an alternative to transactional marketing (Li and Nicholls, 2000).

Relationship marketing is "considered a field of marketing, but no common view seems to exist in regard to what it really is and what it includes" (Grönroos, 2017, p. 218). This approach hampers "a firm analysis and development of the field" of relationship marketing (Grönroos, 2017, p. 218). Though Grönroos (2015) defines relationship marketing in broad terms, no universally accepted definition can be found in the literature. Additionally, the limitations of the general definition of relationship marketing can hinder modern-day marketing, where the long-term ties with the customer may not

exist in the real world. Some researchers explain that long-term customer relationships do not always lead to the greatest and most lucrative benefits for an organization (Grayson and Ambler 1999; Gruen, Summers and Acito, 2000; Moorman *et al.*, 1992; Palmatier, 2008). Many organizations sadly accept that as many as one-third of their customers, in the long run, will be unprofitable (Sheth, 2002).

Another critical issue, which is raised by practitioners, can be reported as the many relationship marketing efforts that fail to achieve intended goals (Crick and Lyman 2002). Furthermore, Colgate and Danaher (2000) claim that some business executives have been disappointed in the effectiveness of their relationship marketing efforts. Fournier, Dobscha and Mick (1998) argue that a 'one size fits all' approach leads relationship marketing to suffer a premature death. Fournier *et al.* (1998) also report that relationship marketing is sound enough in theory but is troubled in real world application. Some of them question the benefits (Achrol and Etzel 2003; Fournier *et al.*, 1998; Joshi and Campbell 2003) and practical validity of relationship marketing (Tzokas and Saren, 2004).

In addition, relationship marketing has been criticised as concepts already embedded within the sphere of the transactional-based approach to marketing (Brodie *et al.*, 1997; Lindgreen and Pels, 2002; Styles and Ambler, 2003). Gummesson (2004) enquires into the relationship returns on investment, or whether the return on relationship (ROR) remains unclear. From another perspective, relationship marketing appears to have suffered from IT investments that are often mismatched to the aims of the relational approach (Hetzl, 2004). Some of the critiques have been addressed within the literature, through the later development of the CRM value chain (Buttle, 2001, 2004), the 5Ss framework (O'Toole and Donaldson, 2002) and the 30R framework (Gummesson, 1999b; 2011). Additionally, Veloutsou, Saren and Tzokas (2002, p. 438) provide evidence that loyalty schemes, data mining techniques, customer portfolio analysis, customer lifetime value and CRM software have diminished the criticisms made by Fournier *et al.* (1998).

2.3.8 Section Summary

The emergence of relationship marketing has been one of the major discoveries in marketing theory. Grönroos and Gummerus (2014) assert that relationship marketing

is vitally important as it pertains to the retention of customers. Literature-related relationship marketing has been presented as the prime purpose of this thesis. Relationship marketing is a marketing effort which drives to create a long-term relationship with customers and other partners by ensuring a win-win situation for both parties.

In this section, the discipline of relationship marketing has been examined in terms of previous research. Background conditions pertaining to relationship marketing have been identified as: long-term orientation, commitment and fulfilment of promises, customer share not market share, customer lifetime value, two-way dialogue and customisation. The concept-related relationship marketing has been examined in terms of relationship quality, CRM, S-D Logic in relationship to the marketing perspective, the trust-commitment theory, the six markets model, the 30R approach, and the promise concept in relationship marketing. Critiques concerning relationship marketing have also been presented in the latter part of the section. Relationship marketing establishes a competitive advantage by attracting, developing, and maintaining relationships with customers through building trust and making commitments of resources to customers (Hunt, 2014).

2.4 Innovation

2.4.1 Definitions of Innovation and Underlying Concepts

In a rapidly changing environment, a company cannot long maintain its market share or profits unless it is innovative (Drucker, 1985). Organizations which operate in a service-driven economy understand the importance of innovation, which can create value for new and existing customers, and eventually enhance overall competitiveness (Drucker, 1985). Since innovation is not a unidimensional concept, therefore, literature provides many facets of definitions. A well-known definition proposed by Tidd and Bessant (2013) defines innovation as “a process of turning opportunity into new ideas and of putting these into widely used practice” (p. 19). However, innovation is not only about creating new products or opening new markets, it is also about developing existing products and serving established markets in new ways (Tidd and Bessant, 2013). Additionally, organizations need to spot opportunities and analyse the

connections between them so that they help to create effective innovation capabilities (Tidd and Bessant, 2013).

OECD (2005) also defines innovation “as the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations” (p. 46). Kotler *et al.* (2008) describe innovation as an idea, product or technology, which has been put into production or brought to the market which customers perceive as a totally new or having unique features. To corroborate definitions, innovation can be an any practice that is new to organizations, including equipment, products, services, processes (Drucker, 1985), policies and projects (Damanpour, 1991; Kimberly and Evanisko, 1981). Accordingly, innovation can be considered a complex phenomenon including technical (new products and new production methods), non-technical (new markets and new forms of organization), product innovations (new products or services) or process innovations (new production methods or new forms of organization) (Anderson and King, 1993; Damanpour and Evan, 1984; Totterdell *et al.*, 2002).

In a complex and turbulent market economy, the need for innovation in products and processes is widely recognised (Rostami, 2015). Drucker (1985) reveals that most businesses consider innovation the key to corporate success. Innovation can offer a new value or satisfy different needs: to convert materials into a resource, or to combine existing resources in a new and more productive configuration (Drucker, 1985), and entails identifying and using opportunities to create new products, services, or work practices (Tushman and Nadler, 1986, Van de Ven, 1986). The market may be affected by the outcome of the innovation process, as marketing and commercialisation are the final stages in the innovation process (Crossan and Apaydin, 2010). If organizations cannot change or upgrade their offerings, as well as the ways such offerings are created and delivered, survival and prospects for growth are put at a risk (Tidd, Bessant and Pavitt, 2005).

Chai, Tan and Goh (2016) confirm that innovation has a positive impact on the performance of a bank. Further, they find that banks have the ability to build a SCA via innovation capabilities (Chai *et al.*, 2016). However, technological changes and

diverse customer demand load an extra burden on the banks to retain and attract customer in the banking sector (Chai *et al.*, 2016). Innovations related to the financial industry expand the ability of customers to use online and mobile financial transactions, electronic payment and exchange processing: new payment services, such as Apple Pay and Android Pay; money management, such as Google Pay; digital currency, such as Bitcoin; peer-to-peer lending service websites; and usage-based insurance (Humbani and Wiese, 2019; Hussain *et al.*, 2019; Nejad, 2016). A successful business should be innovative due to the following reasons:

- To understand and satisfy customer requirements,
- To develop new products that meet customer requirements and wants and
- To streamline the internal processes that support new product development process (Narver, Slater and MacLachlan, 2004).

Innovation is one of the lucrative strategies that organizations can deploy to maintain their competitive advantage (Damanpour and Evan, 1984; Kimberly and Evanisko, 1981). Before 1800 or so, invention was a mysterious activity (Drucker, 1985). By the time World War 1 broke out, the invention had become 'research', a systematic and purposeful activity (Drucker, 1985). However, a very early definition of innovation was proposed by Schumpeter (1936) in the context of economic development and a new combination of productive resources (Hidalgo and Albors, 2008). It has been widely accepted that the greatest achievement of the nineteenth century was the invention of innovation (Drucker, 1985). Ikeda and Marshall (2016) explain that innovation blends with not only science, but also art. Thus, with innovation underpinned by the latest technologies, organizations can adapt best business practices and understand customers' needs proactively (Ikeda and Marshall, 2016). However, organizations need to create organizational and ecosystem-wide capabilities in order to engage with successful innovation activities (Ikeda and Marshall, 2016).

Table 2.9 4P's of Innovation

Innovation Type	Description
1. Product innovation	Introducing new or updating existing offerings
2. Process innovation	New ways of producing products or services
3. Position innovation	New ways of approaching customers
4. Paradigm innovation	New ways of restructuring the whole organizational system

(Source: Tidd and Bessant, 2013)

As shown in Table 2.9, Tidd and Bessant (2013) classify innovation as product, process, position and paradigm innovation. Product innovation is changing organizational offerings in the marketplace (Tidd and Bessant, 2013). Process innovation is creating and delivering organizational products and services to the market (Tidd and Bessant, 2013). Additionally, position innovation leads to changing the context in which products and services are offered (Tidd and Bessant, 2013). Finally, paradigm innovation addresses the changes in the mental model of customers which shape what an organization or business is about (Tidd and Bessant, 2013). Alternatively, Schumpeter (1934) identified five different types of innovation:

- New product,
- New methods of production,
- The exploration of new market of production,
- New source of supply and
- New ways to organise business.

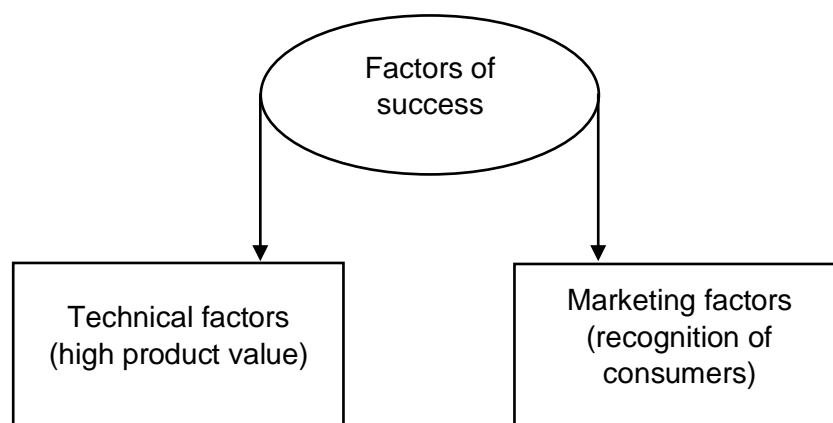
2.4.2 Product Innovation

In the context of a service perspective, Oke (2007) defines product innovations as “new developments in the core offering of service companies that tend to create new revenue streams” (p. 9). Product innovation is the introduction and development of a new product to the market or the modification of existing products in terms of function, quality consistency or appearance (Liao *et al.*, 2007). Christensen *et al.* (2005) claim that marketers can fulfil customers’ needs if they design especially innovative products which target the intended requirements of the customers. Innovative products have the capacity to excel and exploit new opportunities in the market where organizations

can increase their sales margin and profitability (Burkow, 2014). Kleinschmidt and Cooper (1991) show that innovativeness has a strong impact on new product performance. Organizations that seek to become the leaders in the market have to produce innovative offerings which allow them to stay above their rivals (Agarkov and Graznova and Kuznetsova, 2011; Rangaswamy and Lilien, 1997).

Dul and Ceylan (2014) claim that organizations must develop new products that aim to penetrate the market for the purpose of survival in marketing. Hence, product innovation is a key to organizational renewal and success (Slater, Mohr and Sengupta, 2014). Berry *et al.* (2006) demonstrate that organizations may innovate by altering a key benefit of a product, revitalising existing products or introducing a purely new service which is new to the firm, the customers or the market. As a result of product innovation, organizational performance can be enhanced due to the fact that the firm will be getting into new markets and reaching new customer segments (Lonial and Carter, 2015; Saeed *et al.*, 2015; Visnjic, Wiengarten and Neely, 2016). According to Figure 2.8, Bazhenov, Kotlyarevskaya and Osipov (2012) explain that there are two key components which help organizations to succeed in the field of product innovation: technical factors and marketing factors. The authors further claim that organizations should develop new products, process innovation or introduce new concepts of management in order to be the first mover among the top performing organizations (Bazhenov *et al.*, 2012).

Figure 2.8 Factors of a Product Innovation Success



(Source: Bazhenov *et al.*, 2012)

Vilaseca-Requena, Torrent-Sellens and Jiménez-Zarco (2007) claim that product innovation is a critical and sensitive process that needs to invest considerable financial and human resources. However, the success of the product innovation may depend on the time in which products are launching and market demand (Vilaseca-Requena *et al.*, 2007). Löfsten (2014) conducted research to find the determinants of product innovation and the connection between innovation and business performance (sales and profitability). The study discovered that innovation performance variables (patents, copyrights and licenses) have a positive effect on organizational sales, but not with the firm's overall profitability (Löfsten, 2014). Troilo (2014) examined the impact of domestic and foreign collaboration on product innovation, sales mix and sales revenue based on Chinese firms. The results show that collaboration with domestic firms is significant for Chinese micro, medium and large organizations. The study further reveals that foreign collaboration is significant in product innovation (Troilo, 2014). Jajja *et al.* (2014) investigate the interaction between providers and buyers in product innovation. The authors find that organizational buyer-supplier orientation positively influences product innovation (Jajja *et al.*, 2014). According to Kotler *et al.* (2008), key success factors for product innovation are:

- Compatibility with the goals and strategic direction of the company,
- The existence of the necessary marketing expertise,
- Availability of the necessary channels of distribution,
- Production capacity,
- A research and development base and
- A material and technical base.

Booz, Allen and Hamilton (1982) classified types of product innovation as:

- New to the world,
- New product lines,
- Additions to existing products lines,
- Improvement in/revisions to existing products and
- Repositioning.

Cooper and Kleinschmidt (1987) classified as types of product innovation as:

- True innovation (totally new to the world - an entirely new market),
- Totally new to world products (the existing market),
- Totally new to company products (new features vs competition-existing market),
- New product lines for the company (competing against fairly similar products),
- New items in an existing product line for the company (the existing marketing),
- Significant modifications of existing company products and
- Fairly minor modifications of existing company products.

It is known that not all product innovations drive marketing penetration (Bessant and Tidd, 2009). Ineffective decisions made in research and development is the dominant factor which may lead to a failure of product innovation (Bessant and Tidd, 2009). In addition, the organization may be unable to articulate the innovation strategy with the overall organizational strategy; this may also lead to failing product innovation efforts (Bessant and Tidd, 2009). Furthermore, product innovation can fail due to information not being gathered fully, or information being poorly analysed for the purpose of the product innovation (Bessant and Tidd, 2009). The consequences of such situations may cause huge losses to the organizations, a drop from the position held in the market, or even being wiped from the market completely (Bessant and Tidd, 2009).

- New Product Innovation

New products provide increased sales, profits, and competitive strength for most organizations (Sivadas and Dwyer, 2000). Edquist, Hommen and McKelvey (2001) include product innovation in terms of new goods innovation and new service innovation. New product innovation should always aim towards customer retention by: introducing novel products offering a higher utility than the existing analogues, which will lead to positive changes, and bring specific tangible or intangible results (Yordanova, 2013). Until recently, banks have tended to introduce new products that suit their core functions and everyday activities (Yordanova, 2013). However, the trend has changed dramatically with a growing customer demand to which banks have to

adapt or else their survival will be at risk (Yordanova, 2013). The reasons why any bank focusses on introducing new products can be listed as follows:

- Technological development in the industry,
- Introduction of an array of product portfolios,
- Looking to enter new niche markets,
- A growing customer demand and changes in customer needs and
- Staying ahead of the competition (Yordanova, 2013).

Sberbank (A Russian federation bank) introduced an artificial intelligence tool (De Keyser *et al.*, 2019) which tracks the financial behaviour of customers and recommends ways customers can save and invest money wisely. The tool is also able to forecast the future and recommend customers on obtaining the best value for money (The Financial Brand, 2017). KBC bank (Belgium) uses blockchain technology (De Keyser *et al.*, 2019) to provide a seamless customer experience for customers who look for a car loan, insurance, the acquisition of a license plate, and even breakdown assistance (The Financial Brand, 2017). DBS bank (Singapore), which is the best digital bank in the world, innovates a digital content management system that boosts their newly introduced products to customers (The Financial Brand, 2017). The system contains real clients' stories that replace their traditional-based advertising campaigns (The Financial Brand, 2017).

- Modified Product Innovation

Innovation is widely recognised as a core renewal process within organizations (Rostami, 2015). Unless managers continually look for ways to change, or at least improve, offerings (product innovation) or create and deliver those offerings (process innovation), organizations risk becoming increasingly vulnerable to hostile and turbulent environments (Tranfield *et al.*, 2003). Froehle *et al.* (2000) and Schilling and Hill (1998) explain that organizations need to find opportunities for innovation or renovation of their product portfolios. Thus, those product portfolios can then enhance the firm's competitive position (Froehle *et al.*, 2000; Schilling and Hill, 1998) and lead to the establishment of customer satisfaction and loyalty (Atuahene-Gima, 1996; Vorhies, Harker and Rao, 1999).

In the banking context, there are many products related innovation launch during the recent past such as ATMs, Internet and mobile banking, mobile wallets, quick fund transfer and featured credit cards (Nejad, 2016). Barczak, Griffin and Kahn (2009) find that approximately 28% of organizational profits are generated from innovative products and services. Therefore, it is clear that developing new financial products for the banking sector is more difficult, thus many banks tend to modify existing products for greater customer satisfaction (Akhisar, Tunay and Tunay, 2015).

2.4.3 Process Innovation

Processes are chain of activities that span across the organizations especially horizontally (Clarysse and Utterhaegen, 1998) and vertically. Therefore, processes have taken considerable attention among academicians and business practitioners as a targeted area of innovation (Clarysse and Utterhaegen, 1998). Damanpour (1996) explains the process innovation as developing and upgrading the organizational production process. Moreover, process innovation can be achieved by eliminating inefficiency elements of the process (Gallagher and Austin 1997). From the retail banking point of view, there can be two main kinds of process innovation: bricks and mortar banking innovation, and digital banking platform innovation.

- Bricks and Mortar Banking Innovation

Ainin, Lim and Wee (2005) argue that many customers still rely on traditional banking where face-to-face interaction is the key outcome. Obviously, customers can be directly involved by making enquires and clarifying doubtful transactions (Ainin *et al.*, 2005). In traditional brick and mortar banking, customer service is delivered at a service desk, through call centres or automatic call systems (Boateng *et al.*, 2016). Devlin (1995) and Devlin, Ennew and Mirza (1995) explain that bricks and mortar banking has got three main purposes: fulfil service availability through physical presence; provide customer convenience through a financial intermediary; and maintain relationships with customers through service quality.

Banks believe that they have to constantly innovate and update to retain their demanding and discerning customers, and to provide convenient, reliable, and expedient services (Tan and Teo, 2000). Tan and Teo (2000) also claim that some

banks strategically move into a larger geographical network through bricks and mortar in order to secure their position in the industry, while others choose a more ground-breaking approach to deliver their banking services via new mediums. Key bricks and mortar banking innovation in the Sri Lankan banking sector include:

- Staff deployment for sensitive functions, especially front offices,
- The introduction of various advanced software packages in order to streamline internal processes including workflow handling, customer data management, internal communication and overseeing future trends,
- Extended branch business hours and 7-day banking,
- The establishment of units which oversee process reengineering at the branch level and
- Installing cash deposit machines and kiosk machines in order to manage queue bottlenecks (Hatton National Bank, 2015; 2014).

The key feature of conventional banking is FLEs who are directly involved in customer enquiries. Bowen, Gilliland and Folger (1999) claim that FLEs are directly linked to the satisfaction of the customers. If FLEs are treated fairly, the tendency of customers receiving good treatment by FLEs is fairly high (Bowen *et al.*, 1999). One distinctive feature of frontline service jobs is heterogeneity (Parasuraman, Zeithaml and Berry, 1985). This means that serving customers is unique in each individual case (Slåtten, Svensson and Sværi, 2011). Slåtten *et al.* (2011) also claim that innovative FLEs are the greatest asset for the organization where they offer customised services to customers. Hence, FLEs' creativity is positively related to their innovative behaviour when it comes to frontline service jobs (De Keyser *et al.*, 2019; Slåtten *et al.* 2011; Tseng, 2019). Plouffe *et al.* (2016) explain that FLEs play a key role when it comes to personalised services where they may build interaction with customers, within the organizations and with external actors.

- Digital Banking Platform Innovation

Modern banks are equipped to provide banking services through digital platforms (Onay and Ozsoz, 2012). With the development of technology and innovation, banks

now provide Internet banking facilities to customers (Chauhan *et al.*, 2019; Ling *et al.*, 2016). Heinonen (2014) points out that banks' relationship with customers have become more impersonal with the wide acceptance of digital channels (p. 450). The current trend among Westerners is to do banking with smart devices, meaning that many transactions are completed through using handheld devices (Heinonen, 2014). Contrast, the developing world has shown the positive application of online banking (Heinonen, 2014). Thus, Heinonen (2014) concludes that digital banking has become an industry standard, while mobile banking is the upcoming trend in the market.

The number of innovative financial solutions introduced to markets has grown considerably in the past decade owing to emerging digital technologies, deregulation and market fragmentation (Nejad and Estelami, 2012). Despite the higher initial installation cost, many electronic banking channels have reduced their operating costs, and enhanced short term and long-term financial gains (Akhisar *et al.*, 2015). Innovative digital banking channels can also be lowering the risks of traditional banking products and providing returns on investment in a reasonably short period of time (Akhisar *et al.*, 2015). Although electronic banking may facilitate the overall performance of banking, results may vary with the lack of infrastructure and customer preferences for traditional bricks and mortar banking, which may detrimentally impact on adoption of electronic platforms by banks (Akhisar *et al.*, 2015). Table 2.10 illustrates the service convince of usage of digital banking platforms.

Table 2.10 Dimensions of Services Convinience

Source	Dimension of convenience
Yale and Venkatesh (1986)	Time utilization, accessibility, portability, handiness.
Brown (1990)	Time, place, acquisition, use and execution convenience
Jih (2007)	Transaction convenience and operational convenience
Beauchamp and Ponder (2010)	Access, search, possession convenience

(Adopted: Jiang, Yang and Jun, 2013, p. 195)

As an emerging trend, customers perceive that Internet banking is a convenient option for managing their finances (Ainin *et al.*, 2005; Ling *et al.*, 2016). Szopiński (2016) analyses the determinants for adopting online banking facilities among Polish customers who mainly tend to use online banking channels for mortgages and credit card transactions. Onay and Ozsoz (2012) investigated the adoption of Internet banking on deposit collection, lending and performance in the Turkish banking sector. They found that Internet banking adoption has a positive relationship with deposits, loans and profitability (Onay and Ozsoz, 2012). Further, they specify that an Internet banking facility is complementary to traditional bricks and mortar banking.

Many banks build multiple channels by adopting hybrid versions of banking processes which combine online and bricks and mortar banking service encounters (Onay and Ozsoz, 2012). Onay and Ozsoz (2012) claim that since customers tend to pay bills and credit card payments through online banking, the banks can pay more attention to deposit collection and lending processes, where human interaction is very helpful. Dauda and Lee (2015) recommend that future online banking should be an innovative way of providing extra convenience to customers with innovations such as “digital wallet, real-time interaction (video banking), ATMs integrated with smart phones, website customisation, biometric services and digital currency” (p. 1).

The banks may have many reasons to offer online technology to customers, ranging from resistance to competition, customer demand and technological advancement (Szopiński, 2016). On the other hand, literature explains customer adoption of online banking comes about mainly because of “perceived usefulness, perceived ease of use, convenience, trust, sense of safety, sense of privacy, education, access to infrastructure, gender, income and possession of various financial products” (Szopiński, 2016, p. 4764). Additionally, the new digital technology stimulates customer experience while generating new income sources for the organization (Svahn, Mathiassen and Lindgren, 2017). Table 2.11 explains the perceived advantages of using online banking for both customers and bankers.

Table 2.11 The Advantage of Online Banking

The advantage of online banking	
Advantages to the bank	Improved market image - perceived as leaders in new technologies
	Reduced transaction costs
	Better and quicker response to the market evolution
	Increased market penetration - the online banking services can be accessed all over the world
Advantages to the customer	The use of the Internet site to advertise/sell new financial products
	Reduced costs in accessing and using the banking services
	Increased comfort and time-saving - transactions can be made 25 hours a day
	Without requiring the physical interaction with the bank
	Better administration of funds - the history of a transaction is registered on digital support and can be analysed before a new transaction is initiated

(Source: Tuchila, 2000)

Szopiński (2016) recognises two types of online banking adoption by customers. If a customer has a positive experience in the traditional banking channel, his or her intention of using online channel goes higher (Szopiński, 2016). However, if the customer perceives that the offline channel is adequate for his or her individual banking experience, the intention does not lead to be an active user of the online channel (Szopiński, 2016). From an extensive literature survey, Yousafzai (2012) reveals that the adoption of Internet banking depends on customers' personal, social, psychological, utilitarian and behavioural characteristics. The research implications are very important for bank managers who should consider customer-oriented approaches for managing belief formation rather than directly influencing behaviour (Yousafzai, 2012).

Based on the Scottish banking industry, Moutinho and Phillips (2002) claim that efficiency and enhancement of customer service can be the deciding factors for customer usage of Internet banking. In a Kuwaiti banking scenario, Aladwani (2001)

explains that online banking enhances the competitive position of the bank, while customers experience an easier and more reliable service. Gerrard and Cunningham (2003) find a positive correlation between convenience and online banking, and remark that a primary benefit for the bank is cost saving; and for the consumers, a primary benefit is convenience.

Based on assessing the behaviour of Indian customers, Sinha and Mukherjee (2016) conclude that perceived usefulness, perceived ease of use, complexity, trust in the bank and trust in the technology are antecedents to customers' adoption of online banking. The antecedents are especially important to bankers needing to decide on online banking services that would best suit their customers' requirements (Salem, Baidoun and Walsh, 2019; Sinha and Mukherjee, 2016). Boateng *et al.* (2016) study the customer intention to use Internet banking in terms of features of website, customer service online, trust and matching with everyday life. However, ease of use is negatively related to the customers' adoption of Internet banking (Boateng *et al.*, 2016).

Though bricks and mortar banking is complementary to Internet banking (Chong *et al.*, 2010), the convenience characteristics that mobile technologies provide are ubiquitous (mobile phones, personal digital assistants, smart phones and computers) (Asongu, 2015; Beck, Senbet and Simbanegavi, 2015). Hence, banks have introduced Internet banking facilities to create unique customer value (Ling *et al.*, 2016; Sinha *et al.*, 2019). Many of functions provided by Internet banking have replaced traditional banking services (Ling *et al.*, 2016). The idea of offering Internet banking is to support customers to perform a speedier service which is much more difficult through conventional bricks and mortar banking (Ling *et al.*, 2016). While improving customer convenience, bankers may also get some advantages from Internet banking, which minimises operating costs normally associated with bricks and mortar banking (Ling *et al.*, 2016).

With the introduction of Internet technology, the branchless banking concept has become widely diffused among bankers (Afshan and Sharif, 2016). Thus, Internet banking has evolved as an innovative way of providing services to customers (Afshan and Sharif, 2016). It has become a mutually beneficial platform, especially for

developing countries which have underdeveloped banking networks (Afshan and Sharif, 2016). As a part of Internet banking, smart technology now dominates the banking industry (Afshan and Sharif, 2016). Figure 2.9 shows the offerings of Internet banking.

Figure 2.9 Internet Banking Offerings

<i>View only functions</i> Balance enquiries Monthly e-statements Interest chargers' updates	<i>Account control functions</i> Self-fund transfers Third party fund transfers Online bill settlements Set up standing orders Cheque status enquiries
<i>New banking services</i> Open up new bank accounts Apply for a mortgages/loans Deposit applications	<i>Additional functions</i> Online shopping Online trading Online tax payments Online ticket purchases

(Source: Malhotra and Singh, 2010, p. 95)

Montazemi and Qahri-Saremi (2015) claim that online banking provides services for customers who can manage their finances with customisation, require zero waiting time and an around the clock service. Şanlı and Hobikoğlu (2015) examined the impact of web-based banking channels on the Turkish banking sector, where they found that there has been a dramatic improvement in the use of online banking channels among customers. The banking industry is well-known for adapting changes or developments through technological innovation (Şanlı and Hobikoğlu, 2015). The technological innovation offers customers time, location and cost-saving advantages (Şanlı and Hobikoğlu, 2015). Hence, as a large part of the wider electronic banking system, Internet banking is a strategic way of achieving a SCA (Şanlı and Hobikoğlu, 2015).

Bankers tend to expand their digital presence nowadays since they can achieve cost-saving in the long run and reduce staff numbers significantly (Safeena *et al.*, 2011). Digital banking is an alternative channel for traditional banking in which requires

physical branches and a lot of staff (Chau and Lai, 2003). Despite the benefits of convenience, time and cost saving, digital banking may have risks involved; risk of fraud, risk of information privacy and the impact of government regulations (Kaleem and Ahmad, 2008). Banks invest in digital banking platforms to achieve more revenue paths, minimise costs and address competitiveness concerns (Safeena *et al.*, 2011). On the other hand, consumer adoption of Internet banking depends on the client's demography, motivational level and attitudes to adopting new technological changes (Safeena *et al.*, 2011). Prescott (1997) synthesises that the process of Internet banking and bricks and mortar banking is completely different from each other, however, the motive of those approaches is to provide everyday banking for customers.

To be competitive in the market, many banks have transformed from conventional bricks and mortar banking into clicks and mortar banking (Chau and Lai, 2003). Hence, Safeena, Date and Kammani (2011) claim that Internet banking is a modern-day technological wonder. ATMs, tele-banking, Internet banking, credit cards and debit cards are now widely used as complementary to traditional banking (Chaouali and Hedhli, 2019; Safeena *et al.*, 2011; Song, Wang and Hu, 2019). Mustafa and Waheed (2016) report that salaried employees, low-income groups and less educated people are more attracted to using branchless banking products. The authors also reveal that mobile banking will be potentially important for reaching the unbanked and untapped segments of the society (Mustafa and Waheed, 2016). Some banks opt to adopt bricks and mortar banking facilities in order to expand their geographical presence, others may promote digital platforms in order to connect with clients (Karthikeyan, 2016; Song, Wang and Hu, 2019). Considering the public-sector banks in India, Gupta and Khanna (2015) conclude that public sector banks should place more emphasis on innovative channels if they really want to cope with competition and customer retention. Banks should realise the situation where many customers do not engage with traditional banking because of problems with travel distance, inconvenient banking hours for many people, the documentation required by the banks for account opening, and the long queues at cash counters in branches (Mustafa, 2013).

Since the ATM is the most common channel used by most customers for transactions, ATM-integrated services have a better chance of increasing digital banking adoption,

especially in developing countries where there is low access to the Internet, and low Internet banking and m-banking adoption (Szopiński, 2016). Moutinho *et al.* (1997) show that ATMs are capable of providing many front office functions (Chaouali and Hedhli, 2019) for under half the cost, and with a four-to-one advantage in productivity.

Mobile banking, as another digitally enabled banking platform, is an innovative banking channel which can provide access for services anytime, anywhere via a mobile device (Baabdullah *et al.*, 2019; Chaouali and Hedhli, 2019; Luo *et al.*, 2010). Hence, mobile banking has emerged as an alternative mechanism, not just as an application, in the developing world, and has become a premier banking channel for larger population (Afshan and Sharif, 2016; Baabdullah *et al.*, 2019). Interestingly, mobile banking supports traditional banking by enhancing their quality of service and decreasing their service costs (Afshan and Sharif, 2016).

Lee *et al.* (2003) reveal that innovative features are directly linked to the consumer adoption of mobile banking activities. Furthermore, Brown *et al.* (2003) claim that the perceived relative advantage, trialability, the number of banking services required, and perceived risk to be significant factors affecting mobile banking adoption. Wijland, Hansen and Gardezi (2016) demonstrate that mobile banking is one of the latest trends in the banking industry, where many banks have secured their market position by attracting and retaining customers who are mostly from the younger generations. Baptista and Oliveira (2015) explain that mobile banking has been widely acknowledged by customers due to the advancement in technology-related smart devices. Thus, mobile banking is considered an innovative channel which provides customers with value in time and place (Lin, 2011).

Cruz *et al.* (2010) find that the cost and perceived risks are the main barriers why customers do not adopt mobile banking, followed by a lack of relative advantage, unsuitable devices, complexity, lack of information and lack of observability. Therefore, Cruz *et al.* (2010) recommend that bankers must consider those reasons when they decide on mobile banking (Cruz *et al.*, 2010). Similarly, Yu (2012) conducts research on factors affecting individuals when adopting mobile banking in Taiwan. Through a sample of 441 respondents, Yu (2012) examines perceived credibility, performance expectancy, perceived financial cost and social influence, and finds that social

influence is the most dominating factor in affecting people in Taiwan when choosing to use mobile banking. In addition, Domeher, Frimpong and Appiah, (2014) explain that bankers need to emphasise the relative importance of perceived usefulness, perceived risk and customers' level of education when they draft online banking strategies.

With the association of secondary data, Anand and Sreenivas (2013) extrapolate that online banking can target untapped segments of the market through awareness campaigns and advanced security factors. Martins, Oliveira and Popovič (2014) reveal that by introducing Internet banking platforms, bankers can reduce the cost associated with managing branches, while customers may receive faster service and online exclusive offers. However, the unwillingness of customers to adopt digital banking innovation has led to the inability of banks to fully maximize the opportunities that have been made available (Martins *et al.*, 2014).

2.4.4 Organizational Innovation

The existing literature on organizational innovation is diverse and scattered (Armbruster *et al.*, 2008). Organizational innovation can be defined as the implementation of a new organizational method in a firm's business practices, workplace organization or external relations (OECD, 2005). According to Weerawardena (2003), organizational innovation is defined as the application of ideas that are new to the firm, to create added value either directly for the company or indirectly for its customers, whether the newness and added value are embodied in products, processes, services, or in work organization, management or marketing systems. Andriopoulos and Dawson (2009) define organizational innovation as a new management practice that aims to reduce costs, improve quality and increase productivity. Additionally, organizational innovation is a multifaceted concept which encompasses many areas of the business:

- A brand-new strategy to customise the innovation process,
- An innovative span of control of managers that allows organizations to manage multiple channels via niche markets,

- A process-oriented approach that intensifies the efficiency and minimize negative externalities,
- A process-oriented approach that intensifies customer service,
- A brand-new tool that improves strategic decision making,
- An innovative managerial hierarchy that motivates employees to come out with new ideas,
- An innovative managerial hierarchy that intensifies employees' satisfaction,
- A new process that allows teams to work innovatively without having confusion,
- A new tool that integrates different information sources into a centralised system and
- New practices that improve the job satisfaction of innovative employees (Birkinshaw, Hamel and Mol, 2008).

Organizational innovation can improve the quality and efficiency of work, enhance the exchange of information and improve firms' ability to learn and utilize new knowledge and technologies (OECD, 2005). Wang, Zhao, and Chen (2009) describe it as a core and essential ingredient required to build core competitive advantages for firms to achieve better performance in a highly competitive market. Organizational innovation is strongly related to the management efforts in renewing organizational routines, procedures and other mechanisms that encourage teamwork, information sharing, effective coordination and collaboration and learning (Günday *et al.*, 2011). Organizational innovation, which Lin and Chen (2007) collectively term as administrative innovation and strategic innovation in their research study, is found to be the most crucial factor in expanding a company's sales. Administrative innovation includes improvements in organizational structures, innovative policies and the transformation of management systems. On the other hand, strategic innovation is concerned with organizational strategies that focus on continuous competitive advantages for the companies involved (Lin and Chen, 2007). Hence, strategic innovation may consider alliances with competitors, alliances across industries, alliances with suppliers, outsourcing and the redefining of the firm's core competencies (Lin and Chen, 2007).

Innovation in workplace organization involves the implementation of new methods of distributing responsibilities and decision-making among employees in the areas of division of work, as well as new concepts for the structuring of activities (Camison and Lopez, 2011). Organizational innovation concentrates on the use of new managerial and working concepts and practices (Damanpour, 1987; Damanpour and Evan, 1984). The contribution of organizational innovation to the superior performance and competitiveness of an organization has been largely neglected in the literature (Armbruster *et al.*, 2008).

A few studies which explain the importance of organizational innovation for competitiveness analyse the impact of organizational innovation on business performance (Caroli and Van Reenen, 2001; Damanpour, Szabat and Evan, 1989; Greenan, 2003; Piva and Vivarelli, 2002). These studies reveal two important messages. Firstly, organizational innovation acts as the prerequisites or facilitators of efficient use of technical product and process innovations in which the success depends on the degree to which the organizational structures and processes respond to the use of these new technologies. Secondly, organizational innovations present an immediate source of competitive advantage since they themselves have a significant impact on business performance with regard to productivity, lead times, quality and flexibility (Hammer and Champy, 1993).

Organizational innovation comprises changes in the structure and processes of an organization due to implementing new managerial and working concepts and practices, such as the implementation of teamwork in production, supply chain management or quality management systems (Damanpour, 1987; Damanpour and Evan, 1984; OECD, 2005). Organizational innovation can enable firms to increase their ability to acquire, create and make the best use of competencies, skills and knowledge where the dimension is closely linked to organizational and managerial practices (design and management of inter-organizational interfaces, training and qualification programmes for human resources, managing of external technology sourcing) (Belderbos *et al.* 2004; Kang and Park, 2019; Mothe and Thi 2010; Naranjo-Valencia, Sanz-Valle and Jimenez-Jimenez, 2010, 2011; Som, 2012; Som and Zanker, 2011). Some researchers have attempted to cluster and classify organizational innovation under certain categories (Coriat, 2001; Whittington *et al.*,

1999), which may be differentiated into structural organizational innovation, procedural organizational innovation, intra-organizational innovation and inter-organizational innovation (Armbruster *et al.*, 2008). Table 2.12 explains the types of organizational innovation that may be used by organizations.

Table 2.12 Types of Organizational Innovation

Type of Organizational Innovation	Explanation
Structural organizational innovation	Structural organizational innovations involve the change from an organizational structure of functions (product development, production and human resources) into product or customer-oriented lines, segments, divisions or business units.
Procedural organizational innovation	These innovations change or implement new procedures and processes within the company, as being simultaneous engineering or zero buffer rules. They may influence the speed and flexibility of production (teamwork and just-in-time concepts) or the quality of production (continuous improvement process and quality circles)
Intra-organizational innovation	Intra-organizational innovations occur within an organization. Intra-organizational innovations may concern departments or functions or may affect the overall structure and strategy of the company as a whole. They may include the assigning a team for special innovation project, quality circles, continuous improvement processes or the certification of a company under international standards.
Inter-organizational innovation	These innovations include new organizational structures or procedures beyond a company's boundaries. These comprise new organizational structures in an organization's environment, such as research and development cooperation with customers, just-in-time processes with suppliers or customers or supply chain management practices with suppliers.

(Source: Armbruster *et al.*, 2008)

- Organizational Culture Innovation

Deshpande and Webster (1989) describe culture as “the pattern of shared values and beliefs that help members of an organization understand why things happen and thus teach them the behavioural norms in the organization” (p. 4). Organizational culture “typically is defined as a complex set of values, beliefs, assumptions and symbols that define the way in which a firm conducts its business” (Barney, 1986, p. 657). Hence, organizational culture is one of few sources that differentiates one organization from

another (Barney, 1986). Alternatively, Thomya and Saenchaiyathon (2015) explain organizational culture in terms of observable objects; behaviours, symbols, rituals and stories or central values. Schein (1992) also elaborates the organizational culture as values, beliefs and assumptions that are commonly shared by the members of the organization. On the other hand, organizational culture distinguishes one organization to another whereby different organizations have different value systems (Judge and Robbins, 2017).

Main features of an organizational culture

- Innovation and risk taking: the extent to which members of staff are motivated to do innovation and risk taking,
- Attention to details: the extent to which members of staff investigate and engage organizational affairs in detailed.
- Outcome orientation: the extent to which, top management aims the results or performance rather than processes used to achieve them,
- People orientation: the extent to which top management show commitment for employees,
- Team orientation: the extent to which top management encourages employees to work as a team rather than individuals,
- Aggressiveness: the extent to which how employees behave and handle the aggressiveness,
- Stability: the extent to which members of staff maintain current affairs (Jayarathna, 2015).

Xie, Wu and Zeng (2016) explore the relationship between organizational innovation cultures (knowledge sharing, organizational innovation atmosphere, team decision making and organizational change) and organizational innovation performance. The authors find a significant relationship between all the elements of organizational cultures with organizational innovation performance (Xie *et al.*, 2016). Jaskyte and Dressler (2005) investigate the interaction between organizational culture and organizational innovation. The study reveals that an organizational culture is crucial for organizational innovation, and thus they are positively correlated (Jaskyte and

Dressler, 2005). Gregory *et al.* (2009) witness that a few research studies confirm the positive relationship between organizational culture and organizational performance.

The Organizational culture is an invisible tool that critically evaluates the external opportunities and internal capabilities to better perform the organization (Joseph and Kibera, 2019). Thus, culture enables organizations to build market winning tactics by harmonizing the mindset of employees (Joseph and Kibera, 2019). Morgan and Vorhies (2018) confirm that there is a positive mediating effect of customer satisfaction between market culture and market performance. Furthermore, Morgan and Vorhies (2018) find that innovation has another mediating effect between market culture and financial performance. Table 2.13 shows the dimension of organizational culture that supports innovation.

Table 2.13 Dimensions of Organizational Culture That Supports Innovation

Dimension	Meaning	Characteristics	References
Success	The degree to which an organization values success and strives for the highest standards of performance, and values the provision of challenging goals and encouragement of employees to excel	<ul style="list-style-type: none"> * Raises performance expectations of employees; * Creates psychological ownership of organizational goals; * Enhances intrinsic motivation and feelings of self-efficacy; * Increases employees' motivations to find novel solutions to organizational problems; * Improves innovative performance 	Abbey and Dickson (1983); Amabile <i>et al.</i> (1996); Gumusluoglu and Ilsev (2009); Saleem (2019)
Appreciation	The degree to which an organization values, rewards and recognizes employees' accomplishments	<ul style="list-style-type: none"> * As a directive mechanism, output expectations are more successful when accompanied by rewards and feedback, and the provision of rewards and recognition of innovative accomplishments positively influences innovation; * The synergistic effects of extrinsic motivation (e.g. recognition) and intrinsic motivation (e.g. commitment to work and exploratory learning) influence innovation; 	Abbey and Dickson (1983); Amabile (1988); Howell and Boies (2004); Mumford <i>et al.</i> (2002)
Openness and flexibility	The degree to which an organization values openness and responsiveness to new ideas and a flexible approach to solving problems	<ul style="list-style-type: none"> * Facilitates creativity, empowerment and change that are essential for the exploration that drives innovation; * Encourages intrinsic interest in and appreciation of novelty, promotes variety seeking, receptiveness to new ideas and tolerance for ambiguity associated with creativity and innovation; * Facilitates idea generation, divergent thinking that enable problem identification and implementation of creative solutions 	Amabile (1988); Howell and Boies (2004); Khazanchi, Lewis and Boyer (2007); (Tseng, 2019)

Internal communication	The degree to which an organization values open communication that facilitates information flows within an organization	<p>* Social development theory and situational learning theory emphasize cognitive growth through social interaction and communication of information;</p> <p>* Provides access to and availability of diverse knowledge, cross-fertilization of ideas, improved quality of decision-making and consideration of novel alternative solutions that yield innovation</p>	Amabile (1988); Baker and Freeland (1972); Binnewies, Ohly and Sonnentag (2007); Caldwell and O'Reilly (2003);
Risk-taking	The degree to which an organization values experimentation with new ideas and challenging the status quo	* Valuing risk-taking, or an encouragement to take meaningful and calculated risks within the scope of one's job, and an encouragement to challenge the status quo	Caldwell and O'Reilly (2003)
Competence & professionalism	The degree to which an organization values knowledge and skills and upholds the ideals and beliefs associated with a profession	<p>* Professional knowledge, expertise and technical skills (domain relevant knowledge) constitute the raw material for innovation;</p> <p>* Increased professional knowledge and expertise leads to increased problem analysis and solution provision, increased initiation of and adoption of technical innovations, increased total, technical and administrative innovation adoption, increased innovative human resource practices and increased radical innovation capability</p>	Amabile (1988); Sonnentag and Volmer (2009); Subramaniam and Youndt (2005)
Inter-functional cooperation	The degree to which an organization values coordination and teamwork	<p>* Resource dependence theory suggests that when working on highly innovative projects, members from different functional areas consider their tasks to be more heavily reliant on the expertise, information and resources of other functional specialists in order to achieve buy-in and successful and innovative outcomes;</p> <p>* High levels of integration and sharing among teams is facilitated through complex coordination, communication, information-sharing, cooperation and conflict resolution processes</p>	Abbey and Dickson (1983); Baker and Freeland (1972); Caldwell and O'Reilly (2003); De Clercq, Menguc, and Auh (2009);
Responsibility	The degree to which an organization values employees' proactiveness, initiative, autonomy and responsibility for their work	<p>* A relatively high degree of responsibility, autonomy and encouragement of initiative fosters innovation;</p> <p>* When employees perceive responsibility for achieving the overall goals of a project and have discretion in how goals are accomplished they develop a sense of ownership and control over their own work and ideas, overcome potential problems with persistence and determination, and produce more creative and innovative outcomes</p>	Amabile <i>et al.</i> (1996); Binnewies <i>et al.</i> (2007); Caldwell and O'Reilly (2003); Mumford <i>et al.</i> (2002)

(Hogan and Coote, 2013, p. 1612)

Appiah-Adu, Fyall and Singh (2000) find that there is a relatively moderated relationship between organizational culture and customer retention. Fernandez and Pitts (2011) claim that many organisations promote the concept of bottom-up

innovation which initiates by employees of the organisations. Furthermore, Fernandez and Pitts (2011) stress that bottom-up innovation can be amplified by rewarding innovative employees, training and development, freedom of making decisions, employee empowerment and effective communication with supervisors.

Joseph and Kibera (2019) claim that organizational culture supports the innovative behaviour of employees who collectively perform for common goals of the organization. Moreover, the organizational culture, which is invisible, acts as a barrier to imitate by competitors (Joseph and Kibera, 2019). Previous research reveal that organizational culture shows mixed results when analysing the influence of innovative performance (Joseph and Kibera, 2019).

Calciolari, Prenestini and Lega (2018) and Tseng (2010) find that there is a positive impact of adhocracy and hierarchical culture on organizational performance. Contrarily, Zhang and Zhu (2012) and Fekete and Bocskei (2011) reveal that hierarchical culture has a negative impact on organizational performance. However, Zhang and Zhu (2012) again confirms that there is a positive impact of adhocracy and market cultures on organizational performance.

Coelho, Augusto and Lages (2011) claim that employees role conflict and role ambiguity act as barriers for creativity and innovation. Organizations need to build or hire creative employees who support the organizational innovation activities in the organizations (Coelho *et al.*, 2011). Especially, FLEs are more responsible for making sure that organizational innovation activities will provide maximum benefits to the customers (Coelho *et al.*, 2011). Because many of FLEs engage with unstandardized work routines and open minded for customer inquiries that definitely require innovative ideas and behaviours (Coelho *et al.*, 2011). On the other hand, innovative FLEs are a great asset for long term survival organizations and maintain a positive relationship with customers (Coelho *et al.*, 2011).

Innovative FLEs are able to provide excellent customer experience, customer satisfaction, positive customer relationships, finally, greater performance for the banks (Coelho *et al.*, 2011). On the other hand, managers and supervisors should be capable of understanding employees who are well suited for frontline jobs by fine-tuning

recruitment, training and development and creating an innovative working environment (Coelho et al., 2011).

Related Organizational Cultural Models

- **Handy's Culture Model**

Figure 2.10 Handy's culture model

Power Culture	Role Culture
Task Culture	Person/Support Culture

(Source: Handy, 1993)

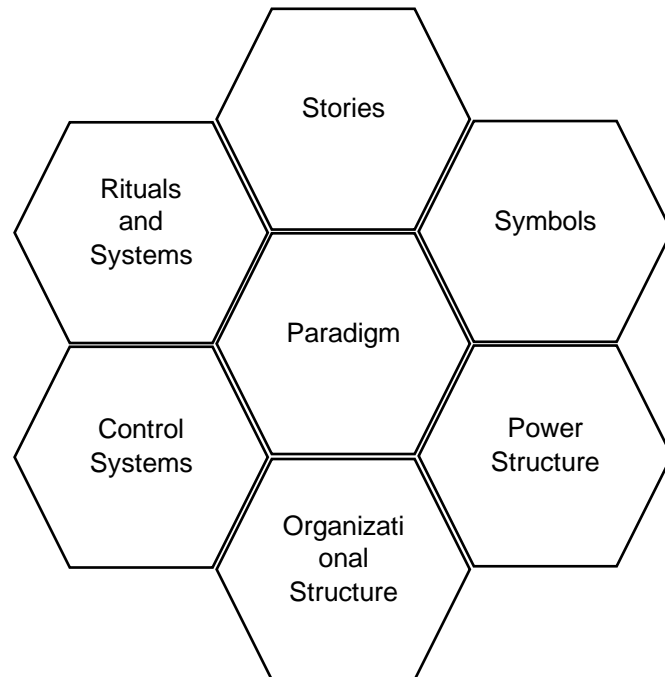
Power culture “refers to control that is spread out like a network from the centre to the rest of the organisation” (Handy, 1993, p. 184). In a power culture, rules, red-tapes and bureaucracy are maintained at a minimum level (Cacciattolo, 2014). Role Culture “refers to a highly defined structured organisation in which employees have specified delegated authorities and which are offered security and predictability” (Handy, 1993, p. 185). Role culture possesses at least one dominant character who controls and makes decisions on behalf of the employees and organization (Handy, 1993). Moreover, role culture shows slow progress to change and resistant to change (Handy, 1993).

On the other hand, task culture “is job oriented and it is present in organisations where individuals work as a team and power is derived only from the expertise and only when required” (Handy, 1993, p. 188). Therefore, task culture is a collaborative environment where members are sharing jobs tasks based on the expertise and rank of the organization (Handy, 1993). Person Culture refers to “organizations in which individuals believe to be superior to the organisation they are employed in” (Handy, 1993, p. 190). Such cultures are difficult to manage as they are highly sensitive and highly competitive (Handy, 1993). In some cases, all employees may not fit all types

culture, therefore, management should be able to understand carefully how they place their employees for maximum gain for the organization (Handy, 1993). Even though Handy (1993) does not recommend one type of culture is superior to others, it can be concluded that power culture and task culture are mainly oriented to customer service and innovation.

- **Johnson and Scholes Cultural Web Model**

Figure 2.11 Elements of Johnson and Scholes Cultural Web Model



(Sources: Chartered Management Institute, 2019; Johnson *et al.*, 2017)

Table 2.14 Elements of Johnson And Scholes Cultural Web Model

Culture Element	Meaning
Stories	Events that happened past or currently happening that creates headlines for the company.
Symbols	Company's logo, artefacts and servicescape.
Power structures	How organizations use legitimate power, reward power, coercive power and referent power.
Organisational structure	Formal and informal organizational structure
Control systems	The mechanisms that prevent organizations deviate from originally plan activities.
Rituals and routines	The accepted behaviour inside the organization

(Sources: Chartered Management Institute, 2019; Johnson *et al.*, 2017)

- **Quinn and Cameron (2011) organizational culture model (Competitive Values Framework model)**

Figure 2.12 Quinn and Cameron (2011) organizational culture model

<p>Human Relations Model (Clan)</p> <p><i>Focus: cohesion, morale</i></p>	<p>Open System Model (Adhocracy)</p> <p><i>Focus: flexibility, readiness</i></p>
<p>Internal Process Model (Hierarchy)</p> <p><i>Focus: information management, communication</i></p>	<p>Rational Goal Model (Market)</p> <p><i>Focus: planning, goal setting</i></p>

(Sources: Quinn and Cameron, 2011; Quinn and Rohrbaugh, 1983, p. 369)

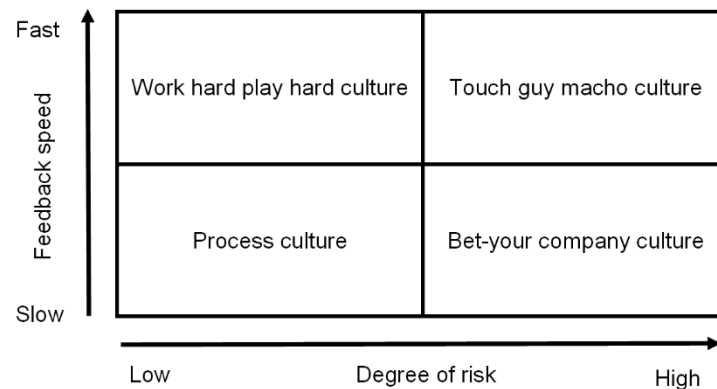
Table 2.15 Quinn and Cameron (2011) organizational culture model

Cultural Element	Meaning
Clan culture	It is a culture that cultivates the common values and mutual understanding. It also admires employee involvement and empowerment.
Adhocracy culture	It is a culture has a short life and ended up with intended goals are achieved. However, it regenerates whenever new goals emerge.
Market culture	It is a culture that mainly deals with external organizations. Because the organizations which possess such a culture engage with higher competition in the market.
Hierarchy culture	It is a culture which designates clearly the unity of command, the span of control and standard procedures.

(Sources: Quinn and Cameron, 2011; Yu and Wu, 2009, p. 38).

Chatman *et al.* (2014) and Choi *et al.* (2010) equally report that all types of organizational culture (hierarchy, market, clan and adhocracy) have a positive influence on organizational performance. Joseph and Kibera (2019) note a significant gap in the literature in which organizational culture supports innovation. However, this thesis takes into consideration such research gap by considering the organizational culture innovation.

- **Deal and Kennedy - Culture Types (1982)**



(Source: Deal and Kennedy, 1982)

- Work hard play hard culture: a sales-oriented culture
- Tough guy macho culture: a high risk-taking culture
- Process culture: a technically oriented culture, but lack of slow decision making
- Bet-your company culture: a high investment culture

If any bank wants to achieve greater success in the market, they can adopt the tough guy macho culture as they expect fast feedback and high risk-taking traits.

- **Organisational Culture Index (OCI) - Wallach (1983)**

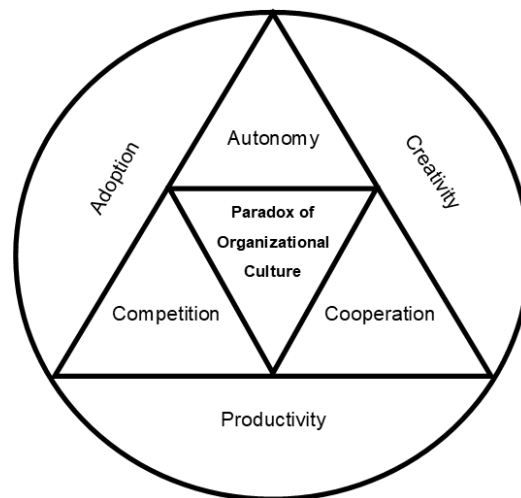
Wallach (1983) classified organizational culture into three broad areas such as bureaucratic, innovative and supportive. Bureaucratic culture is more controlled cultures where decision making is centralised. Moreover, roles and responsibilities are clearly defined. However, innovative culture is a risk-taking culture where employees are empowered to generate creative ideas. In the supportive culture, relationships and teamwork are most admired.

- **Ambidextrous Interpersonal Motives Model of Organisational Culture**

Moon, Quigley and Marr (2012) draft an organizational cultural model in which they call as the ambidextrous interpersonal motives (AIM) model of organizational culture. AIM model specifies how three cultural motives (autonomy, competition and

cooperation) leads to fulfilling three organizational outcomes (adoption, creativity and productivity). Moreover, this model shows that how two cultural motives meet the one organizational outcome at a time such as productivity outcome can be achieved the combination effort of competition and cooperation. However, the innovative organizations try to achieve creative outcomes by using autonomy and cooperation among employees. Moon *et al.* (2012) report that literature shows employee autonomy as an essential factor for generating new ideas for the organization.

Figure 2.13 Ambidextrous Interpersonal Motives Model of Organisational Culture



(Source: Moon, Quigley and Marr, 2012)

Tsui, Wang and Xin (2006) conduct a study to find that organizational cultural values and organizational cultural types. Based on their study, authors reveal that there are five organizational values such as employee development, harmony, customer orientation, social responsibility and innovation (Tsui *et al.*, 2006). On the other hand, Tsui *et al.* (2006) categorise the organizational culture into four clusters such as highly integrative, moderately integrative, market oriented and hierarchy culture. Organizational culture facilitates innovation by managing the organizational climate effectively (Kariyapperuma, 2016).

Five cultural values derived by Tsui *et al.* (2006) reflect in the seminal work of Schein (1992) who comments on internal integration and external adaptation function of the organization. Integration and external adaptation are very useful when mobilising the support of the employees in order to meet customer satisfaction and innovation (Schein, 1992).

- Highly integrative: highly shared values among members of the organization
- Moderately integrative: moderately shared values among members of the organization
- Market oriented: a supportive culture that aims to maximise the marketing orientation and
- Hierarchy culture: achieve the goals of the organization based on rules and tied supervision (Naqshbandi *et al.*, 2015; Tsui *et al.*, 2006).

Integrative cultures are more likely focused on employee satisfaction, customer satisfaction and innovation (Naqshbandi *et al.*, 2015). Therefore, integrative cultures are resistant to the external shocks due to higher performance and innovativeness of the organization (Tsui *et al.*, 2006).

Table 2.16 Applications of Related Cultural Model to the Current Study

Culture Model	Application to the current study
Handy's Culture Model	Power culture and task culture are oriented to customer service and innovation compared to role and person culture.
Johnson and Scholes Cultural Web Model	Almost every element in cultural web model (stories, symbols, power structures, organizational structure, control systems and rituals and routines) is relevant to the current study.
Quinn and Cameron (2011) organizational culture model (Competitive Values Framework model)	Clan culture is more innovative driven than adhocracy culture, market culture and hierarchy culture. Therefore, clan culture is much relevant to this current study.
Deal and Kennedy - Culture Types (1982)	Tough guy macho culture is much innovative oriented than work hard play hard culture, process culture, bet-your company culture. Therefore, tough guy macho culture is much relevant to this current study.
Organisational Culture Index (OCI) - Wallach (1983)	Innovative and supportive cultures are much innovative oriented than bureaucratic culture. Therefore, innovative and supportive cultures are much relevant to this current study.

Ambidextrous Interpersonal
Motives Model of
Organisational Culture

From the organizational culture innovation point of view, the most applicable cultural traits for this current are autonomy and cooperation that produce creativity.

(Sources: Chartered Management Institute, 2019; Deal and Kennedy, 1982; Handy, 1993; Moon, Quigley and Marr, 2012; Quinn and Cameron, 2011, Quinn and Cameron; 2011; Wallach, 1983)

- Organizational Learning Innovation

Literature does not provide a convergent definition for organizational learning; however, many scholars perceive that organizational learning is a process of enhancing the organizational actions through knowledge (Chadwick and Raver 2015; Levitt and March, 1988). Nevertheless, Chadwick and Raver (2015) report that organizational learning is a critical factor for succeeding in the dynamic business environment. On the other hand, Chiva, Ghauri and Alegre (2014) define the organizational learning as “the process through which organizations change or modify their mental models, rules, processes or knowledge, maintaining or improving their performance” (p. 689). Innovative organizational learning aids organizations to read the dynamic external environment accurately well before the competitors (Garvin, Edmondson and Gino, 2008). García, Ruiz and Llorens (2007) explain key features of innovative organizational culture as creativity orientation, generate and apply new knowledge and support for organizational intelligence.

Organizational learning is one of the key drivers that help organizations to achieve competitive advantage (Real, Roldán and Leal, 2014). Particularly, organizational learning becomes a key source of developing new knowledge to the organization (Chiva *et al.*, 2014). Organizational learning focuses on the discovery of new knowledge or practices designed to create performance-enhancing organizational changes (Slater and Narver, 1995). Organizational learning theory is based on the Resource-Based View of the Firm, which posits that the only firm capability that cannot be imitated is the firm's ability to learn (Day, 1994). After reviewing the literature, Sanz-Valle *et al.* (2011) conclude that organizational learning has a positive impact on innovation. Liao *et al.* (2012) have also carried out a research study on the relationship between organizational culture and organizational innovation in the banking sector in Taiwan. They found that organizational learning serves as a partial mediator between

organizational culture and organizational innovation (Liao *et al.*, 2012). In addition, organizational learning has a full mediation effect on knowledge acquisition and organizational innovation (Liao *et al.*, 2012). Furthermore, the authors also reveal that innovative organizational learning culture boosts the employees' ability to build new knowledge and new products in banks (Liao *et al.*, 2012).

Kotter and Heskett (1992) identified that the optimal culture for organizations pursuing long-term innovation and performance in a dynamic environment is an adaptive, learning culture - a culture that fosters and nurtures innovation. Muffatto (1998) reveals that innovation can be stimulated by an innovative climate and related professional knowledge. Argyris and Schon (1978) explain that organizational learning improves organizational innovation activities in an organization. Sinkula, Baker and Noordewier (1997) conclude that organizational learning plays a major role in successful innovation. Moreover, Lin, Huang and Tung (2004) reveal that organizational learning has a direct relationship with administrative and technical innovation. Weerawardena, O'Cass and Julian (2006) reveal that organizational learning has a positive impact on organizational innovation. Further, Hurley, Tomas and Hult (1998) report that organizational culture attached to innovation leads to promoting a competitive advantage. From empirical findings, Chang and Lee (2007) prove that innovative culture has a positive impact on administrative innovation.

Using a multi-informant survey method, Lichtenthaler (2009) finds that explorative, exploitative and transformative learning have a positive impact on innovation. Explorative learning means the ability to capture external market trends and disseminates within the organization (Lichtenthaler, 2009). Exploitative learning can be reflected in two stages such as the conversion of knowledge and application of newly captured knowledge. On the other hand, transformative learning refers to maintain and regenerate of knowledge over the period of time (Lichtenthaler, 2009). Waddell and Pio (2015) claim that top executives use transformational leadership during the period of explorative and transformative learning processes whilst capitalise transactional leadership style during the exploitative learning process. From the organizational innovation point of view, leaders must challenge the status quo and think out of the box in order to grab new marketing phenomena in the external environment (Waddell and Pio, 2015).

Organizational Learning Models

- Organizational Learning Framework (Crossan, Lane and White, 1999)

Crossan, Lane and White (1999) develop an organizational learning framework that targets all layers of the organization based on “intuiting, interpreting, integrating and institutionalizing” (p. 525). The following table illustrates each element of the organizational learning process.

Figure 2.14 Organizational Learning Framework

Learning Process	Outcomes
Intuiting	Experience, Images, Metaphors
Interpreting	Language, Cognitive maps, Conversation
Integrating	Shared understanding, Mutual adjustment, Interactive systems
Institutionalising	Routines, Diagnostic systems, Rules and procedures

(Source: Crossan, Lane and White, 1999)

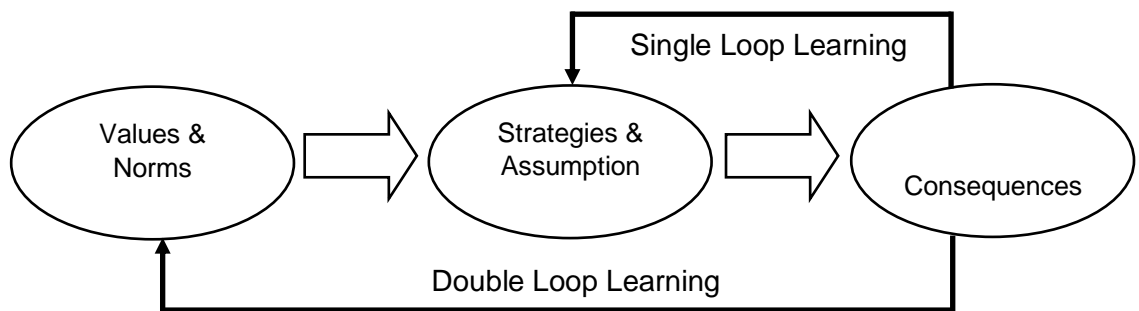
Crossan *et al.* (1999) explain the ‘intuiting’ as the personal level of feeling of an individual who motivates himself/herself to do something significant. ‘Interpreting’ shares new knowledge among one party to another. ‘Integrating’ is an organizational level approach where shared understanding is the key. The last element of organizational learning framework is institutionalising in which specifies routines and procedures for organizational wide learning. The above mentioned four elements are working sequentially and inform one another.

- Single-Loop and Double-Loop Learning

Single-loop learning is “instrumental learning that changes strategies of action or assumptions underlying strategies in ways that leave the values of a theory of action unchanged” (Argyris and Schön, 1996, p. 20). If any organization cannot recover the marketing budget in a certain period, the marketing manager should find out in which areas went wrong. Moreover, single loop learning always tries to devise ideal solutions by comparing existing values and norms of the organization (Basten and Haamann, 2018). The double-loop learning refers that two-way feedback “which connects the detection of error not only to strategies and assumptions of effective performance but [also] to the values and norms that define effective performance” (Argyris and Schön, 1996, p. 23). Thus, double-loop learning encourages managers to review past

experience and analyse the existing situation of the organization (Salim and Sulaiman, 2011). García-Morales, Verdú-Jover and Lloréns (2009) recommend that double-loop learning is more robust in highly dynamic and volatile environments. Moreover, García-Morales *et al.* (2009) prescribe that every organization may have to switch from single-loop learning to double-loop learning in order to stimulate innovative activities and customer satisfaction. On the other hand, double-loop learning captures new product ideas, new customer preferences and new market situations (Cefis and Marsili, 2005; García-Morales *et al.*, 2009).

Figure 2.15 Single-Loop and Double-Loop Learning



(Source: Argyris and Schön, 1996, p. 22)

- Garvin's Five Building Blocks of Organizational Learning

In order to cultivate effective learning throughout the organization, Garvin (1993) proposes five building blocks that include systematic problem solving, experimentation, learning from past experience, learning from others, and transferring knowledge.

Table 2.17 Building Blocks of Effective Learning

Organizational Learning	Meaning
Systematic problem solving	Solving problems based on a set of rules rather than gut feeling methods. Decisions are made on the basis of facts that collect qualitative and quantitative tools.
Experimentation	Generating new knowledge based on scientific methods. In many cases, decisions are made on the results of the controlled group and independent groups.

Learning from past experience	Learning from failures and success stories. This is reflective based learning in which can be formal and informal. Formal methods are well documented and accessible for staff. On the other hand, informal methods usually are shared by the expert to novice.
Learning from others	Learning from peers or learning from other organizations such as benchmarking. Learning from peers usually happens where the novice is attached to senior staff. From external sources, some best practices will be adopted by organizations from other organizations.
Transferring knowledge	In some cases, it is not the case of gathering or storing information, it is all about to disseminate among related parties for decision making.

(Source: Garvin, 1993)

Based on a systematic literature review, Basten and Haamann (2018) generate three main categories of organizational learning such as people based, process based and technological based learning.

Table 2.18 People based organizational learning approaches

Element	Meaning
Chief knowledge officer	Chief knowledge officer tries to create a knowledge-based culture in which empowers the learning.
Dyadic relationships	Transmit the knowledge from expert to novice.
Events for informal interactions	Organizing informal sessions to share knowledge with each other.
Job rotations	Individuals are given the opportunity to expose diverse experience by undertaking responsibilities in different departments.
Knowledge broker	Knowledge brokers intermediate between knowledge seekers and knowledge sharers.
Knowledge manager	Unlike knowledge brokers, knowledge managers act proactively and accumulate required information systematically.
Skills management	Identify individuals who possess expert skills by creating a database. In any concern arises, a particular expert will be contacted.

(Source: Basten and Haamann, 2018)

Table 2.19 Technological based organizational learning approaches

Element	Meaning
Knowledge repositories	Knowledge repositories act as databases that store important information and retrieve based on end-users purposes.
Virtual worlds	Artificial spaces that enable organizations to use for learning activities.

(Source: Basten and Haamann, 2018)

Table 2.20 Process based organizational learning approaches

Element	Meaning
Action learning	It is a mechanism of learning from each other. The knowledge gathered puts it to practice immediately.
Communities of practice	A voluntarily self-managed group that shares knowledge and best practices among equally minded individuals.
Cross-functional teams:	Experts who gathered from different departments work for a common goal.
Experience factory	An independent unit that facilitates ongoing projects by adding their expert knowledge.
Leaving expert debriefing	Exit interviews conduct to acquire knowledge from experts who leave the organization.
Post-mortem	A retrospective mechanism that performs once any project or event ended. This allows organizations to find best practices and bad practices that will eliminate in the next project period.
Project briefings	Disseminate project related knowledge among project members.
Research and development	A departmental unit that research new products, new processes and new quality procedures.
Training	Improve soft skills and hard skills among individuals in the organization.

(Source: Basten and Haamann, 2018)

Organizational learning innovation mainly focuses on generating, developing, disseminating and applying knowledge throughout the organization (Jyoti, Chahal and Rani, 2017). Organizational learning enables creativity, generate new knowledge and concepts that heavily support organizational innovation (García-Morales, Jiménez-

Barrionuevo and Gutiérrez-Gutiérrez, 2012). Moreover, for the organizational learning innovation, knowledge sharing is essential from top-down and bottom-up in the organization (Jimenez-Jimenez and Sanz-Valle, 2011; Saki, Shakiba and Savari, 2013).

Various researchers have revealed that organizational learning has a positive impact on innovation (Garcia-Morales et al., 2012; Jimenez-Jimenez and Sanz-Valle, 2011; Salim and Sulaiman, 2011). Saki *et al.* (2013) reveal that there is a positive relationship between organizational learning “(knowledge sharing, organizational learning culture, development of the staff skills and competences, common perspective, leadership, systemic thinking, and teamwork and learning)” and innovation capabilities (p. 13).

Templeton, Lewis and Snyder (2002) explain organizational learning as a multi-dimensional construct where knowledge acquisition, information distribution, information interpretation, and organizational memory that consciously or subconsciously influence on the positive organizational variation. Employees learning capabilities which amplify the innovation can be achieved by sharing individual experiences, learning from each other, training and development, knowledge acquisition and dissemination (Jiménez-Jiménez and Sanz-Valle, 2011; Moorman and Miner, 1998). Moreover, participative decision making, and job enlargements may generate new ideas to the organization and enhance the practice of sharing among members of the organization (Raj and Srivastava, 2013; Turner and Pennington, 2015). Organizational learning enhances the overall productivity of employees who always maintain up to date knowledge and apply them sensibly (Husain, Dayan and Benedetto, 2016).

Tan and Nasuridin (2011) report that training and development is an integral part of organizational learning where employees capitalise the knowledge gained from training and development` for generating potentially viable ideas. Jiménez-Jiménez and Sanz-Valle (2011) and Jyoti *et al.* (2017) claim that such new insights of employees could be reflected in the organizational innovation efforts.

- Applications of organizational learning models in this current study

Organizational Learning Framework (Crossan, Lane and White, 1999): *All the elements of the organizational learning framework (intuiting, Interpreting, Integrating and institutionalising) are important for the current research study.*

Single Loop and Double Loop Learning: *Double loop learning is much applicable for the current research study rather than single loop learning.*

Garvin's Five Building Blocks of Organizational Learning: *All the elements of Garvin's five building blocks (systematic problem solving, experimentation, learning from past experience, learning from others and transferring knowledge) are highly relevant to the context of the current study.*

Basten and Haamann (2018) Model: *All the main elements of Basten and Haamann model (people based organizational learning approaches, process based organizational learning approaches and technological based organizational learning approaches) are highly applicable for the current research project.*

2.4.5 Critique of Innovation

Innovation correlates with a very high risk because of cost and duration of the development process, unexpected delays during development and the unpredictable level of success in the market (Ritter *et al.*, 2004). Steinhoff and Trommsdorff (2007) recognise the following critiques particular to innovation in the marketplace:

- Potential consumers often have difficulty when they try to obtain utility from innovation. This happens due to the complexity of technology, high speed of innovation process and unreliable estimates of benefits and costs,
- Technical progress does not guarantee success because company product innovations can be easily copied by competitors,
- A high level of risk confronts a consumer when he or she utilizes a new technology,
- Developers often work in isolation from the market, so it is difficult for them to track the rapidly changing needs of consumers. For this purpose, a range of market research is conducted, and promising directions of development should be identified and

- Consumers have problems in formulating their needs. The task of marketers is to identify consumers' needs and then use this knowledge for satisfying those needs through the help of innovation.

2.4.6 Section Summary

Severe competition has resulted in the banks needing to adopt innovation to provide long-term benefits for customers (Ahmad *et al.*, 2011). Damanpour and Schneider (2009) point out that innovation is commonly perceived as the basis of organizational change, growth, and effectiveness. Pérez-Luño, Cabrera, and Wiklund (2007) add that innovation is vital to achieve a competitive advantage and to ensure survival. Innovative new products, services, or business models drive economic growth and social changes, and are a primary source of firm differentiation in today's competitive markets (Hauser, Tellis and Griffin, 2006). For firms competing in a global marketplace, innovation plays an increasingly vital role in achieving superior performance (Rostami, 2015). Therefore, innovation is a collective process of creating or modifying products, process or organizational methods (Battisti and Stoneman, 2010, Kotler *et al.*, 2008).

In this section, the literature related to innovation and its underlying concepts have been extensively discussed. Product innovation is discussed based on new product innovation and modified product innovation. Product innovation is defined as the product or service introduced to meet the needs of the market or of an external user (Damanpour and Gopalakrishnan, 2001). Product innovation should focus on the market and aim at the customers (Utterback and Abernathy, 1975). Process innovation is explored in terms of bricks and mortar banking innovation and digital banking platforms innovation. Nowadays, banks strategically improve their bricks and mortar banking capabilities while focussing on digital platform innovation. Process innovations focus on the internal workings of the company, and aspire to increase efficiency (Utterback and Abernathy, 1975). Akhisar *et al.* (2015) claim that internet banking enhances competitiveness and performance of the banks. Organizational innovation is also examined by means of organizational culture innovation and organizational learning innovation. Finally, a critique related to innovation has also been presented at the end of the section.

2.5 Sustainable Competitive Advantage

Many scholars have discussed the concept of SCA comprehensively over the years. In the volatile and complex market environment, organizations put much stress on securing their competitive strategy over their rivals (Foon and Nair, 2010). In order to be steady in the market, the role of an SCA is pivotal.

2.5.1 Definitions of SCA and Underlying Concepts

Barney (1991) defines SCA as “a value-creating strategy that is not simultaneously implemented by any current or potential competitor and for which such other firms cannot duplicate the benefits of this strategy” (p. 102). Barney (1991) also argues that resources which secure the economic rent should be valuable, rare and hard to imitate. From another perspective, Fahey (1989) defines competitive advantage as anything that customers convince the particular organization has is much superior to its competitors. Kay (1993) defines a competitive advantage as an advantage which is acquired by an organization over a rival, a group of rivals, or in the particular industry.

Alderson (1965) was the first to highlight the meaning of SCA in terms of distinctive organizational characteristics which allow organizations to differentiate themselves from rivals. However, Day (1984) introduced the term of SCA, and subsequently a framework for SCA was developed by Porter (1985) based on competitive strategies. Based on Barney's (1991) definition and other sources of SCA, Hoffman (2000) defines SCA as the “prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy” (p. 1).

Researchers from various disciplines have admitted that some of the key terms are very particular to sources of SCA, especially “differentiation” (Coyne, 1986; Day and Wensley, 1988; Porter, 1985), “unique resources” (Henderson, 1983; Hunt and Morgan, 1995) and “one-step-ahead of competitors” (Alderson, 1965; Ghemawat, 1986). Additionally, the concept of a resource-based view (Barney, 1991; Conner, 1991; Peteraf, 1993) and intangible resources (Hall, 1993) have influence as sources of SCA. Coyne (1986) introduced the four sources of SCA; the functional differential

(knowledge, skills and experiences of employees); the cultural differential (habits, beliefs and values within an organization); the positional differential (reputation, consumer awareness and trust, customer loyalty and order backlogs); and the regulatory differential (intellectual property rights, licenses and agreements, patents, copyrights, contracts and trade secrets). Table 2.21 shows the key contribution of knowledge of SCA.

Table 2.21 Key Contributions for the Concept of SCA

Scholar and Year	Article/Book Title	Key Contribution
Alderson (1965)	The search for differential Advantage	Introduce three differential advantages: technological, legal and geographical. Propose four differential strategies to support differential advantages: segmentation, selective appeals and differentiation.
Henderson (1983)	The anatomy of competition	Discuss about the unique advantage that one company has over another and those who can adjust to the best and fastest gain advantage over rivals.
Porter (1985)	Competitive advantage: creating and sustaining superior performance	Introduce the concept of value chain which can use as a tool of analysing the sources of competitive advantage.
Day and Wensley (1988)	Assessing advantage: a framework for diagnosing competitive superiority	Conclude that sources of advantages as superior skills and superior resources. In order to assess the sources of SCA both competitors and customers' perspective should be considered.
Hamel and Prahalad (1989)	Strategic intent	Emphasize that an organization should not look for an SCA rather learning how to create new advantage to win the global leadership.
Prahalad and Hamel (1990)	Core competence of the corporation	Emphasize that an organization should mobilize resources and skills into competencies that drive for adjusting with fast and changing opportunities.
Barney (1991)	Firm resource and sustained competitive advantage	Introduce four dimensions which can possibly ensure the SCA as being value, rareness, inability to copied and imperfect substitution.
Peteraf (1993)	The cornerstones of competitive advantage: a resource-based view	Present four criteria which are essential for achieving SCA; superior resources, ex poste limits to competition, imperfect resources mobility and ex ante limits to competition.

Hall (1993)	A framework linking intangible resources and capabilities to SCA	Argue that intangible resource including assets and competencies enable organization to achieve capability differentials which drive the SCA.
Hunt and Morgan (1995)	The comparative advantage theory of competition	Discuss about comparative advantage in resource can lead to achieve competitive advantage in the market.
Oliver (1997)	SCA: combining institutional and resource-based views	Introduce a model of firm heterogeneity which suggests both resource capital and institutional capital are essential for SCA.
Hoffman (2000)	An examination of the sustainable competitive advantage concepts: past, present and future	Compare the SCA with other concepts of market orientation, customer value, relationship marketing and networks.
Adams and Lamont (2003)	Knowledge management systems and developing SCA	Emphasize on organizational innovation and discuss about effective knowledge management system as a tool of innovation activities. Thus, these activities lead to achieve SCA.
Weerawardene and O'Cass (2004)	Exploring the characteristics of marketing-driven firms and antecedents to sustained competitive advantage	Discuss about market-oriented learning capability leads to achieve innovation and marketing capabilities enables SCA.
Kotelnikov (2004)	Sustainable competitive advantage: how to survive against your competition over a long period of time	Propose a model of synergy of distinctive capabilities and reproducible capabilities as sources of SCA.

(Sources: Adams and Lamont (2003); Alderson (1965); Barney (1991); Day and Wensley (1988); Hall (1993); Hamel and Prahalad (1989); Henderson (1983); Hoffman (2000); Hunt and Morgan (1995); Kotelnikov (2004); Oliver (1997); Peteraf (1993); Porter (1985); Prahalad and Hamel (1990); Weerawardene and O'Cass (2004))

The literature records the movement of SCA from tangible resources to intangible resources: branding (Aaker, 1991; Keller, 1993); market orientation (Hunt and Morgan, 1995; Jaworski and Kohli, 1996; Narver and Slater, 1990); organizational learning (Day, 1994; Slater and Narver, 1995); innovation (Gatignon and Xuereb, 1997; Rogers, 1995; Wolfe, 1994); customer value (Parasuraman, 1997; Woodruff, 1997); relationship marketing (Morgan and Hunt, 1994); and networks (Achrol, 1997; Gulati, 1998). Foon and Nair (2010) argue that though many concepts, such as the learning

organization, knowledge management, management information systems, technology and innovation, and globalisation, dominate the business world, the place that SCA has acquired is still unchanged.

Flamholtz and Wei (2003) comment that the organizational infrastructure, when comprised with resource management, operational systems, management systems and corporate culture, is the key ingredient for SCA. Khandekar and Sharma (2005) also confirm that human resources-related competencies positively impact on business performance, and those competencies are antecedents for SCA. Kotze (2002) identifies value, time and mobility, knowledge and intellectual capital, flexibility, quickness and innovation as new competitive paradigms which are dominating the 21st century. Kotze (2002) further adds that organizational strategic thinking, the learning culture and collaboration and networking also foster the organizational SCA.

The ability to change and flexibility, a positive organization culture and customer-oriented culture have been recognized as the sources of competitive advantage which are sustainable (Foon and Nair, 2010). Foon and Nair (2010) also reveal that being innovative is the key determinant factor for SCA, followed by learning organization, knowledge management and other variables (management information systems, globalization efforts, organization infrastructure, knowledge, intellectual capital, flexibility, quickness, positive organization culture, market focused learning, marketing capability and managing human resource capabilities) are dominant factors that lead to achieving SCA in the 21st century (Foon and Nair, 2010). Foon and Nair (2010), who explore managerial awareness to identify the difference between competitive advantages and SCA, find that the majority of senior managers are able to distinguish the difference between the two terms. However, Foon and Nair (2010) conclude that literature utilises both the concepts of competitive advantage and SCA interchangeably. Sigalas (2015) conducts a cross-sectional survey to verify managerial awareness regarding the concept of competitive advantage. Sigalas (2015) finds that most managers often confuse the notion of competitive advantage with the sources of competitive advantage.

2.5.2 Relationship Marketing as a Source of SCA

South (1981) claims that gaining or holding competitive advantage has become an essential objective or even a philosophy for an organization. Proponents of relationship marketing encourage firms to seek partners for long-term marketing relationships (Morgan and Hunt, 1999). Relationship marketing should be practiced when it offers, or contributes to, a firm's strategy for achieving a competitive advantage. The "relationship-based competitive advantages (RBCAs)" support the effort of relationship marketing (Morgan and Hunt, 1999, p. 281). Morgan and Hunt (1999) argue that academics have ignored the areas which search for explanations as to how to create SCA based on relationships. Therefore, it is important that relationship marketing scholars begin to theorize how competitive advantages can be built through marketing relationships (Morgan and Hunt, 1999). Morgan and Hunt (1999) synthesize relationship-based competitive advantage into five major strands:

- Efficiency/effectiveness,
- Heterogeneity,
- Imperfect imitability,
- Imperfect substitutability and
- Imperfect mobility.

Srivastava, Shervani and Fahey (1998) divide market-based assets into two types: relational and intellectual. Relational market-based assets are those that reflect bonds between a firm and its customers and/or channel members (Srivastava *et al.*, 1998). An intellectual market-based asset would be the detailed knowledge that firm employees possess concerning their customers' needs, tastes, and preferences (Srivastava *et al.*, 1998). Thus, these types of market-based assets lead to creating relationship marketing-based SCA over competitors (Srivastava *et al.*, 1998). Bhat and Darzi (2016) investigate the impact of CRM dimensions (complaint resolution, customer knowledge, customer empowerment and customer orientation) on customer loyalty and competitive advantage in retail banking. The authors find that four CRM dimensions have a positive effect on customer loyalty to and competitive advantage for the bank. Among the CRM dimensions, customer knowledge is the most influential of all the dimensions. Furthermore, customer loyalty acts as the mediator in the CRM

model between CRM and competitive advantage (Bhat and Darzi, 2016). Bhat and Darzi (2016) conclude that the results support managers who implement CRM concepts in a sensible manner.

2.5.3 Innovation as a Source of SCA

Generally, innovation is regarded as a means of SCA, though previous studies offer little empirical evidence for the relationship between organizational innovation and SCA and do not reach a clear conclusion (Camison and Lopez, 2011). Studies that analyse the relationship between organizational innovation and firm performance find results both favouring (Mazzanti, Pini and Tortia, 2006; Mol and Birkinshaw, 2009) and opposing (Staw and Epstein, 2000; Walker, Damanpour and Devece, 2010) it. Similarly, Weerawardena (2003) demonstrates that there is a positive relationship between product, process, administrative and marketing innovations and SCA.

Reed, Storrud-Barnes and Jessup (2012) conclude that some organizations do not acquire competitive advantage due to innovation activities; competitive advantage is normally supported by entry barriers, skills in innovation, customers' needs, or unique product design. Tushman and Nadler (1986) report that organizations achieve competitive advantage by creating an innovative culture of the organization. According to Tidd *et al.* (2005), innovation contributes to achieving a competitive advantage in several aspects. The most important characteristics of innovation include:

- Innovation links to new product introduction
- New products support enhancing market share and overall profitability
- Improve the reputation not only from quantitative factors (price, discount), but also qualitative factors (brand quality, personalisation, product features)
- Improve the corporate brand by replacing outdated products (Tidd *et al.*, 2005).

Martín-de Castro *et al.* (2013) reveal that development technological innovation is essential for creating and sustaining a successful organizational competitive advantage. According to Zemplerová (2010), expenditure on research, development and the introduction of innovations are the determining characteristics for gaining a

dominant part of the market. Weerawardena and O'Cass (2004) suggest that market-focused learning and marketing capability are critical capabilities in shaping an organization's innovation intensity and contribute to SCA. Foon and Nair (2010), who investigate the sources of SCA, find that 'be innovative' is the most promising factor that leads to SCA. However, apart from 'be innovative', research reveals that implementation of knowledge management, development of tacit knowledge, organization infrastructure and instilling a positive organization culture are among the sources of SCA. Further, Foon and Nair (2010) claim that resource value, being rare, inimitable, unsubstitutable and uncodifiable may not be the ultimate sources of SCA in the current world of business. The ultimate source is surely who, what and how firms produce the valued, rare, inimitable, unsubstitutable and uncodifiable resources (Foon and Nair, 2010).

2.5.4 Section Summary

The scope of the concept of competitive advantage is getting wider (Foon and Nair, 2010). In this section, definitions of SCA and underlying concepts are discussed. The importance of relationship marketing as a source of SCA is discussed. Additionally, innovation, which is as a key source of competitive advantage, is also explored in the latter part of the section.

2.6 The Sri Lankan Economy and the Sri Lankan Retail Banking Industry

2.6.1 A Synopsis of the Sri Lankan Economy

Sri Lanka, which is considered the wonder of Asia, is a small island with rich cultural and heritage-based resources (Fernando *et al.*, 2013). According to the World Trade Organization, Sri Lanka has the advantage of having 49 sites classified as unique attractions, 91 as rare attractions, seven world heritage sites and six of the 300 most important ancient monuments in the world (De Silva, 2000). It has more than 2500 years of history of civilisation, during which have passed several prosperous ancient kingdoms, and has been shaped by the Buddhist culture (Fernando *et al.*, 2013). The majority of the population are Sinhalese (72%); other important ethnic groups in Sri Lanka are the Tamils (18%), Muslims (8%) and minor ethnicities (2%) (Ramanayake

and Wijetunga, 2017). Table 2.22 illustrates the important milestones in Sri Lankan history.

Table 2.22 A Brief Historical Timeline in Sri Lanka

Time	History Created
Fifth century BC	Indo-Aryan migrants from northern India settle on the island; the Sinhalese emerge as the most powerful of the various clans.
Third century BC	Beginning of Tamil migration from India.
1505	Portuguese arrive in Colombo, marking beginning of European interest.
1833	Whole island united under one British administration.
1948	Ceylon gains full independence.
1949	Indian Tamil plantation workers disenfranchised, the start of a wave of Sinhalese nationalism which alienates the Tamil majority.
1972	Ceylon changes its name to Sri Lanka.
1976	LTTE founded to fight for Tamil rights.
1983	Start of civil war.
2009	LTTE defeated, ending the war thought to have killed between 70,000 and 80,000 people.

(Source: BBC, 2018)

Three foreign countries have invaded Sri Lanka. The Portuguese first arrived in Sri Lanka in the 16th century (1505); the Dutch then dislodged the Portuguese in the 18th century (1776); and finally, the British took control of the country at the end of the 19th century (in 1886) (Ramanayake and Wijetunga, 2017). Meanwhile, Sri Lanka was declared its independence in 1948 (Ramanayake and Wijetunga, 2017). At the time when it received independence, it was ranked as one of the leading and wealthiest countries in Asia, having a high per capita income and other economic indicators (Kravis, Heston and Summers, 1983). The post-independent Sri Lanka has been governed by two political parties: The United National Party (UNP) and the Sri Lanka Freedom Party (SLFP) (Ramanayake and Wijetunga, 2017). Progress in Sri Lanka has been held back mainly through the political divide and an ethnic war (Athukorala, 2016). When the country gained independence from the British, issues surrounding ethnic rights worsened among Sinhalese and Tamils, and the government failed to

offer a sustainable and a stable solution (Ramanayake and Wijetunga, 2017). As a result of the many failures, including government policies, Sri Lanka suffered an ethnic war, fought between government troops and the LTTE (Ramanayake and Wijetunga, 2017). After spanning over three decades, the Sri Lankan government successfully curtailed LTTE activities in the North in 2009 (Ramanayake and Wijetunga, 2017). Including the recent civil unrest, Sri Lankan history can then be classified as experiencing a colonial era (1505-1948), a post-colonial era (1949-2013) and a post-war era (after 2009) (Ramanayake and Wijetunga, 2017).

Sri Lanka has experienced a significant political, economic and social collapse due to the brutal war between the Sinhalese and the Tamil LTTE (Athukorala, 2016). However, the end of the ethnic conflict in Sri Lanka called for a strong comeback, with an expectation of higher economic and social improvement (Athukorala, 2016). Nevertheless, with the renewed confidence and a peaceful country, Sri Lanka has managed to recover economic stability satisfactorily (Athukorala, 2016). Sri Lanka, naturally situated in one of the busiest economic hubs, has been economically stable despite the world economic downturn, and has managed to maintain over 6% growth rate between the years 2005 to 2014 (Central Bank of Sri Lanka, 2015). Sri Lanka successfully achieved its highest ever economic growth, which was 8.3%, in 2011 (Central Bank of Sri Lanka, 2015). While the Sri Lankan economy has been growing at a healthy rate, inflation has been prudently brought down to a single digit figure for the six consecutive years from 2008 to 2014 (Central Bank of Sri Lanka, 2015). The economic growth of Sri Lanka is among the fastest in South Asia in recent years, with a growth average of 6.3% between 2002 and 2013, and the GDP per capita has increased from US\$ 583 in 1961 to US\$ 3638 in 2015 (Ramanayake and Wijetunga, 2017).

The economy is flourishing in both the industry and services sectors, which account for 48.2% and 51.3% of gross domestic product (GDP) respectively, with financial services being a key performing sub-sector (Central Bank of Sri Lanka, 2015). Hence, the financial sector has been one of the fastest growing segments of the economy, with overall growth being manifested in the expansion of the institutional structure, developments in money and capital markets, infrastructure, facilities and products (Central Bank of Sri Lanka, 2015). In recent years, banks have built enough trust to

invest in the capital market and infrastructure developments which have been boosted specially since the end of the ethnic unrest in the country (Central Bank of Sri Lanka, 2015). Since the end of the conflict, the capital market has grown significantly, reaching a market capitalisation of £15 billion approximately (3.1 trillion Sri Lankan Rupees) as of the end of 2014 (Central Bank of Sri Lanka, 2015). The country has launched several programs and procedures to develop physical infrastructure in the areas of sea, air, and road transport, and the power and telecom industries in the country in order to facilitate infrastructural long-term investment (Central Bank of Sri Lanka, 2015).

Sri Lanka is fortunate to have resources and a flexible economic condition. Moreover, Sri Lanka has many advantages in terms of strategic location in the Indian Ocean, an open economy with a vibrant export sector, a high level of education, an absence of extreme poverty and inequality, a relatively well-developed physical infrastructure and a broad-based and efficient administrative apparatus (Athukorala, 2016). However, the governments of Sri Lanka have not been skilful enough to exploit the advantages of having a country at peace by setting clear development plans for economic development (Ramanayake and Wijetunga, 2017). Corruption among unprincipled politicians has left the country in a situation where the general public face hardship in their everyday life (Ramanayake and Wijetunga, 2017). Government ministers and politicians live cosy lives by burdening the poor public with unreasonable taxes, a common phenomenon in much of the rest of South Asia (Athukorala, 2016). Corrupted politicians pledge cosy life for people from whom they expect votes as the compensation (Ramanayake and Wijetunga, 2017).

2.6.2 The Sri Lankan Banking Industry

Banks play a crucial role in the stability of the country's economy and financial system (Chai *et al.*, 2016). Sri Lanka has a sound and sophisticated banking system that mainly contributes to the financial system with an asset base of £3.4 trillion approximately (6,972 billion Sri Lankan Rupees) at the end of 2014, representing 57.9% of the total assets of the financial system (Central Bank of Sri Lanka, 2015). Consideration is given to certain potential specific benefits, such as innovative banking facilities, new technology, the creation of employment opportunities, new financial

instruments, the extension of services to the unbanked or under-banked areas, that would accrue to the country if they are realised (Central Bank of Sri Lanka, 2015). The Central Bank of Sri Lanka, which is the controller of monetary policy, satisfies itself that the current banking system would be in a position to provide some value addition to the financial system of the country by offering enhanced financial services (Central Bank of Sri Lanka, 2015). Currently, priority is given to service-enhancing proposals which address the present unfulfilled needs in the banking industry, rather than to proposals which are intended to share the existing banking business (Central Bank of Sri Lanka, 2015). As such, the Central Bank of Sri Lanka allows banks to engage with the following existing and emerging financial sectors to fill the gaps and fulfil diverse needs of customers:

- The small and medium enterprise sector,
- Microfinance,
- Agricultural finance,
- Housing finance.
- Infrastructure lending,
- Asset reconstruction/management and business recovery,
- Corporate debt restructuring,
- Forward market development,
- Enhancement of worker remittances,
- Hi-tech banking,
- Personal banking,
- Bank assurance and
- Off-shore Banking Business (Central Bank of Sri Lanka, 2015).

The existence of strong banks that are resilient to internal and external shocks is important in promoting a robust and stable financial system (Central Bank of Sri Lanka, 2015). Accordingly, a minimum capital requirement is currently applicable to banks on a sound financial footing, to provide adequate protection to depositors and to encourage the entry and growth of strong, competitive banks in Sri Lanka (Central Bank of Sri Lanka, 2015).

2.6.3 The History of the Sri Lankan Banking Sector

Banks constitute the core of a country's financial system and ensure smooth financial intermediation through liquidity, maturity and risk transformation (Sarkar, 2016). They play a mediating role between savers and borrowers. The more efficient a financial system is in resource generation and allocation, the larger is its contribution to a country's economic growth (Sarkar, 2016). In Sri Lanka, the first so-called bank was opened as a private establishment by Peiris and Peiris in Kandy in 1828 (Randiwela and Fernando, 2015). This private establishment was later re-named the Bank of Kandy, which supported the trading of coffee at that time (Randiwela and Fernando, 2015). Through the passage of time, several banks have opened before and after independence in 1948. The Commercial Bank of Ceylon started in 1920 at a time when trade, commerce and enterprises opened and thrived (Commercial Bank of Ceylon, 2016). In the meantime, the Bank of Ceylon (BOC), which is one of the dominant government sector banks, was opened in 1939 by Sir Andrew Caldecott, the Governor of Ceylon (Bank of Ceylon, 2014). Another state-owned bank, the People's Bank, was initiated in 1961 (People's Bank, 2016). In 1988, the HNB was started as a private sector commercial bank which supported many tea plantation employees during that period (Hatton National Bank, 2016). Recently, in 1986, the Sampath Bank was incorporated as one of the best innovative banks in Sri Lanka (Sampath Bank, 2014).

2.6.4 Composition and Performance of the Sri Lankan Banking Sector

The Sri Lankan banking sector, which holds more than 55% of the financial sector assets of the country, is destined to play a pivotal role in supporting the growth momentum of the economy (Central Bank of Sri Lanka, 2013). Improved resilience for facing external and internal shocks, innovative and futuristic banking products, and expanded access to finance and consumer protection are some of the key drivers to promoting a strong and dynamic banking sector through business excellence (Central Bank of Sri Lanka, 2013). The financial service sector in Sri Lanka is composed of an organised sector and an unorganised sector (Jayamaha, 2012). The organised sector comprises a diverse range of financial services institutions, such as commercial banks and finance companies (Jayamaha, 2012). However, the unorganised sector mainly comprises small financial institutions, such as cooperative-based banks but the

majority representing individual money lenders and pawn brokers (Jayamaha, 2012). The organised financial service sector, which is regulated by the Central Bank of Sri Lanka, comprises licensed commercial banks (LCBs), licensed specialised banks (LSBs), registered finance companies and specialized leasing companies (Jayamaha, 2012).

The LCBs, which play a central role within the financial services sector, have the capacity to provide liquidity and also are responsible for payment services, thereby facilitating all entities to carry out their financial transactions (Jayamaha, 2012). In addition, the emergence of small financial institutions has also been recognized for its provision of banking services in Sri Lanka (Jayamaha, 2012). These specialised institutions provide only certain financial services, such as insurance services, stock brokering, and microfinance services to customers (Jayamaha, 2012). As at 1st March 2016, the Sri Lankan banking sector was comprised of 25 LCBs and 7 LSBs, totalling 32 banks offering retail banking services to the customers. The LCBs can be further divided into 12 domestic banks and 12 foreign banks. Adding up the total number of banks, the total number of bank branches and other outlets which provide retail banking services to customers in Sri Lanka stood at 6478 at the end of the 1st quarter of 2014 (Central Bank Sri Lanka, 2015). The banking density (branches only) per 100,000 persons was 17 (Central Bank of Sri Lanka, 2015).

The main distinction between the activities of LCBs and LSBs is that only LCBs are permitted to provide current account facilities (checking accounts), offshore banking business and trade finance business (Central Bank of Sri Lanka, 2015). Profitability of the banking sector has remained at a stable level as reflected by the Return on Assets (ROA) and Return on Equity (ROE) ratios of banks (Central Bank of Sri Lanka, 2015). During 2014, assets, advances, deposits and capital funds recorded growth rates of 17.3%, 13.7%, 12.4% and 16.1%, respectively (Central Bank of Sri Lanka, 2015). The key prudential indicators Capital Adequacy Ratio (CAR) and Statutory Liquid Assets Ratio (SLAR) have also shown improvements in 2014 (Central Bank of Sri Lanka, 2015).

2.6.5 Facilities and Services Provided by Sri Lankan Retailing Banking Sector

Banks have reacted to challenges posed by new operating environments by creating fresh products and services and expanding the already existing ones, which has allowed them to diversify the product mix of their portfolios (Sarkar, 2016). The traditional business of simply collecting deposits from households and converting them into loans for agents has been reduced in favour of a considerable growth in activities that generate non-interest or fee and commission incomes (Sarkar, 2016). Consequently, the sources of revenues and profits of banking institutions have diversified, while non-interest income relative to its interest counterpart from traditional financial activities has significantly increased (Sarkar, 2016).

Presently, almost all the banks in Sri Lanka provide banking solutions to retail customers and corporate customers around the country (Randiwela and Fernando, 2015). Retail banking products can be by way of a deposit product, loan product, or in the form of another facility which is also an innovative product, the ATM, a development due to technological advancement in the banking industry (Randiwela and Fernando, 2015). The main retail banking financial products can be summarised as follows (Randiwela and Fernando, 2015):

- Deposit Products (current accounts, savings accounts and term deposit accounts),
- Loan Products (housing loans, vehicle loans, personal loans, educational loans, leasing, and hire purchase) and
- Other Products (foreign exchange, contingent liability products (bank guarantees, letters of credits) pawning credit cards, debit cards and ATM facilities-banking products (Internet banking, mobile banking and SMS (Short Message Service) banking). SMS is a system for sending text messages from one mobile phone to another (Cambridge Dictionary, 2019).

According to rules and regulations imposed by Central Bank of Sri Lanka, banks should have a comprehensive data-capturing system which identifies, measures and reports all material risks, and can assess and allocate capital against these risks in a

systematic and objective manner (Central Bank of Sri Lanka, 2013). Accordingly, banks are required to implement changes, especially planning for systems integration, modifications to internal systems and use of new software for appropriate data collection, in order to move to accommodate more advanced approaches (Central Bank of Sri Lanka, 2013). In this regard, banks are expected to have in place, or be actively developing, a data 'warehouse'; that is, a process that enables a bank to collect, store and draw upon loss statistics in an efficient manner over time (Central Bank of Sri Lanka, 2013). At the BOC, they are always prepared to focus on innovation, service differentiation, diversification, cross-selling, governance and risk control (Bank of Ceylon, 2014). While contributing to the national growth, the BOC has introduced many products and units, including the Islamic Banking Unit and Investment Banking Unit, aiming to diversify its portfolio (Bank of Ceylon, 2014). In addition, the HNB, which is operating with 249 branches across the island, is internationally recognised by the Asian Banker Magazine as the 'Best Retail Bank' in Sri Lanka from 2007 to 2012 and in 2015 (Hatton National Bank, 2016). The Banker Magazine of the UK named HNB as the Bank of the Year in 2012 and 2013 (Hatton National Bank, 2016). HNB is actively involved in retail banking, corporate banking, international banking, treasury and project financing (Hatton National Bank, 2016).

Being an innovative bank, Sampath Bank has introduced many innovative facilities in the retail banking sector, for example the introduction of a cheque guarantee card and, for the first time in Sri Lanka in 1987, extended working hours until 3.00 pm. In 1994, Sampath Bank was among the first to join the SWIFT network (Sampath Bank, 2014). Furthermore, the bank introduced the debit card, another first in South Asia, in association with Cirrus and Maestro (Sampath Bank, 2014). The Commercial Bank of Ceylon uses state-of-the-art core banking systems and ATM systems from leading software vendors, Fiserv and Euronet respectively, at all its branches (Commercial Bank of Ceylon, 2016). Furthermore, the Commercial Bank of Ceylon is the largest ATM operator in Sri Lanka with ATM machines installed across the country facilitating services such as utility bill payments, fund transfers between accounts and many other functions in addition to cash withdrawals (Commercial Bank of Ceylon, 2016). The Bank uses CS Eximbills, a system that contributed towards winning the 'Best Sri Lankan Bank for Trade Finance' Award (Commercial Bank of Ceylon, 2016). The

Commercial Bank of Ceylon which launched online banking system in 2000 was upgraded in 2012 to encompass the latest in user-friendliness, functionality and security (Commercial Bank of Ceylon, 2016). In addition, the Commercial Bank of Ceylon's introduction of mobile banking and cash and cheque deposit kiosks have not only acted as 'queue busters' but also been a part of the bank's growing technological footprint in the country (Commercial Bank of Ceylon, 2016).

2.7 Significance of this Research

Having discussed the related literature in relationship marketing, innovation, SCA and the Sri Lankan retail banking sector, this section emphasises the significance of this research. The research aim, research objectives and research questions are mainly targeted at fulfilling the gaps in the literature. Thus, the following points emphasise the significance of study based on the gaps in the literature.

- *No research conducted to reveal the relationship between product innovation and relationship marketing*

Literature fails to identify the relationship between product innovation and relationship marketing in any context of research previously. As product innovation enables to build new and modified products, there should be a potential relationship between product innovation and relationship. Such findings inform retail banking managers to provide excellent customer service and maintain a long-term relationship by using product innovation. In previous research, relationship marketing acts as an independent variable and product innovation as a dependent variable (Efstathiades, 2014). On the other hand, some research conduct relationship marketing and product innovation as independent variables and other variables such as competitiveness, business performance as dependent variables (Sánchez-Gutiérrez *et al.*, 2019). However, the distinctiveness of the current study is that product innovation acts as the independent variable whilst relationship marketing as the dependent variable. On the other hand, many previous research regard relationship marketing as customer loyalty, customer satisfaction and relationship quality, however, this research assumes relationship marketing as customer retention.

Thus, there is also another limitation in the literature, little research considers empirically relationship marketing as customer retention.

- *No research conducted to reveal the relationship between process innovation and relationship marketing*

Again, previous studies may not provide clear idea about the relationship between process innovation and relationship marketing, this study will contribute to knowledge significantly. As modern era of banking, many banks are providing digital banking facilities and advanced innovative bricks and mortar banking facilities to the customer. However, such a phenomenon has not captured the current knowledge, therefore, there is a requirement in the literature to fulfil the gap between process innovation and relationship marketing. In previous research, relationship marketing acts as an independent variable and process innovation as a dependent variable (Efsthadiades, 2014). On the other hand, some research conduct relationship marketing and process innovation as independent variables and other variables such as competitiveness, business performance as dependent variables (Efsthadiades, 2014). However, the distinctiveness of the current study is that process innovation acts as the independent variable whilst relationship marketing as the dependent variable. On the other hand, many previous research regard relationship marketing as customer loyalty, customer satisfaction and relationship quality, however, this research assumes relationship marketing as customer retention. Thus, there is also another limitation in the literature, little research considers empirically relationship marketing as customer retention. Therefore, this research provides valuable insights for retail bankers to review their current practices of innovation and relationship marketing that can be used in a combined manner.

- *No research conducted to reveal the relationship between organizational innovation and relationship marketing*

In previous research, relationship marketing acts as an independent variable and organizational innovation as a dependent variable (Efsthadiades, 2014). On the other hand, some research conduct relationship marketing and innovation

as independent variables and other variables such as competitiveness, business performance as a dependent variable (Efsthadiades, 2014). However, the distinctiveness of the current study is that organizational innovation acts as the independent variable whilst relationship marketing as the dependent variable. On the other hand, many previous research regard relationship marketing as customer loyalty, customer satisfaction and relationship quality, however, this research assumes relationship marketing as customer retention. Thus, there is also another limitation in the literature, little research considers empirically relationship marketing as customer retention.

- *No research conducted to reveal the findings of the IRM concept leads to building SCA.*

As current literature does not explain the phenomenon of PIRM, therefore, no evidence found to show the relationship between IRM and SCA. Some research previously conduct relationship between relationship marketing and SCA. On the other hand, the literature shows evidence of the relationship between innovation and relationship marketing. But, there is a clear gap in the research mediation effect of relationship marketing between innovative capabilities (product, process and organizational innovation) and SCA. Therefore, this current study provides important findings for retail bankers to employ the PIRM phenomenon into real-world banking practices.

- *No research has conducted to find out the PIRM in the retail banking sector*

As the PIRM model is relatively a new phenomenon, no empirical research was conducted to find out the PIRM model under the retail banking sector. Some banks may practise relationship marketing and innovation as an individual application; however, they may not apply together in order to shape their strategies. This research becomes an eye-opener for most of the retail banks in Sri Lanka regarding the viable applications. The managers of retail banks can apply different types of innovation in order to retain their valued customers. Specially, product innovation, process innovation and organizational innovation may provide diverse applications of innovation that lead to stabilising the

relationship marketing efforts. On the other hand, retail banking sector shows a higher customer switching behaviour and customers are multiple users of at least two banks, therefore, the PIRM model may act as a resistance to customer switching behaviour.

2.8 Section Summary

The quality of operations of the financial sector of a country can be expected to simultaneously affect the functioning and efficiency of all its sectors (Sarkar, 2016). Efficient financial intermediation helps in improving economy-wide resource allocation, thereby resulting in robust economic growth (Sarkar, 2016). Being situated in a strategically beneficial location, Sri Lanka has got much potential that can be used to prosper the country. In particular, the capital market and financial market, including banking and insurance, are stimulated by the location. The state-of-art nature of the Sri Lankan banking sector is mainly underpinned by relationships, technology, networking and innovation. The banking sector continues to support economic activities by enhancing accessibility and expanding the branch network throughout the island.

Currently, almost every bank serves retail customers as well as corporate customers (Randiwela and Fernando, 2015). Retail banking products are mainly a deposit product, loan product, or in the form of other facilities which are also innovative products, such as ATM's, which are a result of the technological advancement in the banking industry (Randiwela and Fernando, 2015). Nevertheless, an issue remains regarding how the Sri Lankan retail banking sector adopts an innovation-based relationship marketing approach to achieving SCA in the longer run.

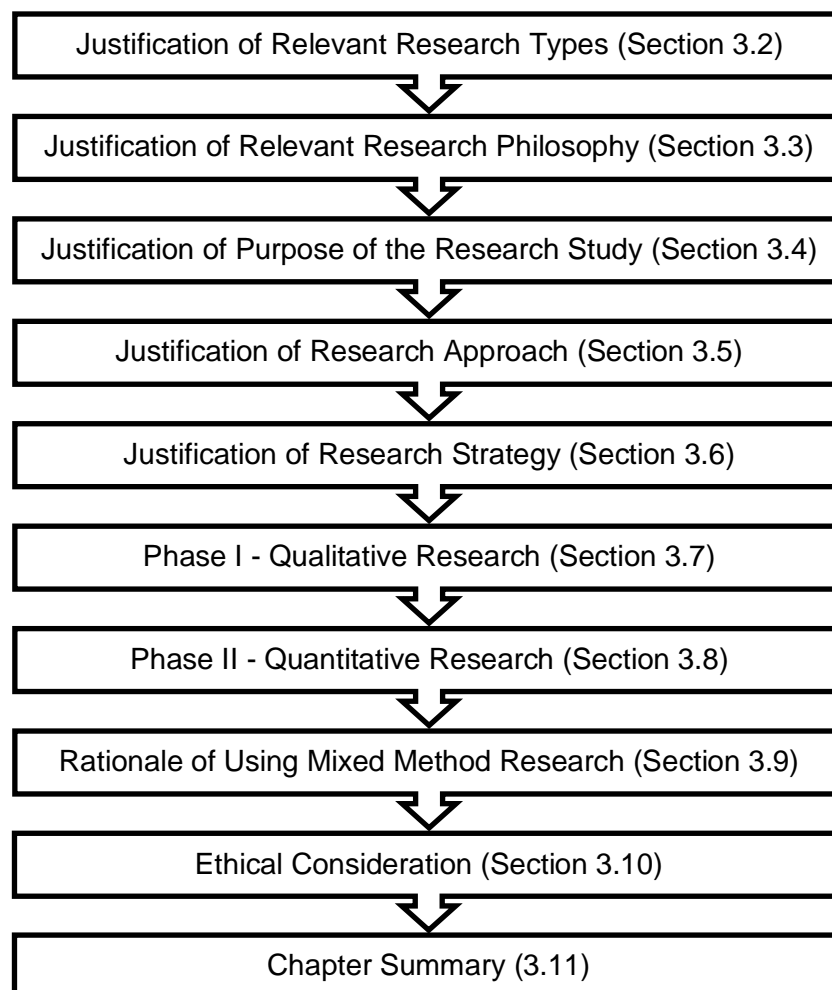
CHAPTER III

3. RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter presented a review of the literature on relationship marketing, innovation, SCA and the Sri Lankan retail banking sector. This chapter discusses the research methodology adopted throughout this research study. According to Strauss and Corbin (1998), research methodology is a way of thinking about and studying social reality. Remenyi *et al.* (2003) describe research methodology as a systematic procedure that carefully plans to achieve the overarching aim of the research project from philosophical underpinning to the collection and analysis of data.

Figure 3.1 Chapter Organization



According to Figure 3.1, this chapter covers eleven main stages that illustrate how the research methodology has been employed: types of research, research philosophies, research design, data collection and the data analysis techniques. The discussion of each sub-section provides a review of relevant literature and a critical evaluation of adopted choices. Saunders *et al.* (2016) introduce the so-called 'research onion model' which is embedded with several layers of research methodologies for a research study. The methodological layers in the onion model are research philosophy, research approach, research strategy, choice, time horizon and techniques (Saunders *et al.*, 2016). Selection of a particular research methodology largely depends on research questions and research objectives (Collis and Hussey, 2014). In this chapter, selections of the specific research methodologies are explained, and limitations of those research choices are also discussed.

3.2 Justification of Relevant Research Type

Depending on the objectives, research can be categorised into three main forms, namely applied research, action research and pure research. Collis and Hussey (2014) define applied research as "a study that has been designed to apply its findings to solving a specific existing problem" (p. 6). Thus, the contribution of the applied research is to solve practical problems of the modern world rather than academic contribution (Collis and Hussey, 2014). Examples of applied research could be a rearrangement of an office layout, measures to improve the safety at a factory, the introduction of an energy-saving project or waste management project to the company (Collis and Hussey, 2014). However, the outcome of applied research is probably a report or an article in a trade magazine or a consultant's report (Collis and Hussey, 2014). In short, applied research attempts to solve a particular problem that will help the organization to run smoothly.

Action research can be defined as "an approach in which the action researcher and a client collaborate in the diagnosis of the problem and in the development of a solution based on the diagnosis" (Bryman and Bell, 2011, p. 414). From another perspective, McCutcheon and Jurg (1990) claim that action research is "a systematic form of inquiry that is collective, collaborative, self-reflective or critical which is undertaken by the participants of the inquiry" (p. 148). Nevertheless, one of the major concerns of this

types of research is that the investigator and the client collaborate with each other in order to solve specific problems (Bryman and Bell, 2011). Moreover, action research is directed toward an action or cycle of actions that the practitioner wants to take to address a situation (Collis and Hussey, 2014). Another unique feature of action research is that both the researcher and the research are assumed to be constantly changing, as per the requirements of the so-called social world (Collis and Hussey, 2014). Generally, action research can be divided into three broad categories: positivist action research, interpretivist action research and critical action research. Action research is highly compatible with both quantitative and qualitative data, whereby the researcher expects to gain an in-depth knowledge about the research area (Collis and Hussey, 2014). There are a number of limitations prevailing within action research, such as: delays in completion of the research due to a wide range of reasons; lack of repeatability; and rigour (Collis and Hussey, 2014).

Bailey (1978) describes pure research as “developing and testing theories and hypotheses that are intellectually challenging to the researcher but may or may not have practical application at the present time or in the future” (p. 17). From another perspective, such research usually tests hypotheses which contain abstract and specialised concepts. Pure research is considered more academic in nature compared with applied and action research (Collis and Hussey, 2014). One of the key features of pure research is it contributes to knowledge by identifying causal relationships among variables (Collis and Hussey, 2014). Pure research considers the development, examination, verification and refinement of research methods, procedures, techniques or tools (Kumara, 2011). Although application of pure research may vary with the disciplines, popular usages of pure research are: for developing a sampling technique that can be applied to a particular situation; developing a methodology to assess the validity of a procedure; developing an instrument to measure the stress level of people; and building a method to measure people’s attitudes (Kumara, 2011).

Both action research and applied research are basically business-oriented research which focuses on solving business-related issues (Bryman and Bell, 2011; Collis and Hussey, 2014). Pure research cannot classify as either action research or applied research since it does not solve any business-related problems. However, pure

research addresses academic-related issues and research gaps in the literature (Easterby-Smith, Thorpe and Jackson, 2012). Hence, the current research can be categorised as pure research with an original contribution to the knowledge. Easterby-Smith *et al.* (2012) also explain that a doctoral research should be able to produce a theoretical contribution with some level of originality. Therefore, this research intends to build a theoretical model that is based on innovation and the relationship marketing; thus, the current research showcases the properties of pure research elements. The theoretical development of a pure research can be classified in three forms (Easterby-Smith, Thorpe and Jackson, 2008, p. 9):

- Discovery: where a totally new idea or explanation emerges,
- Invention: where a new technique to deal with a kind of problem is developed and
- Reflection: where existing, theory, technique or group of ideas is re-examined.

The reflection type of pure research, which is mostly utilised in academic studies, targets an academic audience through books, journal papers and conference papers (Easterby-Smith *et al.*, 2008); consequently, the current study meets every category of pure research. At the heart of the research, the concept of PIRM is introduced to the literature as a discovery type of pure research. This research also shows the properties of invention types of pure research whereby a new theoretical model would be generated as a result of the research. Finally, this research integrates the measurement scales to test the generated model, therefore, this study also meets the criteria of reflection-based pure research. Prior to creating a design for how the data for the study should be collected and analysed, it is important to consider the underlying research philosophy underpinning a study. Thus, the next section discusses the philosophical stance adopted for this study, and its justification.

3.3 Justification of Relevant Research Philosophy

Saunders *et al.* (2016) elaborate research philosophy as “a system of beliefs and assumptions about the development of knowledge” (p. 124). Collis and Hussey (2014) define a research paradigm as “a philosophical framework that guides how scientific

research should be conducted” (p. 43). Generally, research philosophy has many branches related to a wide range of disciplines. Therefore, the research philosophy may be categorised into “epistemological, ontological and axiological assumptions and undertakings that shape a research study implicitly or explicitly” (Pathirage, Amaratunga and Haigh, 2008, p. 5). Epistemology examines ‘how’ a researcher knows about reality and outlines “assumptions about ‘how’ knowledge should be acquired and accepted” (Pathirage *et al.*, 2008, p. 5). Ontology “describes ‘what’ knowledge is and assumptions about reality” (Pathirage *et al.*, 2008, p. 5). Axiology reveals the “assumptions about the value system” (Pathirage *et al.*, 2008, p. 5).

Different authors have termed the philosophical underpinnings differently. Saunders *et al.*, (2016) and Easterby-Smith *et al.* (2008, 2015) understand the term philosophical view as research philosophy. Creswell (2009) terms it as philosophical worldview and Collis and Hussey (2014) mention it as research paradigm. Easterby-Smith, Thorpe and Lowe (2002) claim that being unable to address the philosophical background would not lead to a serious error in a research study; however, it might degrade the quality of the research. Easterby-Smith *et al.* (2002) also claim that the importance of specifying philosophical underpinnings is critical for a piece of research as they allow the researcher to make an informed decision about the research design. The authors further elaborate that the researcher can then understand which design would work appropriately according to the nature of the research (Easterby-Smith *et al.*, 2002). Further, they mention that the researcher needs to adapt a research design according to the constraints of different knowledge structures (Easterby-Smith *et al.*, 2002). Saunders *et al.* (2016) explain that the credibility of research philosophy enhances the methodological choice, research strategy, data collection and analysis process. Thus, epistemological, ontological and axiological paradigms shape the appropriate selection of research approach and methods (Pathirage *et al.*, 2008). Creswell (2014a) also confirms that research philosophy driven by assumptions is particularly important for crafting research design and methods. The following section elaborates the types of philosophical backgrounds and justification of the selected philosophical underpinnings.

3.3.1 Epistemology

Epistemology can be referred to as the theory of knowledge (Collis and Hussey, 2014). Epistemology is concerned with the nature, derivation, scope and the reliability of knowledge (Lacey, 1996). Saunders *et al.* (2016) cited in Burrell and Morgan (1979) claim that epistemology considers the assumptions of knowledge, what qualities of valid, acceptable and legitimate knowledge consists of and how knowledge transfers from one to another. Within epistemological philosophy, positivism, realism and interpretivism are significant.

- *Positivism*

Positivism is a philosophical underpinning that derives from the natural sciences (Collis and Hussey, 2014). Positivism defines the world as objects and truth which is to be found in agreement by verification (Parker and Roffey, 1997). Positivism belongs to epistemology underpinnings, which can be specified as the philosophy of knowing. Positivism adheres to the view that only 'factual' knowledge gained through observation, including measurement, is trustworthy. In positivism studies, the role of the researcher is limited to data collection and interpretation through an objective approach, and the research findings are usually observable and quantifiable (Collis and Hussey, 2014). In short, positivism depends on quantifiable observations that lead to statistical analysis and generalisations. Moreover, Collins (2010) explains that "positivism is in accordance with the empiricist views that knowledge stems from human experience" (p. 38). Positivism recognises two forms of knowledge, namely empirical (represented by natural sciences) and logical (represented by maths) that are viewed as objects or things independent of ideas (Hughes, 1980).

Crowther and Lancaster (2008) elaborate that, as a general rule, positivist studies usually adopt a deductive approach, whereas the inductive research approach is usually associated with a phenomenological philosophy. Moreover, positivism relates to the viewpoint that the researcher needs to concentrate on facts, whereas phenomenology concentrates on the meaning, and has provision for human interest (Crowther and Lancaster, 2008). Positivist research is basically independent and purely objective (Collis and Hussey, 2014).

Independent means that the researcher has no control over informants and vice versa (Wilson, 2010). Studies with a positivist paradigm are based purely on facts and consider the world to be external and objective (Collis and Hussey, 2014). The advantages of positivism philosophy may include the fast speed of conducting a research study and its coverage of a wide range of situations (Collis and Hussey, 2014). However, positivism is also associated with a set of disadvantages: representing a phenomenon by a single measure is sometimes misleading to the users, separating people and their perceptions from the research outcome is unavoidable; and researchers blend their own experiences and interest with the research, even though positivism regards the researcher as external to the research (Collis and Hussey, 2014)

- *Realism*

Philosophic realism is defined by Phillips (1987, p. 205) as “the view that entities exist independently of being perceived, or independently of our theories about them”. In other words, realism explains theories that reflect real world phenomena (Schwandt, 1997). Literature provides many variations of realism, namely: ‘critical’ realism (Bhaskar, 1989; Campbell, 1988); ‘experiential’ realism (Lakoff, 1987); ‘constructive’ realism and ‘perspectival’ realism (Giere, 2005); ‘subtle’ realism (Hammersley, 1992); ‘emergent’ realism (Mark, Henry and Julnes, 2000); ‘natural’ realism (Putnam, 1999); ‘innocent’ realism (Haack, 1998, 2003); and ‘agential’ realism (Barad, 2007). Realism believes theories about the world are seen as grounded in a particular perspective and worldview, and all knowledge is partial, incomplete, and fallible. Realists acknowledge differences between the real world and their particular view of it and try to construct various views of this reality in terms of which ones are relative in time and place (Riege, 2003). Consequently, the intention of realism research is to develop a different perspective of participants from different contextual backgrounds (Pawson and Tilley, 1997).

- *Interpretivism*

Interpretivism believes “that access to reality (given or socially constructed) is only through social constructions such as language, consciousness, shared meanings and instruments” (Myers, 2008, p. 38). The development of interpretivist philosophy is

based on the critique of positivism in social sciences (Saunders *et al.*, 2016). Therefore, interpretivism is “associated with the philosophical position of idealism, and is used to group together diverse approaches, including social constructionism, phenomenology and hermeneutics; approaches that reject the objectivist view that meaning resides within the world independently of consciousness” (Collins, 2010, p. 38). In interpretivist studies, multiple methods of data collection may apply in order to reflect the situations being researched; interviews and observations are the most popular primary data collection methods in interpretivist studies (Creswell, 2014a).

Creswell (2014a) reports that interpretivism assumes individuals seek to understand the world in which they live in. Furthermore, Creswell (2014a) claims that the main goal for the interpretivist paradigm is to prominently to rely on the participants’ views towards the research situations. However, it has been argued that researchers are unable to be independent from their research (Creswell, 2014a). The researcher must interact with the social world of the studies; thus, it would be impossible to separate the social world from the researcher in any interpretivist research (Creswell, 2014a). Compared to the positivistic paradigm, interpretivism places emphasis on the social actor more than the objects of any other studies. Similarly, Saunders *et al.* (2016) recognise the importance of the researcher as a social actor in interpretivist research; the social actor plays an important role in understanding and interpreting the world (Creswell, 2014a; Saunders *et al.*, 2016).

In order to understand and interpret how a participant views the social world, it has been suggested an understanding of the historical and cultural experiences of the participants is required (Creswell, 2014a; Saunders *et al.*, 2009). These experiences and backgrounds might shape the interpretation of the research subject area (Creswell, 2014a). Interpretivist research supports the researcher to inductively generate a theory or a pattern of meanings. Thus, the questions of inquiry in interpretivist research would be broad and general to allow the participants to construct meanings of the situations. Creswell (2014a) claims that open-ended questions may be preferable for the researcher to seek more insights on the subject areas. The main disadvantages associated with interpretivism relate to the subjective nature of this approach, and the great room for bias on behalf of the researcher. Primary data generated in interpretivist studies cannot be generalised since data is heavily impacted

by personal viewpoint and values (Creswell, 2014a; Saunders *et al.*, 2016). Therefore, the reliability and representativeness of the data is undermined to a certain extent as well (Creswell, 2014a; Saunders *et al.*, 2016). To summarise, interpretivist studies generate qualitative primary data of a high level of validity, but low level of reliability (Creswell, 2014a; Saunders *et al.*, 2016).

3.3.2 Ontology

Ontology describes “assumptions about the nature of reality” (Saunders *et al.*, 2016, p. 127). Ontology is a belief system that reflects an interpretation of an individual about what constitutes a fact (Creswell, 2014a). In other words, ontology is associated with a central question of whether social entities need to be perceived as objective or subjective. The other key ontological questions are: whether or not social reality exists independently of human conceptions and interpretations; whether there is a common, shared, social reality or just multiple context-specific realities; and whether or not social behaviour is governed by ‘laws’ that can be seen as immutable or generalizable (Ritchie and Lewis, 2003). Business and management research may often be a mixture of positivistic and interpretive views, perhaps reflecting the stance of realism (Saunders *et al.*, 2016).

- *Objectivism*

Bryman and Bell (2015) proclaim that objectivism states social phenomena which are external to researchers. In other words, objectivism “is an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors” (Bryman, 2003, p. 22). Objectivism maintains the argument of the single reality, which means one’s worldview is shaped by one single truth (Creswell, 2014a).

- *Subjectivism*

Subjectivism (also known as constructionism) perceives that social phenomena are created from perceptions and the consequent actions of those social actors concerned with their existence (Bryman, 2003). Formally, constructionism can be defined as an “ontological position which asserts that social phenomena and their meanings are

continually being accomplished by social actors” (Bryman, 2003, p. 23). Subjectivism believes multiple realities, in which respect different opinions and truths shape one’s world view (Creswell, 2014a; Saunders *et al.*, 2016)

- *Pragmatism*

Tashakkori and Teddlie (1998) contend that pragmatism is intuitively appealing largely because it avoids the researcher engaging in what they see as rather pointless debates about such concepts as truth and reality. The authors further argue that researcher should study “what interests and value to him/her, study in the different ways in which deem appropriate, and use the results in ways that can bring about positive consequences within his/her value system” (Tashakkori and Teddlie, 1998, p. 30).

3.3.3 Axiology

Axiology is a branch of philosophy that studies judgments about value (Saunders *et al.*, 2016). Saunders *et al.* (2016) refer to axiology as the acknowledge of informants’ judgment of values and ethics in a research project. Thus, the axiology-based assumption is about the nature of values and the foundation of value judgments (Sexton, 2003). The spectrum extends from ‘value-free’, where the researcher does not impose any value judgments on the subject of research, to ‘value-laden’, where value judgments are involved. Therefore, axiology can be divided into two separate continua such as value free and value laden (Pathirage, Amaratunga and Haigh, 2008). In value-neutral research, the choice of what to study and how to study it can be determined by objective criteria, whilst in value-laden research, choice is determined by human beliefs and experience (Easterby-Smith *et al.*, 2002). Gill and Johnson (2002) describe on the term ‘theory-laden’ as indicating the axiological stances of research. Moreover, Pathirage *et al.* (2008) refer to the term theory laden as “the way in which the prior theories and values of the observer influence what the individual sees” (p. 7).

- ***Application of philosophical underpinning in the mixed method approach***

Management scholars debate whether a single philosophy or multiple philosophies should be used for a research study (Saunders *et al.*, 2016). Thus, two contrasting paradigms have been proposed as pluralism and unificationism (Saunders *et al.*, 2016). The current research is mainly conducted with using qualitative and the quantitative data, thus pluralism has been applied. Ritchie and Lewis (2003) argue that some research is considered both in the sphere of qualitative and quantitative as a part of a social researcher's 'toolkit'. Myers (2008) explains that an interpretive study tends to explore a topic, whereas a positivist study is probably testing one or more hypotheses. Different banks may have adopted a different approach in dealing with innovation and relationship marketing. Therefore, the interpretivist paradigm is critical for addressing the subjectivity of innovation and relationship marketing concepts in this research. Finally, the inputs gained from qualitative study will design a quantitative study; this shows the characteristics of a positivist research paradigm. According to this argument, the current study may be captured as an epistemological undertaking characterised as being a mixture of interpretive and positivist paradigm.

The nature of innovation in relation to relationship marketing has not yet been comprehensively explored in the literature, a qualitative-orientated research has been conducted as the initial stage of the research. Qualitative studies generally believe the respondents' viewpoints, which reflect personal opinions and knowledge (Saunders *et al.*, 2016). This shows the properties of multiple realities according to ontological principles. On the other hand, a quantitative approach of research was conducted to generalise the PIRM model in the retail banking industry in Sri Lanka. This illustrates the characteristics of a single reality phenomenon according to ontological principles. From the axiological point of view, the researchers' and interviewees' knowledge and attitudes may shape the qualitative findings of the research. Moreover, the tools adopted to analyse the qualitative data mainly shape the value-laden approach. In contrast, value-free approach considers the deductive approach which can be found in the quantitative research studies. The following table briefly outlines the total application of philosophical underpinning particular to this research study. Moreover, the following table explains how epistemological, ontological and axiological underpinnings and assumptions have shaped the current research study. The

following table and subsequent discussion present the philosophical underpinnings applied in this particular research project.

Table 3.1 Application of Research Philosophy

Research Philosophy	Division of Philosophy	Application
Epistemology	Interpretivism	Qualitative Study
	Positivism	Quantitative Study
Ontology	Subjectivism	Multiple Reality - Inductive
	Objectivism	Single Reality – Deductive
Axiology	Value-Laden	Inductive Qualitative Study
	Value-Free	Deductive Quantitative Study

Many methodological experts claim that it is advisable to blend philosophical underpinnings in a mixed methods research that reflects “more comprehensive, insightful, and logical results than either paradigm could obtain alone” (Greene and Caracelli 1997, p. 10; McChesney and Aldridge, 2019; Saunders *et al.*, 2016). However, Mason (2006) reports that the complexity of mixed methods research pose a greater challenge for researcher to integrate different epistemology and ontological underpinnings that depend on the data and methods used. Morse (2010) defines mixed methods research “as one complete method (as the core project) plus a different simultaneous and sequential supplemental strategy, have been well explicated for combining the most difficult designs - that is, qualitative and quantitative methods” (p. 482). As this current research is an exploratory mixed methods research (Qualitative → Quantitative) (Creswell, 2014a), epistemological underpinnings of the research paradigm become twofold such as interpretivism and positivism. Interpretivism applies to the qualitative research study while the quantitative study is based on positivism. Packard (2017) claims that “interpretivism sees the social world through a distinct lens of intentionality rather than causality, of ‘becoming’ rather than ‘being,’ and relationships and interactions rather than social entities” (p. 536-537). On the other hand, Gray (2013) claims that the social reality of positivism lies external to the researcher and follow a systematic procedure for research design.

The second main paradigm of research philosophy is ontological underpinning in which objectivism and subjectivism are significant. Subjectivism refers to multiple realities that may have more than one truth in a social phenomenon (Saunders *et al.*, 2016). On the other hand, objectivism stems that there is only a single reality in a social phenomenon (Saunders *et al.*, 2016). Moreover, almost every subjectivism-based research studies are inductive in nature. Meanwhile, objectivism based on research is deductive in nature. Ontological underpinnings are unique in terms of shaping the “research objects” of a study (Saunders *et al.*, 2016, p. 127). Holden and Lynch (2004) claim that subjectivism and objectivism are two opposites concepts in which different philosophical underpinnings may position between them. Objectivism research mainly deals with facts and universal truths, unlike subjectivism research consider divergent thinking of informants who perceive the world around them (Saunders *et al.*, 2016).

In some cases, subjectivist research is called radical reflexivity (Cunliffe, 2003), due to the fact that quality of data is largely shaped by respondents’ experience, values and attitudes (Saunders *et al.*, 2016). Moreover, Holden and Lynch (2004) explain that objectivism evolves from natural sciences in which investigate exact and definite phenomena in the environment. Objectivism always deals with social reality that connects with “law-like generalizations” (Saunders *et al.*, 2016, p. 135). Objectivism assumes data and facts do not contaminate with personal opinion and biases (McChesney and Aldridge, 2019; Saunders *et al.*, 2016).

Qualitative data collection of this current study purely shapes with an open-ended questionnaire in which informants allow to interpret their own worldview. The collected information that is subject to the individual informant, rarely overlaps conceptually (Saunders *et al.*, 2016). Archibald *et al.* (2015) claim that exploratory mixed methods research design aid to identify variables in the qualitative phase that informs to the quantitative phase to further verification or validations. The subsequent phase of data collection of this current study was quantitative data collection in which established measurements are used objectively. Established measurements relate to innovation, relationship marketing and SCA were carefully adapted to the quantitative study. Since little known about the innovation-based relationship marketing, hypothesize

relationships were mainly derived from the proxies of innovation, relationship marketing and SCA.

The third and final research paradigm discussed under this research involves axiological underpinnings in which can also be represented in two streams in the exploratory mixed methods research such as value-laden and value-free. Value-laden research relate to inductive qualitative research whereas value-free research lie deductive quantitative research. Value-laden research are mainly shaped by the researcher's worldview to be blended into a research study. In such research, knowledge, skills and attitudes of the researcher play a significant role in the research methods including data collection and data analysis (Saunders *et al.*, 2016). The value-laden research are generally qualitative oriented inductive research. On the other hand, value-free research do not necessarily impute the researcher's influence on the research study. Therefore, such research can be considered as deductive quantitative research. In this particular exploratory mixed methods research study, the qualitative research phase can be regarded as value-laden philosophy whereas subsequent quantitative research can be recognised as value-free philosophy.

However, there is a growing acceptance of pragmatism, which can be applied for mixed method research design (Saunders *et al.*, 2016). Pragmatists argue that one philosophical assumption may not support a research design, but a mixture of underpinnings do (Tashakkori and Teddlie, 2010). Under the pragmatism philosophical underpinning, Ritchie and Lewis (2003) argue that mixed methods designs must not be viewed as incompatible and competing strategies, however, it is truly as a complement to each other. Moreover, pragmatism may support to reveal the real-world situations by combining different world views especially positivism and interpretivism (Ritchie and Lewis, 2003).

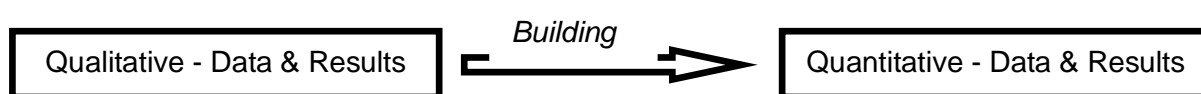
3.4 Justification of Purpose of the Research Study

According to the purpose, research can be divided mainly into three strands, namely exploratory study, explanatory and descriptive (Collis and Hussey, 2014; Saunders *et al.*, 2016). Saunders *et al.* (2007) cited Robson (2002) describing an exploratory study as a valuable means of finding out new knowledge by using qualitative research methods. The exploratory study is particularly useful if the researcher wishes to clarify

understanding of a problem, especially if the researcher is not clear about the nature of the problem (Saunders *et al.*, 2016, Sekaran and Bougie, 2016). Exploratory research design is more beneficial in situations when the design needs to be updated concurrently (Saunders *et al.*, 2007). This means that the researcher is ready to change the direction of the study as new data and new insights emerge from the study (Saunders *et al.*, 2016). This type of research helps to address research issues specially when there is no previous research, or only a little is available for reference about the issue (Collis and Hussey, 2014). Collis and Hussey (2014) further highlight that exploratory research aims to find patterns or ideas rather than test hypotheses.

Exploratory research design seeks information on a qualitative basis rather than quantitatively (Bamber, 2016, Saunders *et al.*, 2016). However, the exploratory mixed methods design allows researchers to collect data qualitatively that may lead to a quantitative study at a later stage of the research (Bamber, 2016, Saunders *et al.*, 2016). Typical techniques employed in exploratory research are case studies, observations and historical analysis (Collis and Hussey, 2014). Collis and Hussey (2014) explain that exploratory research aims to gain a deeper understanding of the subject, promising a more sophisticated analysis at a future stage in the project. Thus, data and results which are generated from exploratory research can be a platform for quantitative research later in the research process, thus creating an exploratory mixed methods design (Bamber, 2016, Saunders *et al.*, 2016) as indicated in Figure 3.2.

Figure 3.2 Exploratory Mixed Methods Design

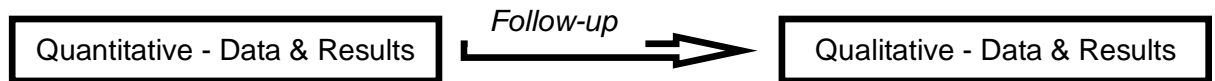


(Source: Bamber, 2016; Creswell, 2014a)

In contrast, explanatory studies aim to reveal a causal relationship between variables (Collis and Hussey, 2014; Saunders *et al.*, 2016). This means that explanatory research investigates the positive and negative relationship among exogenous and endogenous variables (Saunders *et al.*, 2007). An important feature of explanatory research is to identify and control variables where necessary in order to build causal relationships (Collis and Hussey, 2014). Explanatory mixed methods research encourages researchers to collect data quantitatively at the first phase of

methodology, followed by a qualitative design (Bamber, 2016; Creswell, 2014a). The sequence of an explanatory mixed research design is shown in the following Figure 3.3.

Figure 3.3 Explanatory Mixed Methods Design



(Source: Bamber, 2016; Creswell, 2014a)

Saunders *et al.* (2007) cited Robson (2002, p. 59) as descriptive studies being a means “to portray an accurate profile of persons, events or situations”. In other words, descriptive research act as an expansion of exploratory research or explanatory research in some situations (Saunders *et al.*, 2007). This type of research design cannot be applied for situations where there is a causal relationship between variables. Therefore, such studies normally proceed to explanatory research (Saunders *et al.*, 2016).

Based on the provided overview of research purposes, this research is mainly associated with the exploratory mixed methods research design. Since PIRM is an under-research area, there is a need to conduct a qualitative study as the initial stage of the research in which built the quantitative study. The final stage of the research study was shaped with quantitative study in which survey method was employed. The major advantage of such a design is that the results gained from the qualitative design can be used as an input for the quantitative methods (Creswell, 2014a).

3.5 Justification of Research Approach

The choice of research approach in term of theory or data comes first may relate to positivism and subjectivism research paradigm (Pathirage *et al.*, 2008). Hence, the research approach can be mainly divided into inductive and deductive. Gill and Johnson (2002) claim that deduction initially develops a conceptual framework or a theoretical structure prior to test through empirical observations. In contrast, induction builds based on data that aims to generate a theory in which challenges existing knowledge and understanding (Pathirage *et al.*, 2008). In short, deductive research

tends to move from theory to data (theory → method → data → findings), whereas inductive research proceeds from data to theory (method → data → findings → theory) (Pathirage *et al.*, 2008). Theory is often labelled as a model, a framework, or a collection of propositions or hypotheses for explanation and understanding of a phenomenon (Pathirage *et al.*, 2008). Remenyi *et al.* (1998) add that the researcher may deduce a new theory by analysing and then synthesising ideas and concepts already present in the literature. Easterby-Smith *et al.* (2012) argue that positivist research more aligns with the deductive approach, whereas social constructivist research is on a par with the inductive approach. Moreover, the inductive approach and deductive approach are not mutually exclusive (Gray, 2013); the combination of the two approaches is possible as it allows for harvesting the benefits of both strands (Gill and Johnson, 2002; Saunders *et al.*, 2016; Yin, 2003). The following Table 3.2 illustrates the main differences between the two approaches of research.

Table 3.2 Major Differences Between Inductive and Deductive Approaches

Induction	Deduction
Moving from data to theory	Moving from theory to data
Common in social sciences	Common in natural sciences
Flexible structure to permit changes	A highly structured approach
Understanding of meanings humans attach to events	Explain causal relationships between variables
Less concern with the need to generalise	Select samples of sufficient size to generalise conclusions

(Source: Saunders *et al.*, 2016)

Under the inductive approach, researchers plan qualitative data collection tools carefully and analyse the collected data to verify whether they emerge patterns, themes or categories that relate to variables investigated (Gray, 2017). Therefore, the current research will adopt firstly the inductive approach where the study stresses creating a new knowledge and understanding of PIRM. To enhance the level of reliability in the inductive research, the investigator may use multiple sources of data collection rather relying on one source (Gray, 2013). Hence, the current study

employed multiple source of data collection, such as qualitative interviews and archived documents. The reason for adopting the inductive method as the initial stage of this research was to explore and understand the nature of PIRM, which is relatively new to the Sri Lankan retail banking industry. The inductive approach allows researchers to investigate and understand a phenomenon or social world wisely (Creswell, 2014a).

Furthermore, this study employs the deductive method where the research would verify the theory that has originated from the inductive approach. In this thesis, the lessons learned from the inductive study are a platform for the deductive study, which aids this study to generalise the findings in the Sri Lankan retail banking sector. In summary, the inductive approach has been applied to build PIRM model, then, the deductive approach was employed to test the said model. As such Saunders *et al.* (2007) explain that some research may combine deductive and inductive approach in the same research study such as abduction in which gives broader application of research approach.

3.6 Justification of Research Strategy

Saunders *et al.* (2016) delineate research strategy as a mean of reaching research objectives and answering research questions. Creswell (2014a) claims that a research strategy is a strategy of inquiry. A research strategy, according to Bryman (2008), is “a general orientation to the conduct of research” (p. 698). On a similar note, Remenyi *et al.* (2003), explain that the research strategy is a process by which the research is conducted. Thus, employing the right research strategy is pivotal in order that data collection can be linked to the research aim and the research questions. Creswell (2014a) divides the research strategies into three: quantitative strategies, qualitative strategies and mixed method strategies.

The major research strategies can be characterised as: experimental research, survey research, grounded theory, ethnography, and case study in which they are dichotomous between the inductive and deductive approach (Easterby-Smith *et al.*, 2012; Gill and Johnson, 2002; Saunders *et al.*, 2016; Yin, 2014). Experimental research investigates the causal relationship between an experimental variable and a controlled variable by generally looking at a sample (Baker, 2001; Saunders *et al.*,

2016). Surveys are conducted on a wider population using economic data collection methods such as questionnaires (Saunders *et al.*, 2016). Grounded theory is a methodological strategy where data is collected without having an initial theoretical framework (Saunders *et al.*, 2016). The grounded theory offers a systematic approach to collecting and analysing the data from which the theory emerges (Saunders *et al.*, 2016).

Ethnography and action research originate from the social sciences and expect a level of commitment from the researcher (Easterby-Smith *et al.*, 2012; Saunders *et al.*, 2016). In contrast, case studies provide an opportunity to use multiple sources of evidence to empirically investigate a contemporary phenomenon (Yin, 2014). Thus, case studies allow the researcher to find answers to 'what', 'why' and 'how' types of questions (Saunders *et al.*, 2007; 2016). Case study data can be collected using several methods that may include questionnaires, interviews, observations, and documentary evidence (Yin, 2014). The following sections will elaborate the research strategies, and reasons for selecting particular methods in this research study.

An experimental study is an inductive-based strategy which relates much more to the natural sciences, although it features strongly now in social science research (Saunders *et al.*, 2016). In an experimental study, there are two groups mainly involved, one being an experimental group and the other, a control group. Thus, an experimental study concentrates on studying the relationship between an independent variable and a dependent variable (Saunders *et al.*, 2016). Additionally, Creswell (2014a) explains that experimental research investigates a specific treatment that may stimulate the possible outcome of a piece of research. Similarly, Collis and Hussey (2014) explain that an experimental study is pivotal when the investigator is interested in finding a relationship between variables. Those variables might be an independent variable, a dependent variable, a mediating variable, a moderating variable, a control variable or a confounding variable (Saunders *et al.*, 2016).

An experimental study generates predictions by using hypotheses, rather than research questions (Saunders *et al.*, 2016). Hypotheses may be used as a null hypothesis or an alternative hypothesis, which acts as the argument for the experimental study. The null hypothesis works as either no difference or there exists

a relationship between variables, whereas an alternative hypothesis means this in reverse (Saunders *et al.*, 2016). Saunders *et al.* (2016) claim that the experiment research may be found in both exploratory and explanatory research and would mainly answer the 'how' and 'why' research questions. The experimental study can be categorised into three main types, namely the classical experiment, the quasi-experiment and the within-subject design (Saunders *et al.*, 2016).

As a general rule, research questions may turn into hypotheses that can predict the relationship between variables. However, many business and management-related research still use research questions to understand the relationship between variables rather than proving the hypothesised relationships (Saunders *et al.*, 2016). Though experimental research contributes to knowledge, Collis and Hussey (2014) argue that experimental types of research are very narrow in nature, and that may count as a critical issue for knowledge development. Moreover, the sample of experimental types of research may not fairly represent the known population due to the willingness of the participants, which is much harder to obtain (Saunders *et al.*, 2016). Additionally, the design requirements of an experiment often mean that samples selected are both small and atypical, leading to problems of external validity (Saunders *et al.*, 2016). In addition, Bryman and Bell (2011) state that experimental research is rarely to be found in business and management research. Table 3.3 illustrates the different experimental designs that can be used for research studies.

Table 3.3 Types of Experimental Designs

Experimental Designs	Meaning
Classical designs	A sample of participants is selected and then randomly assigned into either an experimental group or to a control group. For the experimental group, a planned intervention or manipulations will be tested. Control group remains as no intervention. The results will show changes made on dependent variables only.
Quasi-experimental designs	Even though a control group and experimental group are assigned for this design, the investigator does not assign participants randomly to each group.

Within-subject designs	Assign only one group rather than a control and experimental group. Use 'repeated measure' so that every participant experiences the planned interventions. This requires fewer participants compared to between-subject designs.
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(Source: Saunders *et al.*, 2016)

Creswell (2014a) defines survey research as a quantitative research that usually explains attitudes, opinions and trends using numerical values. The survey method is one of the most widely used research methods in business and management disciplines and mostly links to a deductive research approach (Saunders *et al.*, 2016). More specifically, this strategy is mainly used in explanatory and descriptive nature research, where it normally answers 'what', 'who', 'where', 'how much' and 'how many' questions (Saunders *et al.*, 2016). Collis and Hussey (2014) also confirm that survey research could be found in positivist research paradigms.

Survey results provide evidence for particular relationships between variables and allows for models to be produced based on those relationships (Saunders *et al.*, 2016). In some cases, the researcher is able to collect data from a population which is low in numbers (Collis and Hussey, 2014). A larger population may be costly and time-consuming and then the sampling method may apply in many cases (Collis and Hussey, 2014). Therefore, a survey research may be used to collect data from a sample in which random sampling is mainly accepted as a representative sample for an unbiased population (Collis and Hussey, 2014; Saunders *et al.*, 2016).

The survey strategy allows data collection through questionnaires, structured interviews and structured observations (Collis and Hussey, 2014; Creswell, 2014a; Saunders *et al.*, 2016). Thus, the researcher may have more control over the research process (Saunders *et al.*, 2016). The platform of data collection may vary; questionnaires, interviews and observations could be collected via post, Internet, telephone or face-to-face (Collis and Hussey, 2014; Creswell, 2014a). The collected data can be analysed statistically (Creswell, 2014a) and quantitatively (Saunders *et al.*, 2016) to generate inferential statistics. Saunders *et al.* (2007; 2009; 2016) explain the advantages of using the survey research method:

- It allows the collection of a large amount of data from a sizable population in a highly economical manner,

- It mainly uses questionnaires, which leads to easy comparison and data standardisation,
- It helps to collect data quantitatively, which allows analysis by using descriptive and inference statistics and
- Samples are basically used in the survey method, which helps generalisation of the findings about a whole population at a lower cost, rather collecting data from whole population.

Despite those advantages, the survey method has some limitations as well:

- It is time-consuming regarding the preparation of data collection tools and instruments,
- In some cases, obtaining a representative sample is problematic and complex, thus survey results may not represent the population characteristics and
- Response rate may be low.

Ethnography, which mainly originates in anthropology, uses an inductive research approach to describe and explore the social world (Saunders *et al.*, 2016). An ethnography strategy is defined as a study of people, their societies and culture (Collis and Hussey, 2014; Saunders *et al.*, 2016). However, Saunders *et al.* (2016) argue that ethnography can be applied not only to observe social phenomenon, but also in the social sciences, including the disciplines of business, marketing and management. Boyle (1994), as cited in Collis and Hussey (2009), claim that ethnography provides insights through a group investigation and allows the researcher to understand the participants' world. Thus, ethnography is a unique strategy that mainly helps researchers to understand, partially or fully, a description of the participating group (Collis and Hussey, 2014). In ethnography strategy, data may be collected through interviews and observations (Collis and Hussey, 2014; Creswell, 2014a). However, this is one of the most time-consuming research strategies, where the researchers look to develop new patterns of thought, changing in context over time (Collis and Hussey, 2014; Creswell, 2014a). As a golden rule in ethnography research, the researcher should be sure that the scale or scope of the ethnographic project is realistic and achievable (Saunders *et al.*, 2016). In addition, with an ethnography

strategy, the researcher should be able to prepare to be fully involved in the research process. Saunders *et al.* (2016) explain the selection process for a context or a group that permits the researcher to answer the research questions and derive research objectives. The quality and depth of the information may depend on the trust in which the researcher creates during the data collection process (Saunders *et al.*, 2016).

The term grounded theory denotes that the theory is generated from an iterative process, involving the continual sampling, collection and analysis of data to inform the next stage of the sample design, until theoretical saturation is achieved; that is, no new ideas or theories emerge (Saunders *et al.*, 2016). In the grounded theory, the theory should be derived from the data through a series of data collection methods; therefore, the researcher does not need to create any theoretical framework initially (Saunders *et al.*, 2016). The grounded theory is an inductive method of research; however, it is more applicable when it achieves theory building through a combination of both inductive and deductive approaches (Saunders *et al.*, 2016). The iterative nature of the theoretical sample design is vital for grounded theory, whereby the investigator can analyse the data as the sampling is progressing (Saunders *et al.*, 2016). The sampling design allows the researcher to alter the direction of the research until the theory saturation is achieved (Charmaz, 2014; Strauss and Corbin, 2015). This research strategy involves multiple stages of data collection, including the refinement and the inter-relationship of categories of information (Charmaz, 2014; Strauss and Corbin, 2015). Glaser and Strauss (1967), as cited in Collis and Hussey (2009), report that this strategy was created as a reaction to positivist studies that began with a theoretical framework and collected data to establish hypotheses testing. The grounded theory would not depend on priori theories; conversely, it would utilise the collected data to generate a theory (Charmaz, 2014). Grounded theory has been recognised as an interpretative method that describes the participant's world or the participant (Stern, 1994), as cited in Collis and Hussey (2009). Saunders *et al.* (2016) claim that grounded theory has been specifically helpful for researchers to predict and explain behaviour and puts an emphasis on the development and building of a theory. Therefore, grounded theory strategy could be used to explore a wide range of business and management issues (Charmaz, 2014).

Saunders *et al.* (2016) cited Yin (2014) when explaining that a case study is an in-depth inquiry into a topic or phenomenon within its real-life setting. The application of the case study is more comprehensive and flexible, and largely depends on researcher choice (Yin, 2014). Saunders *et al.* (2016) confirm that a case study can be applied almost every research types including positivist, interpretivist, inductive, deductive, descriptive, exploratory and explanatory research. In case study research, the unit of analysis could be a person, a group, an organization, an association, a change process, an event, or many other types of cases (Saunders *et al.*, 2016). Morris and Wood (1991) recommend that the case study strategy should raise an understanding of the context and process in which the case is applied. The case study strategy is ideal for answering research questions starting with 'why', 'what', and 'how' (Yin, 2014). In this sense, the case study strategy can be typically used in exploratory and explanatory research (Collis and Hussey, 2014). Saunders *et al.* (2016) report that the data collection methods for case studies may be dynamic and combine a mixture of techniques. Typical data collection methods are interviews, observation, document analysis, questionnaires and/or a combination of these techniques (Saunders *et al.*, 2016). The case study strategy is well suited for challenging existing theories and generating new sources of research questions (Saunders *et al.*, 2016). Yin (2014) explains four types of case studies:

- Single case vs Multiple case and
- Holistic case vs Embedded case

A single case is ideal when it is used to observe and analyse a phenomenon which has already been considered by previous researchers (Saunders *et al.*, 2016). However, multiple cases incorporate more than one case, where the findings can be justified and generalised from one case to another (Saunders *et al.*, 2016). Compared to other research strategies, the case study method is distinctive in many ways, such as, being an experimental study, it partially controls the variables that impact on the validity of the findings (Saunders *et al.*, 2016). However, the survey method is only limited to the variables that are used to collect the data, even if the survey is conducted in a real world (Saunders *et al.*, 2016).

Collis and Hussey (2014) claim that access and negotiation for an ideal case may be difficult and time-consuming. They also comment that it can be problematic defining the scope of the research due to the depth of the case (Collis and Hussey, 2014). In addition, case studies involve history and the future, which the researcher might find specific events at a specific time challenging to understand without knowing the history of the case and what the future may hold (Yin, 2014). However, Saunders *et al.*, (2016) cited in Flyvberg (2011) demystify the myths pertaining to case studies, such as generalisation issues, reliability and the theoretical contribution to the knowledge.

Saunders *et al.* (2016) highlight that selection of an appropriate research strategy should be aligned with research questions, research objectives, the level of current knowledge on the subject area, time, resources availability and the philosophical underpinnings. In addition, Yin (2014) suggests that selection of a research strategy may depend on: the type of research question, the extent of control an investigator has over actual behavioural events, and the degree of focus on contemporary or historical events. Even though some research strategies may overlap, the researcher should carefully select the ideal strategy for the investigation (Saunders *et al.*, 2016; Yin, 2014).

Upon analysis of the pros and cons of several research strategies, the current research has employed a mix of strategies: the case study and the survey method. The initial and qualitative research phase has been shaped by the multiple case study method. The strategy behind the selection of a multiple case study is that IRM in the banking sector is quite a new concept, thus there is no direct available literature on this topic. Leedy and Ormrod (2001) state that the case study research attempts to learn grey research areas in which also have little or poor understanding. Compared to the grounded theory approach, the case study is relatively less time-consuming. In addition, the case study method can provide an in-depth understanding of a particular research topic (Yin, 2014). The final and quantitative research phase has been shaped by the survey method. The insights gained from the multiple case studies have been used carefully to design the survey. Under the survey method, a structured questionnaire was distributed among Sri Lankan bankers. The rationale behind the application of the survey method is that it can generalise the findings, is less time consuming, and less cost is involved (Saunders *et al.*, 2016).

3.7 Phase I - Qualitative Research

The main purpose of this section is to explain the steps that have taken to develop the qualitative research phase. Therefore, population, sampling method and the justification of the selected qualitative techniques are explained respectively. This phase of the research was based on the qualitative research study. Denzin and Lincoln (2011) define qualitative research as “a situated activity that locates the observer in the world”. The same authors confirm that qualitative research applies interpretivism in which illustrates real world phenomenon (Denzin and Lincoln, 2011). The following Table 3.4 explains the advantages and disadvantages of qualitative research.

Table 3.4 Advantages and Disadvantages of Qualitative Research

Advantages	Disadvantages
Often shows a few participants view about the research problem	Limited generalizability
Captures the voices of participants	Use only soft data
Experience of the participants largely decides the outcome	Findings are subjective
Appeals to people’s enjoyment of stories	Relied on participants’ expertise rather researcher’s expertise

(Source: Creswell, 2014b, p. 5)

3.7.1 Interview Development

- The Population of Qualitative Study

A research population is “the entire group of people, events, or things of interest that the researcher wishes to investigate” (Sekaran, 2000, p. 266). The population of the qualitative study falls in 27 retails banks which operate in Sri Lanka.

- Sampling Methods of Qualitative Study

With the impracticality of collecting data from the population, there are various sampling methods that can be employed for data collection (Saunders *et al.*, 2016). Moreover, selecting an appropriate sample technique is a crucial decision to be made

within the research process (Saunders *et al.*, 2016). Mainly, two types of sampling methods are generally applicable for a research study: probability sampling and non-probability sampling (Bryman and Bell, 2015). A distinctive feature of probability sampling is that each participant of the population has an equal opportunity to be selected for the sample (Saunders *et al.*, 2016). There are a number of probability sampling techniques available for research studies; random sampling, systematic sampling, stratified sampling and multi-stage cluster sampling (Saunders *et al.*, 2016).

On the other hand, the non-probability sampling method is mainly adopted in the exploratory stages of the research, in which convenience sampling, snowball sampling and quota sampling are significant (Saunders *et al.*, 2016). “Subjective judgement” is particularly important (Saunders *et al.*, 2016, p. 297) when selecting the ideal non-probability sampling technique for a research study. Saunders *et al.* (2016) cited Patton (2002), attests that the sample size of non-probability sampling is shaped by the research questions and research objectives. For this particular research study, a non-probability sampling method, more specifically, the convenience sampling technique has been applied. To derive the research aim, research questions and research objectives, the qualitative data collection has employed the convenience sampling method. Although the number of informants is immaterial in a qualitative study, Saunders *et al.* (2012) recommend that 5 - 25 informants may have to recruit for a non-probability sampling research. The reasons for selection of the convenience sampling are that it allows the researcher to undertake an in-depth study with a relatively smaller sample size, and the informants can be selected particular to the purpose, research aim and research objectives of the study (Saunders *et al.*, 2016).

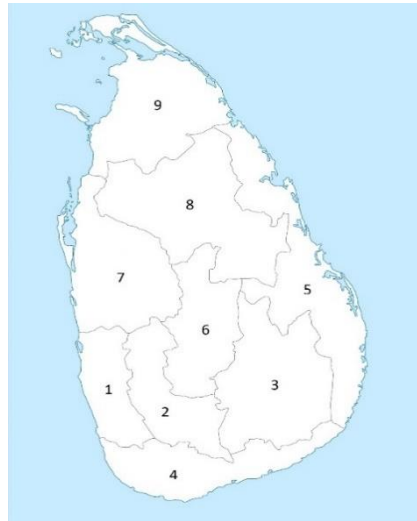
Table 3.5 indicates the sample distribution of the in-depth interviews in Sri Lanka. The informants had been recruited based on the area, designation and years of experience in their particular banking organization. Following Table 3.5, Figure 3.4 illustrates the Sri Lankan map showing the relevant provinces in which the samples were drawn. The Western part of the country, which is the economic hub and where most banks are located, was given priority for selecting participants. Only the Northern Province was not allocated any participants due to the fact that the area is rebuilding after the ethnic war, and there was a communication barrier with the language.

Table 3.5 Sample Distribution for the In-depth Interviews

Area	No of Participants
Western Province (1*)	8
Sabaragamuwa Province (2*)	2
Uva Province (3*)	1
Southern Province (4*)	1
Eastern Province (5*)	1
Central Province (6*)	1
North Western Province (7*)	1
North Central Province (8*)	1
Northern Province (9*)	0

*The number shown in each area is correspondence with Figure 3.4.

Figure 3.4 Sample Distribution for the In-depth Interviews



- Recruiting informants for the qualitative data collection

For the qualitative data collection, four retail banks were consulted. To get the approval to access of data from the retail banks, both formal and informal mechanisms were used. In the formal vein, the researcher has sent formal email requests from the relevant human resource managers in particular retail banks. The email request was attached with a letter of director of studies, qualitative research questionnaire and consent form. Upon sending a few reminders, two banks have given the approval of

collecting qualitative data from their banks. The other two retail banks were purely contacted via personal contacts with respective personnel. However, the researcher has to send the same documents (a letter of director of studies, qualitative research questionnaire and consent form) prior to being granted the approval for data collection. This mechanism helps the researcher to collect unbiased data, even though latter retail banks were communicated via personal contacts. Rubin and Rubin (2011) confirm that the interviewee recruitment process becomes effective if the interviewer knows the interviewees very well.

The recruitment of informants strictly happened based on theoretical sampling where only knowledgeable and expert on particular areas of banks were interviewed for getting meaningful data for the qualitative study. Participants have been recruited from almost every retail banking segment; customer experience executives, customer experience managers, customer relations executives, relationship executives, relationship managers, product development executives, branch managers, and employee relations officers. Moreover, informants consist of early career bankers as well as experienced bankers who spend their most of career lives with banking. The main reason for selecting a mixed group of informants is that the insights can be mainly matched with the research aim.

- Qualitative Interview Process

Four banks have provided cases for the research. In-depth interviews, document analysis, and promotional details in the banks' websites have been referred to the case study. In-depth interviews were held with informants from the bank head offices and selected branch networks in November 2016. Informants were asked to book a convenient date in the month of November 2016 as indicated in Table 3.7. The researcher reserved one week in between the month of November for two reasons: if anyone wants to change the pre-arrangement day and record the outcome of the interviews manually in the previous weeks.

Table 3.6 November - Interview Planner 2016

Mo	Tu	We	Th	Fr	Sa	Su
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	1	2	3	4

Colour denotes the interview appointments

The questions included in the open-ended questionnaire did not always follow the order of arrangement questions. Additional probing questions that were not included in the questionnaire were asked as the interview progressed. The same questionnaire was employed for each banker in the four different banks. 16 bankers who were interviewed during the in-depth interview process represent four different banks including a government bank. All informants were informed of the research aim, research objectives, research questions, and data privacy policy. Moreover, informants were encouraged to sign a consent form which explains the terms and conditions, informants' rights, responsibilities, and ethical clearances.

3.7.2 Qualitative Data Collection

In order to design the open-ended questionnaire, the researcher studied a number of prominent research journals that help to shape the final research questionnaire. The following publications (Table 3.6) were mainly sourced and referred to finalise the open-ended qualitative research questionnaire. Moreover, Tidd and Bessant (2013) and OECD (2005) provide a valuable insight of making the final qualitative questionnaire.

Table 3.7 A List Publications Referred

Area covered in the questionnaire	Author/s	Journal Name	Published Year
Product Innovation	Slater, Mohr and Sengupta	<i>Journal of Product Innovation Management</i>	2014
	Oke	<i>International Journal of Operations & Production Management</i>	2007
	Dul and Ceylan	<i>Journal of Product Innovation Management</i>	2014
	Löfsten	<i>European Journal of Innovation Management</i>	2014
	Troilo	<i>Journal of Technology Management in China</i>	2014
Process Innovation	Onay and Ozsoz	<i>Journal of Financial Services Research</i>	2012
	Safeena, Date and Kammani	<i>International Arab Journal of e-Technology</i>	2011
	Tan and Teo	<i>Journal of the Association for Information Systems</i>	2002
	Polatoglu and Ekin	<i>International Journal of Bank Marketing</i>	2001
	Simon and Yaya	<i>Industrial Management & Data Systems</i>	2012
Organizational Innovation	Caldwell and O'Reilly	<i>Small Group Research</i>	2003
	Thomya and Saenchaiyathon	<i>International Business Management</i>	2015
	Crossan and Apaydin	<i>Journal of Management Studies</i>	2010
	Damanpour	<i>Management Science</i>	1996
	Sinkula, Baker and Noordewier	<i>Journal of the Academy of Marketing Science</i>	1997

	Rostami	<i>International Journal of Management, Accounting and Economics</i>	2015
	Palmer	<i>Journal of Relationship Marketing</i>	2002
	Palmer, Lindgreen and Vanhamme	<i>Marketing Intelligence & Planning</i>	2005
	Payne and Frow	<i>Journal of Marketing</i>	2005
	Perrien, Filiatrault and Richard	<i>Industrial Marketing Management</i>	1993
Relationship Marketing	Ramesh	<i>International Journal of Applied Services Marketing Perspectives</i>	2013
	Ryals and Payne	<i>Journal of Strategic Marketing</i>	2001
	Sheth	<i>Journal of Services Marketing</i>	2002
	Sin, Tse and Yim	<i>European Journal of Marketing</i>	2005
	Vesel and Zabkar	<i>European Journal of Marketing</i>	2010
	Weerawardena and O'Cass	<i>Industrial Marketing Management</i>	2004
SCA	Oliver	<i>Strategic Management Journal</i>	1997
	Parasuraman	<i>Journal of the Academy of Marketing Science</i>	1997

- Qualitative Pilot Study

An open-ended questionnaire (Appendix III) was employed to collect primary data for the case study. Prior to actual data collection, the questions were reviewed by the director of studies, two ICRM marketing scholars, two PhD students and three Sri Lankan bankers. Their ideas and suggestions were considered before drawing up the pilot open-ended questionnaire. The questionnaire was piloted with three bankers in

Sri Lanka. The insight which gained from the pilot study, were shaped the main study questionnaire. Mainly four questions were asked to rephrase and amend in order to meet the research objectives and research questions while enhancing the clarity of the questions. The changes made in the qualitative pilot questionnaire are shown in Table 8. Questions, which were mainly targeted the research aim, research questions and research objectives, include enquiries about product innovation, process innovation, organizational innovation, relationship marketing and SCA.

Table 3.8: Changes Made at the Pilot Stage of Qualitative Study

Pilot Study Questions	Changes made	Main Study Questions
How do you provide excellent service through the financial product innovation?	To enhance the clarity of the questions, the tone has been changed.	How might you explain customers' benefit from the development and modification of financial products?
What are the steps you will execute for identifying customers' needs?	In order to match with research objectives and research questions, the question has been asked to change.	How might you explain the determinant of financial product innovation?
How do you encourage customers to exchange opinions and experiences as a part of maintaining strong relationships?	To enhance the clarity of the questions, the tone has been changed.	What is the importance of maintaining relationships with clients?
How do you get benefited from enhanced customer relationships?	To enhance the clarity of the questions, the tone has been changed.	What are the benefits of having loyal customers?

3.7.3 Qualitative Data Analysis

Saunders *et al.* (2016) claim that a qualitative approach is ideal for theory development where substantive theory may emerge from the combined effort of data collection, data analysis and interpretation. The idea to derive a model in relationship marketing based on innovation was one of the key concerns in this study. Bogdan and Biklen (1982) define qualitative data analysis as “working with data, organising it, breaking it into manageable units, synthesizing it, searching for patterns, discovering what is important and what is to be learned, and deciding what the researcher will tell others” (p. 145). Hoepfl (1997) argues that qualitative analysis needs some level of creativity due to the following factors:

- The challenge of organising raw data into logical, meaningful categories,

- Examining them in a holistic fashion and
- Finding a way to communicate this interpretation to others (Hoepfl, 1997).

The in-depth interviews and archival documents were analysed through within-case analysis and cross-case analysis in the multiple case study design. The unit of analysis in the case study was the retail banking segment in each bank. Yin (2014) recommends five case study analysis methods: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis.

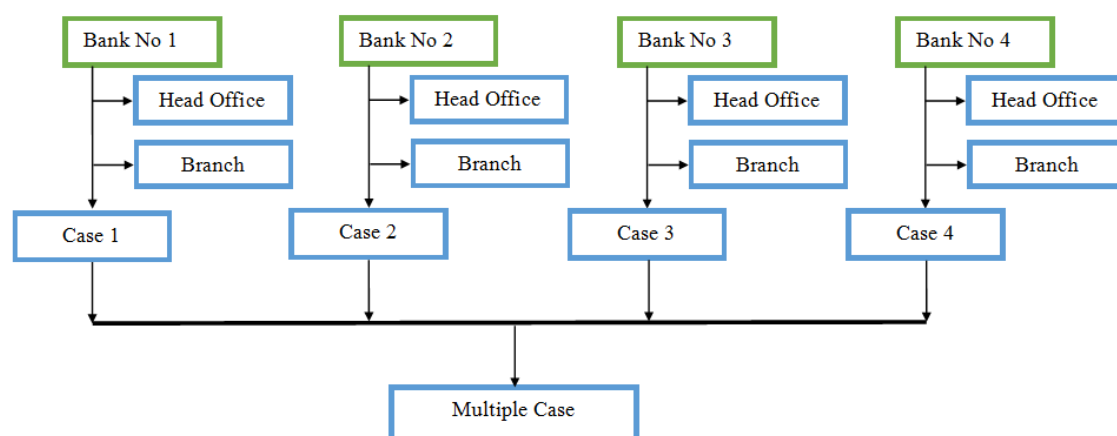
Pattern matching is one of the most often used case study analysis methods (Yin, 2014). This method compares empirically based patterns with a predicted one or with several other predictions (Yin, 2014). If the patterns in the data overlap, the results may help confirm the case study's internal validity (Yin, 2014). On the other hand, explanation building technique is a unique pattern matching version in which the procedure is much more difficult than pattern matching (Yin, 2014). Using this technique, the researcher's role is to analyse the case study data by building an explanation of the case (Yin, 2014). The technique can be used in either explanatory case studies or exploratory cases (Yin, 2014). Explanation building is a repetitive process that begins with a theoretical statement, refines it and revises the proposition, repeating this process from the beginning (Yin, 2014).

Time-series analysis is a well-known technique in experimental and quasi-experimental analysis (Yin, 2014). The time-series analysis will lay a firm foundation for the conclusions of the case study. The technique can be applied in three different ways: simple time series, complex time series and chronologies (Yin, 2014). On the other hand, Yin (2009, p. 149) explains that "logic models considerate a series of events that happen during a certain period of time". Many scholars regard logic models technique as another kind of pattern matching technique because the logic model technique consists of matching empirically observed events to theoretically predicted ones (Yin, 2014). However, because of the sequential stages in this technique, it deserves to be distinguished as a separate data analysis technique from the pattern matching (Yin, 2014). According to Yin (2014), cross-case synthesis applies specifically to the analysis of multiple cases. Pattern matching and explanation building cannot apply for this research because of the time constraint as they generally

require data saturation by repeating the data collection (Yin, 2014). On the other hand, time-series analysis and logic models cannot apply since this research uses cross-sectional study which handles panel data. Moreover, time-series and logic models generally apply in deductive case studies, which is not applicable for this research since this research is an inductive-based case study.

By looking at the nature of the research and data gathered, the ideal method to analyse this qualitative case study data was to employ the cross-case synthesis. As Yin (2014) confirms, the results of each case study can be represented in the form of word tables that expand further with cross-case synthesis. Moreover, cross-case synthesis is best suited for cross-sectional studies (Yin, 2014). Overall, this research has implemented the multiple case study method for analysing data from particular banks. Figure 3.5 depicts the case study design, where each bank head office and branch represent one individual case study. Finally, all four banks cases were linked to form a multiple case.

Figure 3.5 Case Study Design



The purpose of adopting the multiple case study was to develop the PIRM model, which could be classified as theory building based on inductive principles. Eisenhardt and Graebner (2007) show the significance of adopting the multiple case study as, “each case serves as a distinct experiment that stands on its own as an analytic unit” (p. 25). Yin (2014) explains that multiple case studies work similar to laboratory-based experiments, which allow replication, comparison and contrast, and extend the emerging theory accordingly. Eisenhardt and Graebner (2007) admit that case studies can be used for theory building inductively and theory testing deductively. Though

single case study explains “the existence of a phenomenon” (Siggelkow, 2007), multiple cases allow to compare and clarify whether the emergent finding is distinct to a single case or consistently replicated by several cases (Eisenhardt and Graebner, 2007). Yin (2014) argues that multiple case studies are ideal for building theories. Moreover, multiple cases enable to generate of substantive theory mainly because of within-case analysis and cross-case analysis (Eisenhardt and Graebner, 2007).

As a form of research, the case study is unparalleled for its ability to consider a single or complex research questions within an environment rich with contextual variables (Schell, 1992). The case study is best suited to considering the ‘how’ and ‘why’ questions (Yin, 2014), or when the investigator has little control over events (Schell, 1992). However, the case study method may have some limitations, such as misapplication and the production of incorrect or inconsistent findings (Schell, 1992). In this particular research, an open-ended questionnaire and archival documents have been referred to for developing the multiple case study because multiple sources of data may have the advantage of cross-validation and produce a set of variables which are suitable for quantitative analysis. According to Eisenhardt and Graebner (2007), the case study method is one of the best qualitative research designs that facilitate deductive research in a later stage. Since the qualitative study has led to the quantitative study of this research, the case study method is fitted ideally to this particular research. In order to maintain the validity of the collected data, this research used an additional strategy whereby all the transcribed data has been verified by the particular interviewees prior to and after the analysis. The interview data and secondary data were coded initially based on the descriptive coding followed by second cycle coding (Saldaña, 2015). NVivo 11 was used to code the data gathered in the qualitative data collection. NVivo is a dynamic qualitative data analysis software which provides robust techniques for qualitative data analysis.

3.8 Phase II - Quantitative Research

Saunders *et al.* (2012) explain the meaning of quantitative research as an empirical examination of research variables in which analyse statistically. Table 3.9 shows the advantages and disadvantages of qualitative and quantitative research.

Table 3.9 Advantages and Disadvantages of Quantitative Research

Advantages	Disadvantages
Conclusion made on large numbers of participant	Impersonal and dry
Analyse data efficiently	Does not record the words of participants
Investigate relationships within the data	Provide limited understanding of the context of participants
Examine probable causes and effects	Largely researcher driven

(Source: Creswell, 2014b, p. 5)

3.8.1 Structured Questionnaire Development

The second phase of research involved the quantitative data collection in which the survey method was employed. The following section explains the population, sampling method and justification of applying quantitative techniques for this research study.

- Population

The population of this research comprises all the bankers who are attached to the retail banking sector in Sri Lanka. There are about 27 commercial banks operating in Sri Lanka. Considering the impracticality of collecting data from the total population, a sampling method was derived for the quantitative study.

- Sampling Methods

A convenience sampling method was used to collect data from the targeted sample. The structured questionnaire was emailed to 500 bankers in almost every province in the country except Northern Province. The Western Province of the country, which is the economic hub where most banks are located, was given priority for selecting participants. Only the Northern Province was not allocated any participants due to the fact that the area is rebuilding after the ethnic war and the existence of a communication barrier with the language. Table 3.10 shows the sample distribution of the survey.

Table 3.10 Sample Distribution for the Survey Method

Area	No of Participants
Western Province (1*)	220
Sabaragamuwa Province (2*)	40
Uva Province (3*)	40
Southern Province (4*)	40
Eastern Province (5*)	40
Central Province (6*)	40
North Western Province (7*)	40
North Central Province (8*)	40
Northern Province (9*)	00

*The number shown in each area is correspondence with Figure 3.4.

- Recruiting informants for the quantitative data collection

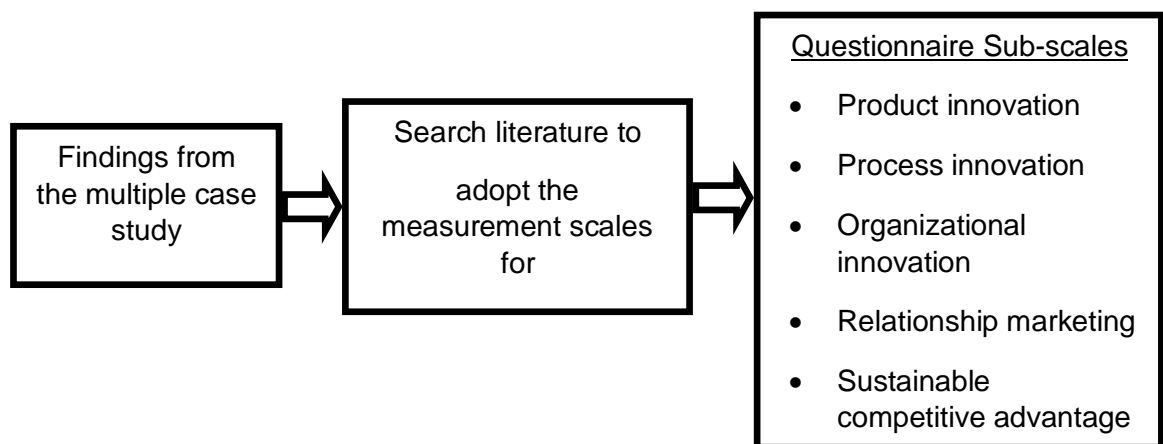
In order to recruit respondents for the quantitative study, the researcher contacts the same four retails banks in which collect the qualitative data. The quantitative data collection was conducted by using an email survey. The reasons for such a strategy to collect data were to minimize the time consumption and travelling cost is expensive from the UK to Sri Lanka. The researcher has been given the opportunity to gather email addresses from bankers who work those particular banks at the time he collected the qualitative data. By using those email addresses, the researcher sends the quantitative research questionnaire along with the consent form. In order to enhance the response rate, the same email included a short message about the qualitative study and quantitative study in which is the follow up stage of the research.

- Quantitative Questionnaire Design

Themes derived from in-depth interviews and patterns identified from case studies were the main insights for creating the structured questionnaire. A Likert scale-based structured questionnaire (Strongly disagree (1) - Strongly agree (5)) was designed for collecting the quantitative data. The adoption of the Likert scale questionnaire stems from various reasons, including the fact that it is the most widely used in measurement scaling techniques in business and management research (Oppenheim 1992;

Easterby-Smith *et al.*, 2012). In addition, Likert scale questionnaires support the running of many statistical techniques for research (Saunders *et al.*, 2016). The design of the structured questionnaire was in line with the findings of the case study. Further, the measurement scales were adopted from the existing literature which had validated in the previous research. The following Figure 3.6 shows the questionnaire design stages for the current study.

Figure 3.6 Questionnaire Design Stages



- Quantitative Data Collection Justification

Due to the impracticality of collecting data from the population, the convenience sampling method was employed to gather data from the respondents. A self-completed email survey was administered to collect the data from the sample using a structured questionnaire. Themes, patterns and insights derived from the case studies were used to create the structured questionnaire. Saunders *et al.* (2016) confirm that in the survey method, questionnaires are heavily employed for data collection. Since the study is an exploratory mixed methods research design, the questionnaire survey was ideal for generalising the findings of the research. Due to the number of fundamental issues which are linked to this particular research, this research was driven to use the email survey rather than a mail survey. The mail survey might take longer to reach the respondents as well as be returned due to geographical distance. Furthermore, the lack of funds also discouraged the researcher to conduct an email survey over the traditional mail survey. Although the response rate is much lower in

the email survey (10% or lower) compared to a mail survey (30% - 50%), that may be effective in some contexts (Saunders *et al.*, 2016).

The nature of the combination of innovation and relationship marketing has not yet been explicitly found in previous research; thus, the data collection method is initiated by qualitative followed by quantitative techniques. In this research, the task of the qualitative data collection is to explore the background information that is essentially needful in understanding the nature of the PIRM. Then, the quantitative data collection methods are employed to predict the model that has been built upon the qualitative study. Another reason for using mixed method research is that neither the qualitative nor quantitative method alone provides sufficient information as when used individually, inherent weaknesses in each method (Creswell, 2014b; Saunders *et al.*, 2016). In other words, the blend between the qualitative and quantitative techniques provides the complementary strengths and non-overlapping weaknesses (Johnson and Onwuegbuzie, 2004). Finally, the mixed methods research allows a more holistic view of the research problem (Creswell, 2014b).

3.8.2 Quantitative Data Analysis

Descriptive and inference statistics have been used for the quantitative analysis. The respondents' background information has been analysed using descriptive statistics, while factor analysis was used to find out the unidimensionality of the adopted scales. Partial Least Squares (PLS) Structural equation modelling (SEM) was used to analyse the PIRM model, which was derived from the qualitative data analysis. SEM is among the most useful advanced statistical analysis techniques that has emerged in the social sciences in recent years (Hair *et al.*, 2017). There are many approaches to conducting an SEM analysis; the covariance-based SEM, which was originally introduced by Karl Joreskog in 1973, is one of the most widely applied SEM methods (Hair *et al.*, 2017). Compared to a covariance-based SEM, PLS-SEM has several advantages which are commonly found in social sciences research:

- No identification issues with small sample sizes,
- Able to achieves a high level of statistical power with small sample sizes,
- No distribution assumptions,

- Highly robust as long as missing values are below a reasonable level,
- Easily incorporated with formative measurement models and
- Handles complex models with many structural model relations (Hair *et al.*, 2017, p. 19).

However, PLS-SEM has several limitations:

- The techniques cannot be used when structural models contain causal loops or circular relationships between the latent variables,
- Does not have an established global goodness-of-fit measure (Hair *et al.*, 2017, p. 18).

There is growing application of PLS-SEM as a successful alternative to covariance-based SEM (Hair *et al.*, 2017). SEM is a class of multivariate technique that combines aspects of factor analysis and regression, enabling the researcher to simultaneously examine relationships among measured variables and latent variables (assessment of measurement theory) as well as between latent variables (assessment of structural theory) (Hair *et al.*, 2017). Since the PIRM model is a second order construct model, PLS-SEM holds an advantage over covariance-based SEM (Hair *et al.*, 2012). Moreover, compared to other statistical techniques, PLS-SEM provides most robust predictive accuracy for a research model (Cramer, 1993). On the other hand, PLS-SEM is superior to multiple regression (Cramer, 1993). Finally, PLS-SEM is ideal for newly built research models which have not been tested extensively in the literature. By means of justification, it can be concluded that PLS-SEM is the ideal option for testing the PIRM model. SmartPLS 3.2.7 software was used because of user friendliness and its powerful analysis capability in SEM.

3.9 Rationale of Using Mixed Method Research

Mixed method research is a research design in which the researcher collects qualitative and quantitative data in any sequence and draws a conclusion based upon the combined strength of outcome for the research project (Creswell, 2014b). Data collection falls under three main headings as being qualitative, quantitative or mixed methods (Creswell, 2014b). This research employs both qualitative and quantitative data collection and data analysis methods. Therefore, the mixed research design has

applied. The mixed method is ideal for fixing inherent barriers within qualitative and quantitative methods (Bryman and Bell, 2015; Creswell, 2014b). In some cases, mixed methods research is incorrectly interpreted as multimethod research, which employs multiple sources of data collection: either qualitative techniques or multiple sources of quantitative techniques (Creswell, 2014b). The mixed method is flexible enough to apply both qualitative and quantitative methods concurrently, or use one method after another (Creswell, 2014b). The ideal design of a prioritised sequence depends on: the nature of the research questions, aim, time allocation and overall research process (Johnson and Christensen, 2004; Tashakkori and Teddlie, 2003).

It is obvious that if data is collected through both qualitative and quantitative methods, data analysis also needs to be done both qualitatively and quantitatively. While the credibility in qualitative research largely depends on, “the researcher as the instrument” (Patton, 2002, p. 14), quantitative research is shaped by the instrument construction. Unlike quantitative researchers who expect causal determination, prediction and generalisation of findings, qualitative researchers seek illumination, understanding and extrapolation to similar situations (Hoepfl, 1997). Creswell (2014b) specifies three basic designs of mixed methods, namely convergent design, explanatory sequential design and exploratory sequential design. Table 3.11 summarises the basic designs of mixed method research.

Table 3.11 Basic Mixed Methods Designs

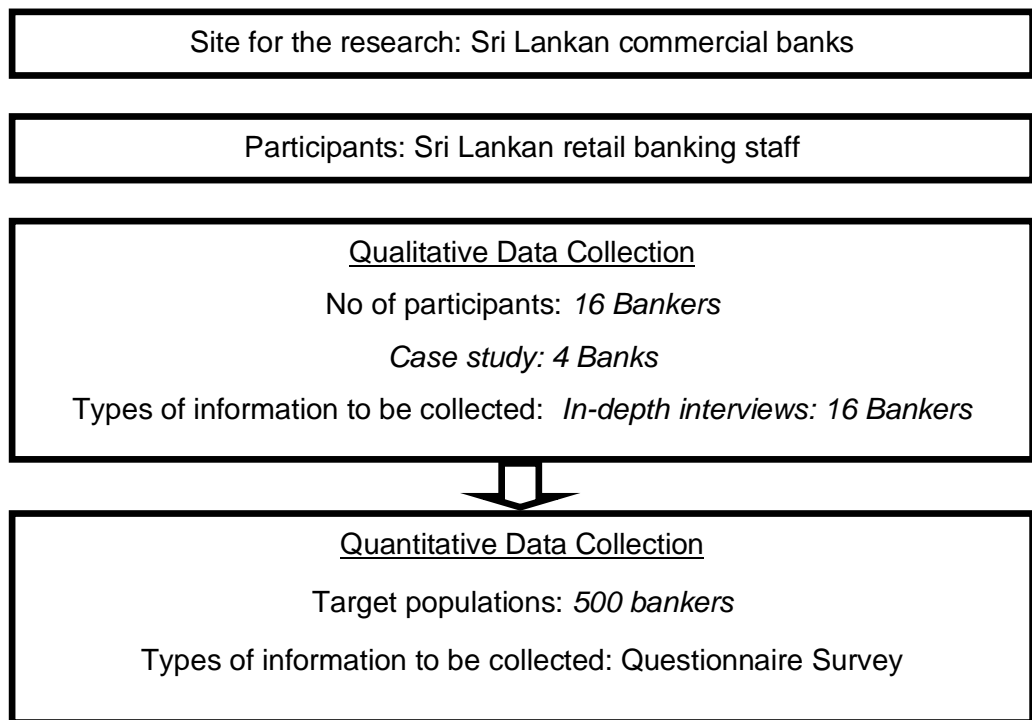
Basic Mixed Methods Designs	Meaning
Convergent design	Merges both quantitative and qualitative results with the intention of comparing the results
Explanatory sequential design	Uses qualitative methods to support quantitative results in detailed
Exploratory sequential design	Uses qualitative techniques to explore a problem that is understudied or little understood. Then, qualitative findings help to build the quantitative methods. Finally, uses quantitative techniques, instrument, intervention or variables for data collection and analysis.

(Source: Creswell, 2014b)

After carefully analysing each mixed method design, the exploratory sequential design was adopted. The main reason for such a selection is that the PIRM concept is

understudied; therefore, little is known about the combination of innovation and relationship marketing. Thus, it is more applicable to collect data qualitatively at the initial stage of the research, and then move gradually into the quantitative data collection. Figure 3.7 illustrates the exploratory sequential research design for this particular research.

Figure 3.7 Exploratory Sequential Research Design



3.10 Ethical Consideration

Scholars claim that considerations of ethical issues are necessary when conducting a research study (Bryman and Bell, 2015; Collis and Hussey, 2014; Saunders *et al.*, 2016). Saunders *et al.* (2016, pp. 243-245) present several principles that cater to identifying ethical issues during a research project. Table 3.12 shows the key ethical considerations in research.

Table 3.12 Ethical Issues

Ethical concern	Meaning
Integrity and objectivity of the researcher	Refrain from malpractices of research including fabrication and wrong interpretation
Respect others	Equal opportunity, due credit and respect
Avoidance of harm	Take measure to ensure the mental and physical wellbeing of all parties involved.
Privacy of participants	Avoid misuse personal information and no hidden expectations
Voluntary participation and withdraw	Informants are provided sole authority to take part or withdraw any stage of the research process
Informed consent	Educate the purpose of the research and no hidden expectations
Ensure anonymity of participants	Informants' anonymity should be guaranteed.
Responsibility for data and publishing findings	Raw data should be discarded based on the agreement of informants
Compliance in the management of data	Obey the rules and regulations in light with research data

(Source: Saunders *et al.*, 2016, pp. 243-245)

The prominent management methodologists explain that business and management-related research mainly involves three parties, namely the researcher, the participants and the users (Bryman and Bell, 2015; Collis and Hussey, 2014; Saunders *et al.*, 2016). The following table illustrates the important factors which need to be considered when conducting a research study.

Table 3.13 Ethical Consideration on Parties Involved

Researcher	Participants	Users
Clearly mention the aim, the purpose and objectives of the research	Participants have the right to secure their confidentiality, anonymity and privacy.	Users have right to obtain accuracy and validated information
Allow participants to withdraw themselves without having prior notice	Protect the interest of the subject corporations or organizations	Make sure data accuracy, validity and reliability are met at various levels of research
Notice about how participants' anonymity is guaranteed.	Obtain the informed permission of the participants	

(Sources: Bryman and Bell, 2015; Collis and Hussey, 2014; Saunders *et al.*, 2016)

Generally, the above-mentioned issues are vital for consideration during the research study, especially from data collection to publication of the findings. The measures that have taken to meet ethical consideration in this particular research are as follows;

- Obtained ethical clearance from the Institute of Management - University of Bolton ethics committee for carrying out the research,
- Followed the formal procedures to obtain required permission for accessing information from the selected banks,
- All the participants who voluntarily participated in this study were informed about the research aim, purpose and objectives,
- Anonymity and confidentiality of the participants was ensured,
- Participants were allowed to read through the consent form and were made aware that they had a right to withdraw at any stage of the data collection process,
- The information that was collected from particular banks was kept confidential during and after the research,
- No discrimination on gender, age or race was believed to have been experienced at any stage of the research,
- Professional dignity of the participants was ensured,

- Compliance with local rules and regulations particular to Sri Lankan banks were considered and
- Measures were taken to ensure data accuracy, validity and reliability at every level of this research.

3.11 Chapter Summary

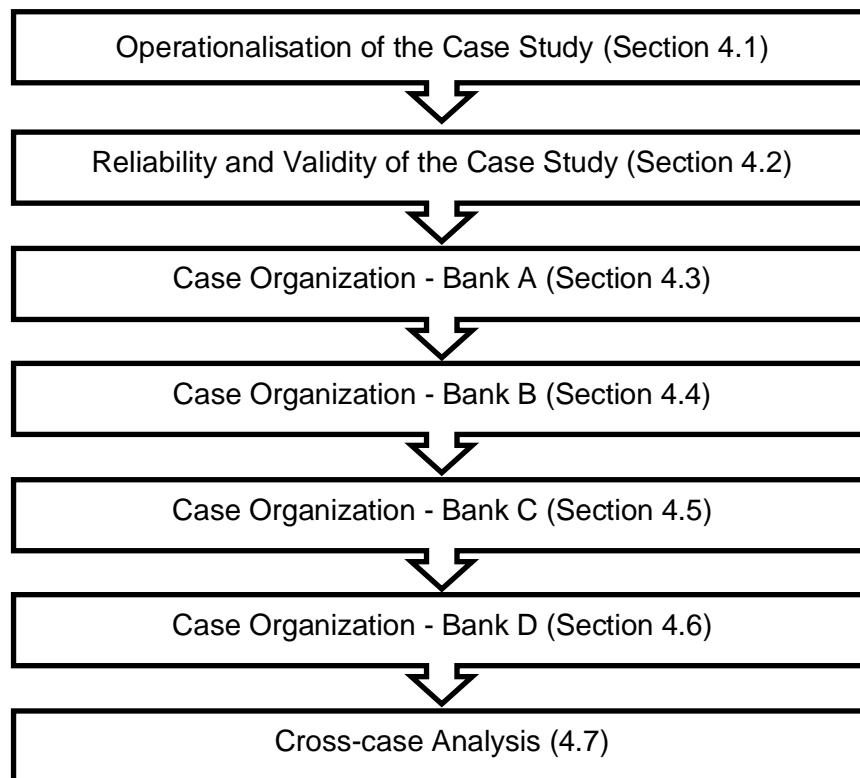
The chapter outlines the research methodology adopted in this research. This research can be regarded as pure research which meets all the features of the discovery, invention and reflection subcategories of the same research. From the philosophical point of view, this research combines three mainstream philosophies such as epistemology, ontology and axiology for this study. The epistemological aspect of this research evolves from interpretivism to the positivism paradigm mainly because of the application of inductive and deductive research approaches. From the ontological point of view, both single and multiple realities have been applied. Moreover, the axiological paradigm consists of value-laden and value-free approaches. The research design particular to this research is an exploratory sequential design due to the structure being a qualitative study followed by a quantitative study. The research strategies which have been used in this research are the multiple case study method and the survey method. Data collection and data analysis have been done both qualitatively and quantitatively. The next chapter elaborates the data analysis method comprehensively.

CHAPTER IV

4. QUALITATIVE DATA ANALYSIS

This chapter comprises the results of four banking case studies. Every case study consists of major themes, namely: product innovation, process innovation, organizational innovation, relationship marketing, PIRM and SCA. Both within-case analysis and cross-case analysis are deployed for the analysis of each case organization. The results of the case studies allow for the derivation of the PIRM model, which has been tested in the quantitative research phase. The chapter organization of the qualitative data analysis depicts in Figure 4.1.

Figure 4.1 Chapter Organization



4.1 Operationalisation of the Case Study

In total, 16 banking staff were interviewed using an open-ended questionnaire. Since the interviews could not be voice-recorded, a device was made to maintain reliability and validity of the data gathered. After transcribing the data, each data file was sent to the particular interviewee to review the validity and accuracy of the information. In

total, 14 transcripts were returned with minor amendments, and two were left unchanged as the interviewee confirmed that they accurately recorded what was said during the interviews. The analysed data was also sent to the relevant interviewees for the purpose of verifying the meaningfulness of the case study. Such strategy of verifying collected data is accepted in the literature as member checking (Torrance, 2012). Upon the initial investigation of interview data and secondary data, descriptive coding (Saldaña, 2015) was applied for innovation, relationship marketing and SCA, as illustrated in Table 4.1. The descriptive coding acts as the “first cycle coding which is the way to initially summarise segments of data” (Miles, Huberman and Saldaña, 2014, p. 86).

Table 4.1 Initial Code Generation Matrix

Initial Theme	Coding Type
Innovation	
<i>Product Innovation</i>	Descriptive
<i>Process Innovation</i>	
<i>Organizational Innovation</i>	
Relationship Marketing	Descriptive
SCA	Descriptive

After the initial coding, second cycle coding (Saldaña, 2015) was conducted to find more specific niches of each initial coding. Miles *et al.* (2014) claim that “second cycle pattern coding is a way of grouping summaries into a smaller number of categories, themes or constructs” (p. 86). Table 4.2 shows the second cycle coding (Saldaña, 2015) which is mainly employed in In Vivo coding. The combined coding of descriptive and In Vivo coding shapes each case study upon which the PIRM model is built.

Table 4.2 Secondary Code Generation Matrix

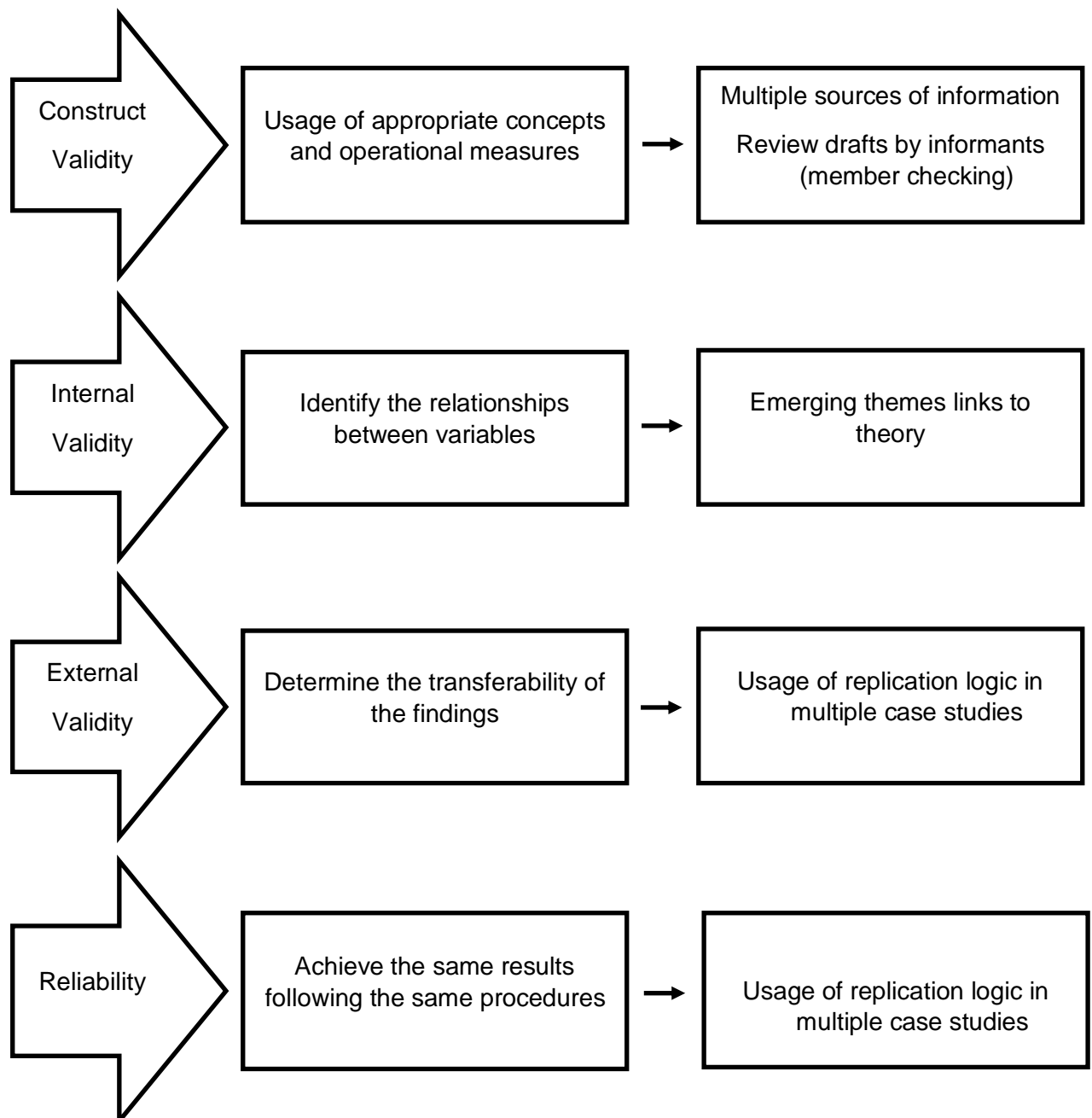
Theme	Initial Coding Type	Secondary Coding Type
Innovation		
<i>Product Innovation</i>	Descriptive	
<i>New Product Innovation</i>		In Vivo Coding
<i>Modified Product Innovation</i>		In Vivo Coding
<i>Process Innovation</i>	Descriptive	
<i>Bricks & Mortar Banking</i>		In Vivo Coding
<i>Digital Platforms</i>		In Vivo Coding
<i>Organizational Innovation</i>	Descriptive	
<i>Organizational Culture</i>		In Vivo Coding
<i>Organizational Learning</i>		In Vivo Coding
Relationship Marketing	Descriptive	
<i>Customer Retention</i>		In Vivo Coding
SCA	Descriptive	
<i>Customer Retention</i>		In Vivo Coding

Interviews took place in English and were transcribed into narrative stories. Both primary data (interview) and secondary data (annual reports and monthly publications) were involved in representing each case. Hereafter, 'P' is used to denote the source as primary data and 'S' denotes a secondary data source, which is always attached with In Vivo coding (D1-P = bank D first interviewee, primary data source, D-S = bank D secondary data source).

4.2 Reliability and Validity of the Case Study

The case study met all reliability and validity measures based on Yin (2014). The following figure shows in detail how reliability and validity work in this qualitative phase of the research.

Figure 4.2 Reliability and Validity of the Case Study



(Adopted from: Yin, 2014)

4.3 Case Organization - Bank A

4.3.1 Introduction to Case Organization

As one of the premier government banks, bank A diversifies into retail banking, corporate banking, entrepreneur banking and offshore banking. The bank has a very strong retail wing which dominates through an island-wide presence, with 12 million active account holders. Considering its product portfolio, bank A offers a wide range of products to almost every walk of life. In developing its product portfolio, the bank applies a client-centred innovation which mainly focuses on addressing specific customer needs (A-S, 2015). Though established norms regarding the inefficiency of government service may be applied, bank A is an exceptional organization mainly because of introducing a host of products based on innovation, customer aspirations and technological infusion (A-S, 2015). Innovation-driven products that drive better resource management elevate its intellectual capital into championing paperless banking (A-S, 2015). For the financial year 2016, bank A recorded 0.45 USD billion net operating income, and profit after tax of 0.16 USD billion (exchange rate of \$1 was LKR 149.80 as of 31 December 2016).

4.3.2 Case Organization - A (within-case analysis)

Table 4.3 illustrates the profile of interviewees particular to bank A. The count of years' experience includes respondents holding different positions in the retail banking sector.

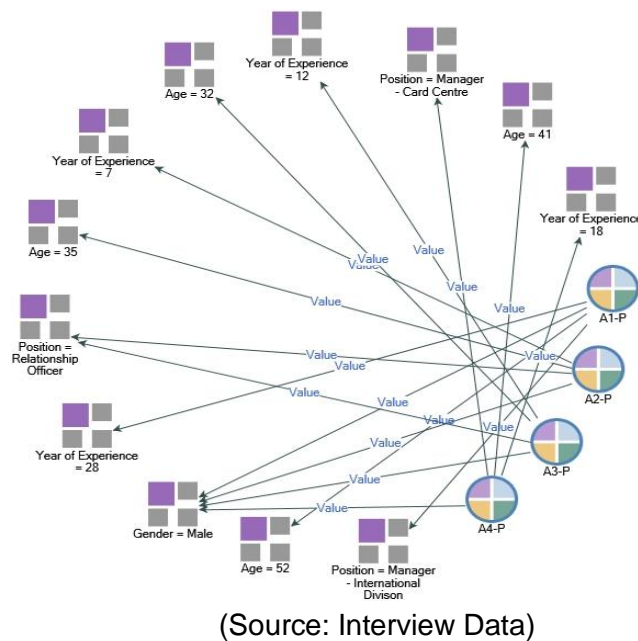
Table 4.3 Interviewee Profile - Bank A

Interview Code	Position	Age	Gender	Year of Experience
A1-P*	Manager - Product Development	52	Male	28
A2-P*	Relationship Officer	35	Male	7
A3-P*	Relationship Officer	32	Male	12
A4-P*	Manager - Card Centre	41	Male	18

(Source: Interview Data)

P* symbolises the primary source.

Figure 4.3 Graphical Illustration of Informants Profile - Bank A



Product Innovation

Through retail banking initiatives, bank A is keen on seeking opportunities where it can focus on customer convenience through innovative banking products (A-S, 2015).

- **New Product Innovation**

The Manager - Product Development (A1-P) comments on the importance of having new financial products:

'To meet our customer expectations, we need to have a set of new products. Also, pressure coming from the external environment, state-of-the-art products are essential. So, we can stay stronger among competitors if we have new products in hand'.

Bank A introduced a next-generation paperless savings account which can be fully activated in a few minutes and embedded with instant features and facilities for the customers (A-S, 2015). The Relationship Officer (A2-P) explains the introduction of new products which are attributed to product innovation:

'By introducing newly developed products, we can easily approach the customers. This will also help us to satisfy customer requirements in an effective manner. In the past, we did not want to do much innovation, but now it is inevitable'.

The Manager - Card Centre (A4-P) also discusses the concept of new product innovation:

‘Our bank holds a reputation in the industry as some products which we introduced first time in the market even no one had thought about so far. From that strong leadership in new financial products, we are able to satisfy our valued customers’.

- **Modified Product Innovation**

The Manager - Product Development (A1-P) shares his views on modified product innovation:

‘The modified products are imperative with the latest development of the industry.; without them, our rivals will take over our customers and finally we may lose our market. As such, innovation helps us to better satisfy customer requirements’.

Home loan products have been revamped in order to disburse the loans within 15 days. This requires just two visits to the bank and can be considered a revolution in the home loan industry (A-S, 2015). Furthermore, personal loans in the bank are very popular credit products as they consist of tailor-made schemes for the diverse segment of clientele (A-S, 2015). Saving products have also been reintroduced using a digital facility; customers do not want to carry the passbook to the bank. and the new easy banking at any branch is being seen as an unparalleled revolution in the banking industry (A-S, 2015).

The Relationship Officer (A3-P) expresses his view on product innovation in terms of modified products:

‘We offer customised products mainly because of the seasonality, economic conditions, competition and ever-changing customers’ requirements. Customising the products happens continually in our bank rather than introducing new products at all the time’.

The Manager - Card Centre (A4-P) explains the concept of modified financial products:

‘We also introduce improved products which are mainly a modification of previous version. This may come with a promotion sometimes. As an example, the retailers who accept our cards tend to offer various concessions for card transactions, sometimes maybe a discounted price or a free insurance

premium. So, the improved products give us an edge to reach customers in a very economical and straightforward manner’.

Process Innovation

Bank A already identifies the importance of having both physical channel and the digital channels so that it can attain deeper penetration in providing financial services (A-S, 2015).

- **Bricks and Mortar Banking Innovation**

The brick and mortar infrastructure is the primary distribution channel for bank A, where its well-spread branch network has provided unprecedented success for the bank (A-S, 2015). The Manager - Product Development (A1-P) explains the innovation in bricks and mortar banking as:

‘Branch banking innovation is particularly important for a country like Sri Lanka because we are interested in having one to one interaction. As such, we have to continuously work on innovating our branch banking operations. When it comes to process innovation, front office and back office innovation are significant. We strategically arrange our front offices that support our customers to fulfil their requirements at the first hand. On the other hand, we improve back offices that allow us better coordinating among departments’.

Under the bricks and mortar banking innovation, bank A has taken several initiatives, such as the establishment of fortune branches, smart zones (unique smart zones allow for cash deposits as well as cash withdrawals 24/7, 365 days of the year) and regional loan centres (A-S, 2015). Further, they have set up a century scorecard, queue management system and customer data management system in order to streamline the back-office operations (A-S, 2015). The General Manager (A-S, 2015) states that the bank introduced a century scorecard initiative across the branch network to collectively motivate branch teams, using a business intelligence tool which reviews branch and province performance daily across a range of performance parameters. In addition, bank A upgrades, relocates and proposes the requirements of new branches on par with process innovation (A-S, 2015).

The Chairman (Bank A-S, 2015) adds his view on bricks and mortar banking in the annual report:

'Each of our systems and processes has been revisited and re-strategized for better response time and control mechanisms, as is seen in our loan disbursement process, which has reduced approval time phenomenally. Similarly, the establishment of regional loan centres has spurred faster response time and our housing loans, for example, have grown significantly'.

Bank A positions ATMs that provide a quick service for withdrawing, depositing and transferring funds between accounts, generating summary bank statements and settling utility bills around 24/7 (A-S, 2015). The Relationship Officer (A3-P) discusses the importance of having innovation in bricks and mortar banking:

'We are one of the largest banking institutes which is spread to almost every corner of the country. What I stress here is that the importance of having a larger banking network and innovating facilities of bricks and mortar banking'.

The Manager - Card Centre (A4-P) comments on innovation in bricks and mortar banking innovation:

'We continue to invest in expanding traditional banking network to our valued customers because our customers are keen on having a two-way interaction. Some of the clients are like family members who share special moments with us. So, we have already identified this tendency and we plan ahead to innovate front office and back office operations with the process innovation'.

- **Digital Banking Platforms Innovation**

Bank A has understood the value of adopting technological advancement for the betterment of its customers (A-S, 2015). Digital platforms have been newly launched, and upgraded where consolidation, amalgamation and elimination of unnecessary processes were instituted, to aid and assist distribution channels via electronic banking (A-S, 2015). These system upgrades have prompted numerous benefits for the end customers (A-S, 2015).

Bank A plans to expand its digital footprint as the country experiences over 100% mobile phone usage and a higher tendency of online banking (A-S, 2015). On the other hand, bank A aims to enhance the service delivery by a complementary approach such as digital banking that saves time and cost for both customers and the bank (A-S, 2015). The Relationship Officer (A2-P) shares his view on digital banking platform innovation:

'We are almost exposed to the technological matters, and then we cannot ignore them. In line with technological development, we have introduced an innovative online banking facility for our customers so that they can do banking with their fingers'.

Recently, as a digital banking initiative, Bank A introduced a balance confirmation free SMS alert service and monthly e-statements (A-S, 2015). Further, by leaving a missed called on a dedicated phone number, the customer can receive his/her balance confirmation via SMS (A-S, 2015). In addition, the bank has introduced real-time activation of debit cards and Internet banking for the convenience of the customers (A-S, 2015). The Relationship Officer (A3-P) explains the meaning of digital banking innovation:

'Internet banking is the latest move what we have implemented recently. Customers are encouraged to use it at any time as this has no time and place barriers. However, we never settle on this point, because we always look forward to innovation for customer satisfaction'.

Its core banking solution encompasses the most state-of-the-art software available in the global financial industry (A-S, 2015). The bank installed the latest upgrade of Fiserv core banking software, Signature 10.1, the very first installation of its kind in the Asian region. Signature is an innovative, comprehensive customer-centric banking solution that allows financial organizations to flex and scale to meet changing demands (A-S, 2015),

The Manager - Card Centre (A4-P) discusses digital banking innovation:

'We are living in a technology-driven era. If we do not accept this, we will not survive long. This is the same for us as an even government-owned banks. So, we have to introduce innovative digital banking platforms to our customers. As the responsible person in the card centre, my team oversees our customers' future needs in terms of credit and debit cards'.

Bank A develops a mobile banking app that supports both iOS and Android devices in which can be downloaded Apple and Google Play (A-S, 2015). The app is embedded with a multi-lingual solution which addresses all the needs of diverse communities (A-S, 2015).

Organizational Innovation

- **Organizational Culture Innovation**

The Manager - Product Development (A1-P) explains his view on organizational innovation:

'We work as one team where our team spirit drives our organizational innovation activities. Once management introduces a new organizational system, we are working together to make it successful'.

The Relationship Officer (A2-P) comments on organizational innovation:

'According to my understanding, management support is much important for organizational innovation activities because they may support us by making investment decisions and providing motivation'.

The Relationship Officer (A3-P) comments on organizational innovation:

'Under the organizational innovation, innovative culture must be in place. This will motivate us to stay connected with innovation activities'.

- **Organizational Learning Innovation**

The Manager - Product Development (A1-P) explains about organizational innovation as per his view:

'As a banking organization, organizational innovation is very important. We implement new systems and procedures under organizational innovation. In order to succeed in organizational innovation, individual skills of our bankers are very helpful'.

The Relationship Officer (A2-P) discusses about organizational innovation from his point of view:

'Organizational innovation can be intensified due to staff experience. Through experience we can better absorb new organizational procedures very easily'.

Bank A develops its staff who scale unexpected heights to deliver remarkable results (A-S, 2015). It believes that training, learning and development are critical to a winning team, which in turn possesses the required knowledge, skill and competency (A-S,

2015). There are several training programmes that help staff to develop skills (A-S, 2015).

The Manager - Card Centre (A4-P) comments on his view on organizational innovation:

'If I take an example from my domain, the efforts may be washed away if salespeople do not share the knowledge with other departments what customers think of the new products. Likewise, sharing knowledge is mainly important for organizational innovation activities'.

Table 4.4 illustrates the innovation themes and sub-themes particular to bank A. Each In Vivo coding relates to a sub-category of each innovation capability. Moreover, Table 4.4 shows the relative importance of innovation capabilities in bank A. The number of coding references has been included in each innovation capability. Figure 4.3 illustrates the graphical representation of each of the innovation capabilities in terms of each niche category of innovation capability. Thus, larger areas indicate proportionally more coding references. It can be concluded that bank A pays much more attention to organizational innovation than product and process innovation. An alternative representation of the relative importance of innovation capabilities has been included in Appendix - V(I) as a hierarchical chart.

Table 4.4 Bank A - Innovation Themes and Sub-themes

Theme	Sub-theme	A1	A2	A3	A4
Product Innovation	New Product Innovation	A set of new products	Newly developed products		Introduced first time
		State-of-the-art products			New financial products
	Modified Product Innovation	Modified products		Customised products	Improved products
					Modification of previous version
Process Innovation	Bricks & Mortar Banking Innovation	Branch banking innovation		Innovating facilities of bricks and mortar banking	Expanding traditional banking

Organizational Innovation	<i>Digital Banking Platforms Innovation</i>		<i>Front office and back office innovation</i>	<i>Innovate front office and back office operations</i>
			<i>Innovative online banking facility</i>	<i>Internet banking</i>
			<i>Management support</i>	<i>Innovative digital banking platforms</i>
			<i>Innovative culture</i>	
Organizational Innovation	<i>Organizational Culture Innovation</i>	<i>Team spirit</i>		
		<i>A new organizational system</i>		
	<i>Organizational learning Innovation</i>	<i>Individual skills</i>	<i>Staff experience</i>	<i>Sharing knowledge</i>

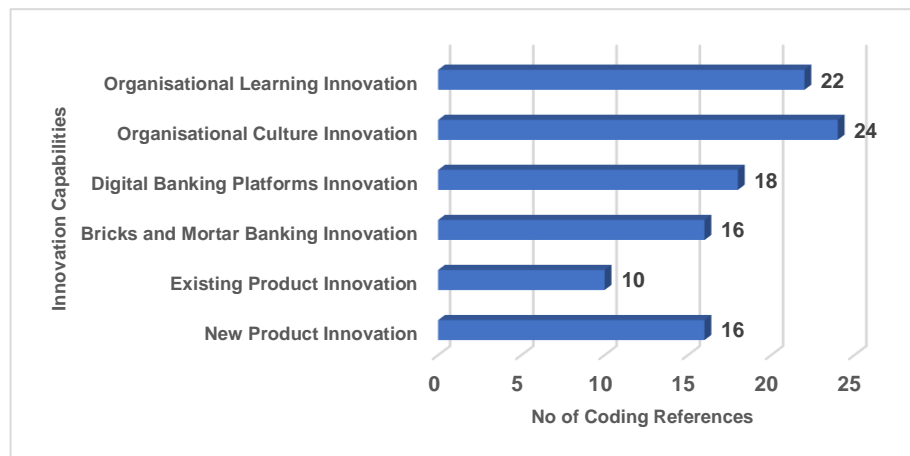
(Source: Interview Data)

Table 4.5 Relative Importance of Innovation Capability - Bank A

Innovation Capability	Sub-Category of Innovation Capabilities	No of Coding References
Product Innovation	New Product Innovation	16
	Modified product innovation	10
Process Innovation	Bricks and Mortar Banking Innovation	16
	Digital Banking Platforms Innovation	18
Organizational Innovation	Organizational Culture Innovation	24
	Organizational Learning Innovation	22

(Source: Interview Data)

Figure 4.4 Relative Importance of Innovation Capability - Bank A



(Source: Interview Data)

Relationship Marketing

Bank A continues to improve customer satisfaction even with the challenges of social and lifestyle transformation of customers (A-S, 2015). The Manager - Product Development (A1-P) points out in his view on relationship marketing:

‘Relationship marketing is a strategic way of keeping customer relationship. It captures customers’ requirements and so we cater to them’.

Bank A conducts customer surveys, including satisfaction surveys, for a better understanding of its customers (A-S, 2015). Moreover, the bank has extended their opening hours of their bricks and motor banking for customer convenience whilst digital platforms enhance the quick services delivery (A-S, 2015).

The Relationship Officer (A2-P) comments on his idea about relationship marketing:

‘By looking at my job as a relationship officer, relationship marketing, for me, is to stay close to the clients with whom we build a long-term relationship’.

The Manager - Card Centre (A4-P) discusses the relationship marketing concept as;

‘I think relationship marketing is maintaining an uninterrupted relationship with clients. This enables us to remain competitive in the market which many players are severely fighting for. In order to have the uninterrupted relationship with customers, we must identify their needs, and maintain and enhance them prudently. This means as long as we tap into the heart of the customer, he or she will remain with us’.

Innovation based Relationship Marketing

- **Product Innovation and Relationship Marketing**

The Relationship Officer (A2-P) presents his view on the concepts of product innovation and relationship marketing:

‘Product innovation, I mean new products and modified products, allows us to keep satisfying unmet needs of our customers. Simply, this will direct us to building long-lasting relationships with our clients’.

The Relationship Officer (A3-P) explains the relationship between product innovation and relationship marketing:

‘Product innovation will enhance the capabilities of relationship marketing. In other words, product innovation directly supports relationship marketing to keep satisfying clients and enhance client retention’.

The Manager - Card Centre (A4-P) describes the combined concept of product innovation and relationship marketing:

‘From new products and modified products, we try mostly to touch our customers’ hearts. Then, we create an uninterrupted relationship with customers. For me, I refer uninterrupted relationship as the relationship marketing we practise today in our bank’.

- **Process Innovation and Relationship Marketing**

The Manager - Product Development (A1-P) comments on the combined concepts of process innovation and relationship marketing:

‘Through our innovation in branch banking and Internet banking, we are able to convince our customers that we are really caring for them. In return, our customers may stay with us for a long period’.

The Relationship Officer (A2-P) explains his view of the combined concepts of process innovation and relationship marketing:

‘We develop our processes so that we can enjoy the interaction with our customers. Either by improvement in traditional banking or online banking, our aim is to stay close to our customers. This is what we practise as relationship marketing’.

The Relationship Officer (A3-P) expresses his view on the combined approach of process innovation and relationship marketing:

‘In our bank, process innovation happens frequently. Let me say in this way, we design our front and back office operations in a manner that our customers get the maximum convenience. We reduce bottlenecks in our personal loan disbursement process, so we are now capable of disbursing a loan within four days. That used to be three weeks before. So, such a kind of innovation helps us to have a strong relationship with our customers’.

- **Organization Innovation and Relationship Marketing**

The link between organizational innovation and relationship marketing is discussed by the Manager - Product Development (A1-P):

‘Through team spirit and individual skills, we are very confident in organizational innovation activities. So, this directly impacts on having a stronger relationship with our clients’.

The Relationship Officer (A2-P) expresses his idea about the combined concept of organizational innovation and relationship marketing:

‘As I explained earlier, management support is the key to organizational innovation. With the management support, our bankers are motivated to build a long-term relationship with our valued customers’.

The Manager - Card Centre (A4-P) explains the combined concept of organizational innovation and relationship marketing:

‘What I believe in is sharing knowledge and empowering employees, our organizational innovation activities are better functioned (organized). As a result, we are able to keep satisfying our customers and build an uninterrupted relationship’.

IRM and Sustainable Competitive Advantage

The Manager - Product Development (A1-P) explicates the relationship between IRM and SCA:

‘IRM as you called it, I can see a huge potentiality which works in a synergistic way to sustain our competitive position in the market’.

The Relationship Officer (A2-P) explains the relationship between IRM and SCA:

'IRM will be one of the dominant concepts that helps us to realise the sustainable competitive advantage in a successful manner'.

The Relationship Officer (A3-P) explains the relationship between IRM and SCA:

'As my understanding of it, IRM is basically relationship marketing which is topped up by innovation activities. I have no doubt we will deserve the sustainable competitive advantage from the IRM concept, which is a kind of modern concept if I am not mistaken'.

4.4 Case Organization - Bank B

4.4.1 Introduction to Case Organization (within case analysis)

From its inception, bank B has flourished a value-driven culture in which reinforces to cultivate adoptable and customer-oriented banking organization (B-S, 2015). Moreover, the bank continually improves its internal processes that focus mainly on product development, process reengineering and process synchronization (B-S, 2015). Such improvements flourish value addition and customer service in the bank (B-S, 2015). Moreover, they rely on both traditional and digital channels that cater to diverse customer needs (B-S, 2015). The bank is renowned for customer service as well as treating competitors in a professional manner. Moreover, bank B offers a wide range of financial products that suit every walk of life (B-S, 2015). Bank B has a net operating income of USD 111 million, and profit after tax of USD 26 million (exchange rate of USD 1 was Rs. 150.20 as of 31st December 2016).

4.4.2 Case Organization - B (within-case analysis)

Table 4.6 illustrates the profile of interviewees particular to bank B. Their count of years' experience is made up of holding different positions in the retail banking sector.

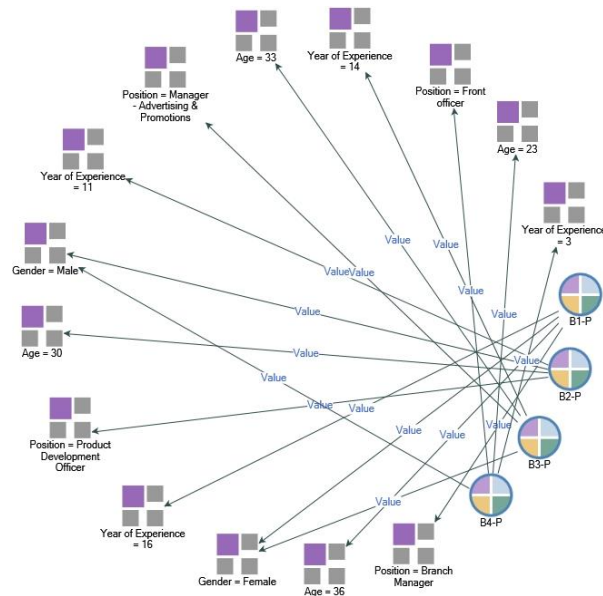
Table 4.6 Interviewee Profile - Bank B

Interview Code	Position	Age	Gender	Year of Experience
B1-P*	Branch Manager	36	Female	16
B2-P*	Product Development Officer	30	Male	11
B3-P*	Manager - Advertising & Promotions	33	Female	14
B4-P*	Front officer	23	Male	03

(Source: Interview Data)

P* symbolises the primary source.

Figure 4.5 Graphical Illustration of Informants Profile - Bank B



(Source: Interview Data)

Product Innovation

Bank B is always keen on facilitating customer needs through unique and innovative solutions and fulfilling their expectations in the most sustainable manner possible (B-S, 2015). Bank B is also pioneering both product innovation and service excellence, showing commitment to executing robust customer-centric strategies from its inception (B-S, 2015).

- **New Product Innovation**

The Branch Manager (B1-P) explains her view on introducing new financial products:

'We launch new products in order to meet and exceed our customers' needs. This is very important for a country like Sri Lanka, where more than 25 commercial banks are operating for a relatively small population. Therefore, the market is highly competitive and mature. So, in order to demonstrate our uniqueness, we need to have innovative products with us. Only then can we secure our place in the industry'.

The Manager - Advertising & Promotions (B3-P) explains her view on the introduction of new financial products:

'Diverse customer needs, market demand and a highly competitive market push our intentions to introduce the latest offerings. Considering the banking industry, we must include innovation in our product introduction. This is how we can show our commitment to reaching our valued customers'.

The Front Officer (B4-P) talks about new product innovation:

'By introducing state-of-the-art products, we are able to meet customer requirements and demand while withholding competitors' actions. We recently introduced a new fixed deposit product in which the customer can decide the deposit period rather conventional products offering fixed term. On the other hand, we introduced five years fixed interest rate housing loan for the first time in the market'.

- **Modified Product Innovation**

The Branch Manager (B1-P) discusses her idea about their modified financial products:

'It is equally important to reshape our offerings from time to time. So, existing products will be renewed according to the market needs and customers' needs. If not, customers may switch to a competitor for a particular service. On the other hand, we can create a demand with a modified product that fulfils a need gap. As an example, conventional saving accounts are modified into tiered accounts in which customers may be eligible to receive benefits compared to conventional saving accounts. Among the benefits, customers may receive bonus interest, gifts (such as travel bags, mugs, vouchers) or free health coverage depending on the balance they maintain over a certain period of time. As such, we create a demand which will be underpinned by innovation'.

The Product Development Officer (B2-P) explicates on modifying existing financial products as;

‘As I previously mentioned about untapped markets, we can also get those markets by revised products which are changes made to existing products. This is probably less costly than new product introduction; however, revised products may give unexpected success. As an example, the conventional current account is revised with salary accounts in which individuals can have an instant overdraft facility almost double their original salary’.

The Front Officer (B4-P) explains his view on modified product innovation:

‘During my service in this bank, I have seen many more altered offerings than introducing new products. I think, there is a reason for that. The reason is that established names are familiar with the customers, who will most likely stick with the altered offering’.

Process Innovation

- **Bricks and Mortar Banking Innovation**

The branch network is one of the major process innovation priorities in bank B. It has branches in major cities in Sri Lanka, with a staff of over 2000 (B-S, 2015). The Branch Manager (B1-P) comments on bricks and mortar banking innovation:

‘Our innovation in physical presence is very important. It means we still have to think about the innovation aspect of the branch network where our valued clients always meet. We have streamlined the processes for customer convenience ranging from front office to back office’.

Bank B has restructured the personal banking division with front and back office reporting lines (B-S, 2015). Following that, some of the back-office functions have been converted into an automation system which enables them to disseminate circulars electronically and activate retrieval on demand (B-S, 2015). In addition, selected sensitive back office functions (customer data, setting standing orders) are centralised (B-S, 2015). Bank B has extended its business hours based on local customs and the requirements of customers and introduced 365-day banking centres.

The Product Development Officer (B2-P) shares his view on bricks and mortar banking innovation:

‘What I believe in as a banker, front and back office process improvement is still valid for the Sri Lankan market due to many factors. Personal interaction is a top priority in Sri Lankan culture, which bankers have to be especially keen on. Apart from that, through the front and back office process improvement we try to save time and cost for the bank through service quality improvement, customer convenience, elimination of non-value adding activities’.

The initiatives under bricks and mortar banking innovation, bank B sets up a separate credit management unit that improves the back-office operations in branches (B-S, 2015).

Furthermore, in line with its innovation strategy, bank B has rebuilt its major banking branches along with state of art floor plans that enhance the overall customer convenient and satisfaction (B-S, 2015). As per another initiative, the bank has relocated its branches strategically important areas where customer vicinity and competition were considered (B-S, 2015). Furthermore, the bank has set up a branch supervision unit that devises proposals for process improvement at branch level (B-S, 2015). The Front Officer (B4-P) shares his views on bricks and mortar banking:

‘My job is a part of bricks and mortar banking where we make decisions mostly mixed with innovative idea because innovation is a precondition in modern day bricks and mortar banking’.

Currently, the bank reviews all existing processes in which expect to improve the service delivery and streamline internal processes (B-S, 2015). Moreover, every banking branch has connected with a core banking system in which provides real-time updated information (B-S, 2015).

- **Digital Banking Platforms Innovation**

Even though bricks and mortar banking activities are important, there is a trend in the industry to move towards digital platforms, especially to SMS banking, mobile banking, Internet banking and customer kiosks (B-S, 2015). A significant feature of every digital platform innovation is that the customer does not want to physically visit a branch (B-S, 2015). The Branch Manager (B1-P) describes the digital banking innovation as:

‘Recent development of technological capabilities allows banks to introduce new customer touch points, especially innovative e-banking facilities. It is clear that the younger generation has a huge propensity to convert to e-banking

facilities, more than the mature generations. We have introduced online payment facilities, balance enquiry functions and many other services through e-banking. What we believe as a bank is we must rely on multiple channels which may support us to reach the customer's vicinity'.

In 1998, the bank B proudly introduced a tele banking system which includes all local languages spoken in Sri Lanka (B-S, 2015). Therefore, customers are provided with different language settings in which can be selected either Sinhala, Tamil or English (B-S, 2015). Moreover, the tele banking service facilitates customers to check their account balances, bank card activation, lost/stolen bank cards and other banking needs (B-S, 2015). The Product Development Officer (B2-P) explains his view on digital banking platform innovation:

'Online banking is one of the emerging trends in the Sri Lankan banking sector. Online banking finds convenience, time and place advantage over traditional banking methods. We have developed a customer friendly online banking platform which has complementary features to traditional banking. Moreover, we provide services on online banking by adding innovative features and promoting it by various sales tools'.

The new Internet banking system enables customers to perform transactions without wasting time at a branch (B-S, 2015). Moreover, Internet banking provides advanced functions such as placing fixed deposits, opening up savings accounts, fund transfers to third parties and two factor verification for sign into the system (B-S, 2015). In 2004, Bank B initiated the SMS banking service which facilitates customers to perform transactions without going to a physical branch (B-S, 2015). The main facilities included in SMS banking are SMS notification on transactions, loan and direct debit reminders (B-S, 2015). On the other hand, SMS alerts are highly effective to detect suspicious transactions (B-S, 2015). The Front Officer (B4-P) explains his view on digital banking platforms innovation:

'We encourage our valued clients to use Internet banking which will be an added advantage. If customers do not want to stick to banking hours, they can use this anywhere, anytime'.

The bank's website was revamped and relaunched in an innovative manner, by way of crowdsourcing, a world's first by a bank, where customers were invited to cut the ribbon and launch the site online (B-S, 2015). The site has all the latest features and is mobile responsive. Some unique features are an online chat service, interactive

calculators, online applications and secure socket layer certification (SSL) (B-S, 2015). Bank B implemented Sri Lanka's first ever social banking app through the Facebook platform, through which the bank proves itself as a truly digitally and socially engaged bank in Sri Lanka (B-S, 2015).

Organizational Innovation

- **Organizational Culture Innovation**

The Branch Manager (B1-P) discusses organizational innovation:

'Our committed staff will be a deciding factor in organizational innovation. Whatever changes come to the bank, from internal processes to customer delivery points, our committed staff will be well prepared to accept them. However, we have to change one thing here if we want to acquire greater results, which is to offer an equal chance for promoting young staff who can bring massive results rather promoting based on year of service or ranking'.

The Manager - Advertising & Promotions (B3-P) gives her view on organizational innovation:

'In order to be fruitful with organizational innovation, top management commitment must be on board. As long as they understand the importance of organizational innovation, the steps to reach organizational innovation activities will be reduced'.

The Front Officer (B4-P) shares his view on organizational innovation:

'Our culture is attached to innovation which is based on innovative team performance. Though we do have many departments, we work as one team. So, innovative team performance is a big fish for the success of our organizational innovation'.

- **Organizational Learning Innovation**

The Branch Manager (B1-P) shares her view on organizational innovation:

'Our bank believes in creative thinking which will be one of the key success factors for organizational innovation because it allows us to think out of the box. The creative thinking crafts our ability to generate potentially important ideas that might work for the betterment of the organization'.

The Product Development Officer (B2-P) explains the ideas of organizational innovation:

'We do organizational-wide innovation; this is supported by our staff who are keen on learning by doing. What I stress here is our staff should try out new things'.

Talking about organizational innovation, the Manager - Advertising & Promotions (B3-P) mentions that:

'Organizational innovation allows us to design new work schedules, procedures and new methods of doing business very effectively. In this sense, staff skills may be helpful. Because employees will take up the responsibility for the implementation all those procedures in order to uplift our banking organization'.

Table 4.7 illustrates the innovation themes and sub-themes particular to bank B. Each In Vivo coding relates to a sub-category of each innovation capability. In addition, Table 4.8 shows the relative importance of innovation capabilities particular to bank B. The number of coding references has been included in each innovation capability. Figure 4.5 illustrates the graphical representation of each sub-category of innovation capability. It can be concluded that bank B is more oriented towards process innovation than product innovation and organizational innovation. An alternative representation can be found in Appendix - V(II).

Table 4.7 Bank B - Innovation Themes and Sub-themes

Theme	Sub-theme	B1	B2	B3	B4
Product Innovation	New Product Innovation	<i>Launch new products</i>		<i>Latest offerings</i> <i>Product introduction</i>	<i>State-of-the-art products</i>
	Modified Product Innovation	<i>Reshape offerings</i>	<i>Revised products</i>		<i>Altered offerings</i>
Process Innovation	Bricks & Mortar Banking Innovation	<i>Innovation in physical presence</i>	<i>Front and back office process improvement</i>		<i>Bricks and mortar banking</i>
	Digital Banking Platforms Innovation	<i>Innovative e-banking</i>	<i>Online banking</i>		<i>Internet banking</i>
Organizational Innovation	Organizational Culture Innovation	<i>Committed staff</i>	<i>Top management commitment</i>		<i>Innovative team performance</i>
	Organizational learning Innovation	<i>Creative thinking</i>	<i>Learning by doing</i>	<i>Staff skills</i>	

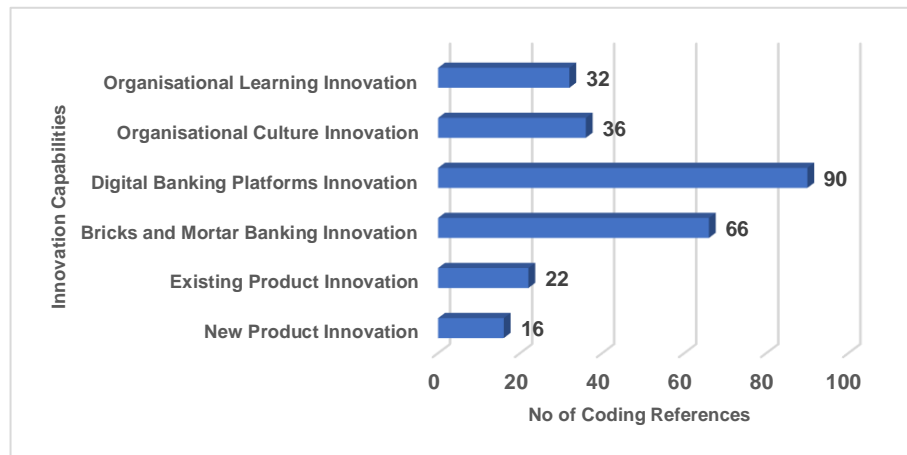
(Source: Interview Data)

Table 4.8 Relative Importance of Innovation Capability - Bank B

Innovation Capability	Sub-Category of Innovation Capabilities	No of Coding References
Product Innovation	New Product Innovation	16
	Modified product innovation	22
Process Innovation	Bricks and Mortar Banking Innovation	66
	Digital Banking Platforms Innovation	90
Organizational Innovation	Organizational Culture Innovation	36
	Organizational Learning Innovation	32

(Source: Interview Data)

Figure 4.6 Relative Importance of Innovation Capability - Bank B



(Source: Interview Data)

Relationship Marketing

The Branch Manager (B1-P) explains her understanding of relationship marketing:

‘When it comes to retail banking, more or fewer products offered by the banks are similar. The only difference is how we approach the customers and build long run relationships with them. Well-identified customer needs will boost our understanding of their diverse needs. Then only can we build a relationship with them. For relationship enhancement, we have to go the extra mile, otherwise the relationship will collapse’.

The Manager - Advertising & Promotions (B3-P) explains her view on relationship marketing:

‘As far as my understanding and experience go, relationship marketing is a system which creates a long-term relationship with customers. As also a lecturer in marketing, I highly recommend our bank to implement relationship marketing principles in order to enhance the customer relationship’.

The Front Officer (B4-P) explains his view on relationship marketing as:

‘We have a special concern for relationship marketing as never before. In the past, we waited for customers to find us. But the story has changed drastically; if we cannot reach our customers, somebody else does the job. So, dealing with customers, we have to have a customer retention policy that should be updated continually and dramatically. We continue to work on our relationship building; we also started a personalised service to elders, pregnant ladies, clergies and handicapped people’.

Innovation based Relationship Marketing

- **Product Innovation and Relationship Marketing**

The Branch Manager (B1-P) gives her view of combining the concept of product innovation and relationship marketing:

‘Intentionally or unintentionally, we combine product innovation and relationship marketing because when we decide whether our products are new products or modified products, we consider the customer perspective of them. This is what I think, product innovation may support our relationship marketing efforts’.

The Manager - Advertising & Promotions (B3-P) explains the relationship between product innovation and relationship marketing:

‘Product innovation enables us to provide excellent customer satisfaction. The satisfaction may lead to having a positive attitude towards our products and then creating a long-term relationship. So, product innovation has a positive impact on keeping relationships with customers’.

The Front Officer (B4-P) comments on the combined concepts of product innovation and relationship marketing:

‘What and how we are reaching to our customers is through products. As long as the product is innovative and perfectly matches their needs, we can stay connected with our customers’.

- **Process Innovation and Relationship Marketing**

By adding the concepts of process innovation and relationship marketing, The Branch Manager (B1-P) explains that:

‘Process innovation helps us to reach our valued customers. Regardless of the bricks and mortar or digital channels, we are constantly looking at improving our processes through innovation in order to provide excellent customer experience. This is what I believe; process innovation is a direct driver for relationship marketing where every effort we make finally supports customer retention’.

The Product Development Officer (B2-P) explains the combined concepts of process innovation and relationship marketing:

'From various channels of distribution, we keep on trying to maximise our relationship with customers. For process innovation, we do value additions to the channels so that we can better do the job than before'.

The Front Officer (B4-P) talks about the relationship between process innovation and relationship marketing:

'Efforts in process innovation must be directed towards the retention of customers. In my job as a front officer, I do happen to make decisions innovatively so that our customers will be satisfied and in return, they may maintain a profitable long-term relationship with us'.

- **Organizational Innovation and Relationship Marketing**

The Branch Manager (B1-P) explains her view of the combined concept of organizational innovation and relationship marketing:

'Organizational efforts on innovation are very important for the survival of our bank. We organize various programmes including Sinhala Hindu new year celebration, 1st of January celebration and other various programmes that other banks do not. So, we have gone beyond our comfort zone to satisfy our customers. Organizational innovation will bring assurance so that customers will remain with us a long period of time'.

The Product Development Officer (B2-P) explains about the combined concepts of organizational innovation and relationship marketing:

'I believe when we engage with organizational innovation activities, we can enhance the relationship with customers because the customer-oriented culture gives rise to enhancing our relationship with valued customers'.

The Front Officer (B4-P) shares his view on the combined concept of organizational innovation and relationship marketing:

'Organizational innovation will boost the relationship marketing efforts. Organizational innovation creates an environment where customer relationships are benefited'.

IRM and Sustainable Competitive Advantage

The Branch Manager (B1-P) confirms the connection between IRM and SCA as:

'I think this is a concept that is similar to a double-bladed sword which can be used collectively. Likewise, if we can make use of the innovation-based

relationship marketing right away, sustainable competitive advantages will not be far. Because both concepts are keen on satisfying customers' needs, from that we can create a unique brand of banking'.

The Product Development Officer (B2-P) comments on the relationship between IRM and relationship marketing:

'Definitely yes, the term IRM can be a potentially important concept because it has a capacity to expand the sustainable competitive advantage'.

The Front Officer (B4-P) considers the relationship between IRM and SCA:

'As an individual concept, innovation and relationship marketing do promote a sustainable competitive advantage, then I can conclude surely that the combined concept of innovation and relationship marketing do a better job than a singular application. Furthermore, this combined approach makes our strategies stronger and ultimately leads to achieving the sustainable competitive advantage'.

4.5 Case Organization - C (within case analysis)

4.5.1 Introduction to Case Organization

Bank C, which claims over 60 years of operation in Sri Lanka, evolves and diversifies in order to cater to diverse needs and aspirations of the customers (C-S, 2015). Accordingly, the bank excels in the areas of retail banking, corporate banking, small and medium scale financing, treasury and international banking (C-S, 2015). The bank operates through 88 banking units and 50 service points in the island (C-S, 2015). With its Lankapay membership, the customers can access more than 3600 ATMs across the country (C-S, 2015).

The bank largely engages with customers through frontline staff, relationship managers, advertising and promotion, media releases, branches, the corporate website, other automated services, Facebook, surveys and the call centre (C-S, 2015). The core values of bank C are being: innovative, customer-centric, professional, ethical, accountable, team-oriented and socially responsible (C-S, 2015). The bank offers a wide range of products: project loans, working capital facilities, term loans, leasing and hire purchase, Bancassurance, loan syndication, and saving and time deposit facilities (C-S, 2015). The bank will continue to develop capabilities and build

stronger and more profitable relationships by providing customised solutions, leveraging synergies across main businesses and capitalising on core strengths whilst nurturing its most valued assets; employees (C-S, 2015).

4.5.2 Case Organization - C (within-case analysis)

Table 4.9 illustrates the profile of interviewees particular to bank C. Their count of years' experiences is made up of holding different positions in the retail banking sector.

Table 4.9 Interviewee Profile - Bank C

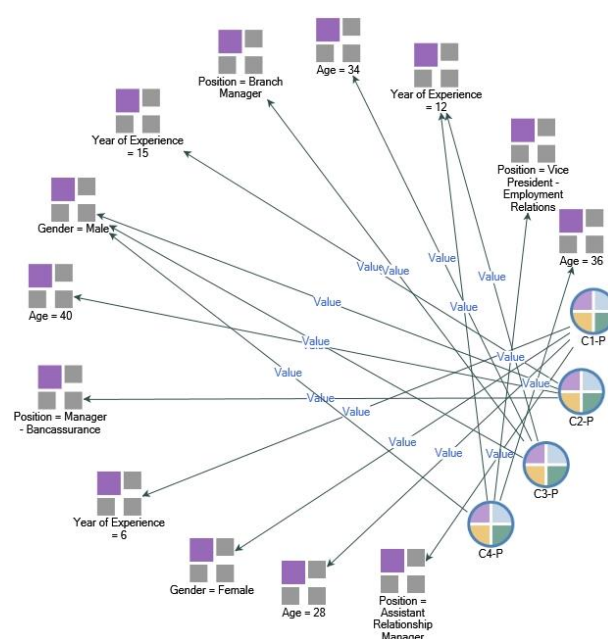
Interview Code	Position	Age	Gender	Year of Experience
C1-P*	Assistant Relationship Manager	28	Female	6
C2-P*	Manager - Bancassurance**	40	Male	15
C3-P*	Branch Manager	34	Male	12
C4-P*	Vice President - Employment Relations	36	Male	12

(Source: Interview Data)

P* symbolises the primary source.

**Is an arrangement in which a bank forms a partnership with an insurance company that allows to sell its products to the bank's client base (Marzai, 2018, p. 50)

Figure 4.7 Graphical Illustration of Informants Profile - Bank C



(Source: Interview Data)

Product Innovation

- **New Product Innovation**

The Manager - Bancassurance (C2-P) expresses his view on new product innovation:

‘Customer needs are dynamic; we have to cater to those customers’ needs. To meet diverse customers’ needs, we need to have state-of-the-art financial products’.

The Branch Manager (C3-P) shares his view on new product innovation:

‘Yes, newly launch products are a must for the ever-changing demand of the customers. On the other hand, competition is fierce because more than 25 banks are operating with a relatively small population. Therefore, we consider that new product introduction is a challenge’.

The Vice President - Employment Relations (C4-P) expresses his view on introducing new financial products:

‘Financial products which are latest to the market are very important, due to the competition among banks. As a general rule, the survival of any industry is mainly dependent on the distinctiveness in the market. By introducing products which are latest to the market, this puts us in a unique place in the industry, which many other players cannot achieve overnight’.

- **Modified Product Innovation**

The Assistant Relationship Manager (C1-P) expresses her view on modified product innovation:

‘We as a bank, we market improved products apart from new products. For the savings products, we do modifications by changing interest rates and other benefits from time to time’.

The Manager - Bancassurance (C2-P) comments on modified financial products:

‘Apart from introducing state-of-the-art products, we offer a set of products which we call customised products. Let’s take an example, we as other banks offer a so-called traditional product ‘fixed deposits’ which we can now actually arrange as an unfixed deposit with the same status and facilities of a fixed deposit. The main innovation of this product is that a customer can borrow a short-term loan on the top of the fixed deposit while keeping the deposit frozen.

From this customised product, customers can have a smart interest as well as fulfilling an immediate financial need’.

The Branch Manager (C3-P) expresses his idea about modified existing financial products:

‘To tap the market, we have to offer revised products on the top of existing products. This will reduce stagnation of our position in the market. We revised some of our accounts in which the customer can carry forward when he or she is getting older by the passage of the time. This is called a rolling account’.

Process Innovation

- **Bricks and Mortar Banking Innovation**

Under the bricks and mortar banking innovation, many of its systems and processes were revamped in order to increase efficiency and effectiveness (C-S, 2015). The bank is continuously improving its management information system in order to make sound strategic decisions. Bank C has successfully replaced an old Lotus note-based loan origination system with a web-based facility origination workflow solution in order to manage the credit approval workflow originating from the branch network (C-S, 2015).

The Assistant Relationship Manager (C1-P) explains her view on bricks and mortar banking innovation:

‘Especially, front office and back office process improvement supports us to save time which is taken to serve customers. However, the process should be innovative enough to capture lapses in the processes and improve the service next time’.

The Manager - Bancassurance (C2-P) explains about innovation in bricks and mortar banking:

‘Process innovation has a big impact on the banking industry, especially for the bricks and mortar banking sector. That leads to reducing the cost of operations in the long run. Also, customers may receive a satisfactory service due to less queuing and proper arrangement of processes. As an example, we have a system to recognise a premier customer as soon as he enters the banking premises. With the help of the NFC facility, the front officer can recognise him and even can address him by his name. Also, the front officer can read his preferences and other financial needs through the help of the NFC facility. This helps us to satisfy the customer to a greater extent’.

The bank's first ever 'automated branch' was established at a newly refurbished premise where the automated counter is equipped with a personal computer enabled online banking access, and in addition has a kiosk unit, ATM and courtesy phone (C-S, 2015). This trend-setting practice is to be adopted in more branches in the future with a view to creating fast and easy access transaction capability so that customers can reap the benefits of a traffic free, convenient and speedier service (C-S, 2015).

In light of the competitive retail banking environment, the bank continues to consolidate the branch network with a number of initiatives. The major initiatives mainly involve converting banking units into fully-fledged branches, banking units being refurbished in order to create a better ambiance, and the relocation of branches to enhance efficiency (C-S, 2015). The bank will continue to increase the placement of kiosk machines, and the branches that have courtesy phones will be further increased (C-S, 2015). The mobile teller concept has been introduced to collect cash deposits and respond to account balance inquiries of selected customers in the vicinity of the branch. An assigned permanent staff member is given a palm-top device and a portable printer in order to complete a transaction under the mobile teller concept (C-S, 2015).

The Vice President - Employment Relations (C4-P) talks about the bricks and mortar banking innovations:

'We look after our conventional banking in the highest level because we know our customers are most likely to be attached to the bank. However, through the process of innovation, we make it possible at the highest rate'.

Under the bricks and mortar process innovation initiatives, the bank has set up a service quality unit which oversees the process, re-engineering activities in various branches and departments (C-S, 2015). The unit has been successful in executing process improvements through focused and a gradual review of process flows (C-S, 2015). The unit studied current processes through which services are offered to customers, critically evaluated strengths and weaknesses, identified ways of improvement, conducted root cause analysis on failures, and redesigned processes to achieve efficiency and effectiveness (C-S, 2015).

- **Digital Banking Platforms Innovation**

Conventional banking practices have been overshadowed by the evolution of digital innovations (C-S, 2015). Internal systems and processes are now developed with a strong focus on innovation, and IT plays a vital role in executing the day-to-day operations of the bank (C-S, 2015). The income generation from drafts and cheques has continued to slide, with the gradual extinction of those products from banking services expected due to the increased use of electronic banking services and direct debits/credits, and the ever-increasing risks of fraud and manipulations associated with them (C-S, 2015).

With the appetite for electronic banking, the bank has developed a mobile wallet concept which will facilitate the management of wallet accounts by bank/non-bank customers using a mobile application. This mobile application will facilitate transfer/cash top-ups, merchant payments, fund transfers between wallet accounts, utility payments and a host of other features (C-S, 2015). The funds stored therein could be used to electronically pay for goods and services at selected merchant outlets, withdraw cash at designated outlets, pay utility bills and transfer to or receive funds from one's nearest and dearest. Available round the clock, these services take place within a secure transaction network. This will reduce the need for customers and merchants to hold cash to carry out transactions. The wallet app is available for Apple and Android devices free of charge (C-S, 2015).

The Manager - Bancassurance (C2-P) shares his idea behind digital banking platform innovation:

'The rate of development of the banking sector is continuous, so we cannot look back. That's why we offer innovative digital banking facilities to our customers who can enjoy the facilities without any time restrictions. One of the recent examples, we have introduced a digital wallet application for the mainly young generation who can purchase anything from our participating retailers via the phone'.

The Branch Manager (C3-P) explains about the digital banking platform innovation:

'We provide e-banking options to customers apart from the bricks and mortar banking services. An example of an e-banking facility is what we recently developed, and we are the first to introduce, the virtual wallet concept, which is

a mobile app that enables our customers to make payments and fund-transferring between themselves’.

The Vice President - Employment Relations (C4-P) expresses his view on digital banking platforms:

‘Our digital banking initiatives are also welcomed by our esteemed clients. By adding innovative features onto the digital banking activities, we make our customers lives easier’.

Bank C was the first in the industry to adopt the Google G suite platform to streamline staff communication via professional emails, shared calendars, online document editing and video meetings (C-S, 2015).

Organizational Innovation

The bank’s corporate culture and values are derived from its new vision which is ‘to be the leading financial solutions provider sustainably developing individuals and businesses’ (C-S, 2015). In addition, the bank demonstrates a team culture, where every individual is directly involved and accountable in realising the bank’s overall vision (C-S, 2015).

- **Organizational Culture Innovation**

The Assistant Relationship Manager (C1-P) talks about the organizational innovation:

‘If we want to be an innovative organization, strategic leadership is needed. As our strategic leadership provides the guidance for innovation, staff are well motivated for that’.

The Manager - Bancassurance (C2-P) expresses his view on organizational innovation as:

‘Generally, our bankers have good demand (are well-respected) in the industry. This is mainly because we trust in employees who grow themselves exponentially’.

The bank’s culture is embedded with values of professionalism, teamwork, openness, diversity, respect for individual values and recognition; each individual is respected, rewarded and recognised for his/her competence, capabilities and knowledge (C-S, 2015). The bank attracts the best of talent, develops a professional and collaborative

work environment, promotes a culture of diversity and inclusion and provides opportunities for employees to work to their full potential and realise their personal career goals (C-S, 2015).

The Vice President - Employment Relations (C4-P) explains his idea about organizational innovation:

'From my domain in the bank, recognition of employees is a must for organizational innovation. If we can reward for innovative ideas, the encouragement of employees goes high. Happy internal customers help to create and earn external customers'.

- **Organizational Learning Innovation**

The Manager - Bancassurance (C2-P) talks about the organizational innovation:

'From another perspective, I believe that organizational innovation can happen through the organizational learning process in which many innovative ideas come up'.

The bank encourages internal mobility of staff and facilitates their move within and across divisions (C-S, 2015). Mandatory product knowledge quizzes are conducted via e-learning on a quarterly basis for the frontline staff to ensure that they have the requisite knowledge to perform their job functions effectively (C-S, 2015). It is encouraging to note that over the period the number of employees passing the assessment has steadily increased (C-S, 2015). However, the bank oversees new methods of engaging staff and will encourage them further with collaboration and innovation (C-S, 2015)

The Branch Manager (C3-P) talks about his view on organizational innovation as:

'Not only skilful staff, but also management competency provides a great influence on succeeding with the organizational innovation activities'.

The Vice President - Employment Relations (C4-P) explains his view on organization innovation:

'Another key indicator of organizational innovation is knowledge sharing. It stimulates the internal people to explore new knowledge. As a result, this may count as a good input for organizational innovation'.

Table 4.10 Bank C - Innovation Themes and Sub-themes

Theme	Sub-theme	C1	C2	C3	C4
Product Innovation	New Product Innovation		<i>State-of-the-art financial products</i>	<i>Newly launch products</i>	<i>Latest to the market</i>
	Modified Product Innovation	<i>Improved products</i>	<i>Customised products</i>	<i>Revised products</i>	
Process Innovation	Bricks & Mortar Banking Innovation	<i>Front office and back office process improvement</i>	<i>Brick and mortar banking</i>		<i>Conventional banking</i>
	Digital Banking Platforms Innovation		<i>Innovative digital banking facilities</i>	<i>E-banking</i>	<i>Digital banking</i>
Organizational Innovation	Organizational Culture Innovation	<i>Strategic leadership</i>	<i>Trust in employees</i>		<i>Recognition of employees</i>
	Organizational learning Innovation		<i>Organizational learning</i>	<i>Management competency</i>	<i>Knowledge sharing</i>

(Source: Interview Data)

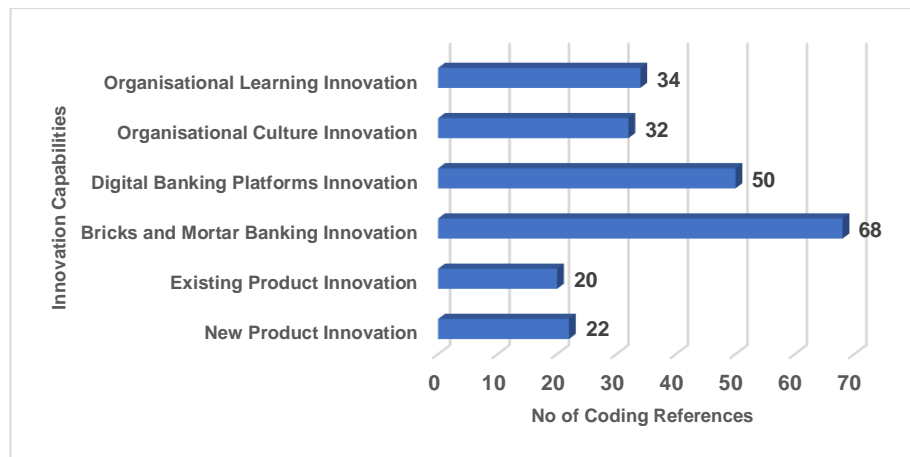
Table 4.10 illustrates the innovation themes and sub-themes particular to bank C. Each In Vivo coding relates to a sub-category of each innovation capabilities. Moreover, Table 4.11 shows the relative importance of innovation capabilities in particular to bank C. In addition, Figure 4.7 illustrates the graphical representation of each sub-category of innovation capability. It is clear that bank C mainly focuses on process innovation, especially bricks and mortar banking innovation and digital banking innovation than product and organizational innovation. An alternative illustration can be found in Appendix - V(III) in terms of hierarchical charts.

Table 4.11 Relative Importance of Innovation Capability - Bank C

Innovation Capability	Sub-Category of Innovation Capabilities	No of Coding References
Product Innovation	New Product Innovation	22
	Modified product innovation	20
Process Innovation	Bricks and Mortar Banking Innovation	68
	Digital Banking Platforms Innovation	50
Organizational Innovation	Organizational Culture Innovation	32
	Organizational Learning Innovation	34

(Source: Interview Data)

Figure 4.8 Relative Importance of Innovation Capability - Bank C



(Source: Interview Data)

Relationship Marketing

The bank has focused on value added initiatives to improve customer-centric services, and to centralise and increase efficiency and effectiveness of resource utilisation. Several key initiatives have been implemented to improve the overall customer experience, leading to cross-selling opportunities and customer retention (C-S, 2015).

The Assistant Relationship Manager (C1-P) explains her view on relationship marketing:

'The idea behind relationship marketing is to clearly understand what our customers really look for. However, our aim of relationship marketing is to retain customers via various up-selling and cross-selling activities'.

Strengthening existing relationships, customers, and a relentless focus on service delivery are the key features that the bank follows to provide better financial services (C-S, 2015). Going forward, with the positive momentum built over the years, the bank considers customer service as its core. Furthermore, an excellent understanding of customer needs and enhancing customer satisfaction has enabled the bank to build a loyal customer base (C-S, 2015).

The Manager - Bancassurance (C2-P) comments on the concept of relationship marketing:

'Relationship marketing helps us to retain loyal customers who add value to the company. This helps our bottom line and our survival'.

It is only when the employees, from the chief executive to the office assistant, live the espoused values of the bank and promote a culture of extraordinary customer care that stakeholders, customers in particular, will have trust and confidence in the Bank (C-S, 2015).

The Branch Manager (C3-P) explains his idea behind relationship marketing:

'What I believe in relationship marketing is to have a strong relationship which is sustainable for a longer period. Our existence mainly depends on having a long-term relationship with our valued clients'.

Innovation based Relationship Marketing

- **Product Innovation and Relationship Marketing**

The Assistant Relationship Manager (C1-P) discusses the combined concept of product innovation and relationship marketing:

'Product innovation ensures the highest customer satisfaction and retention. Product innovation has an impact on relationship marketing because if a customer matches with a new or a modified existing offer, his or her tendency to stick with the bank goes high'.

The Branch Manager (C3-P) explains his idea about the relationship between product innovation and relationship marketing:

‘As far as we fulfil our customers’ needs through innovative products, we can enjoy a sustainable relationship with our valued customers. Customers nowadays are very dynamic and self-aware, so we need to understand and cater to their demands so that we can continue to build a long-term relationship’.

The Vice President - Employment Relations (C4-P) explains his idea about the relationship between product innovation and relationship marketing:

‘Products which may be perceived as innovative are easily approachable to the customers. With the support of product innovation, relationship marketing efforts can be improved. If I take an example, if a product what we introduce as innovative can easily cross-sell and up-sell through the relationship marketing efforts, then we are able to stay close to the clients’.

- **Process Innovation and Relationship Marketing**

The Manager - Bancassurance (C2-P) mentions the relationship between process innovation and relationship marketing:

‘Processes that we have created and are going to be created are helpful for customer convenience and satisfaction. And then, in the long term, customers return to create a long-term relationship with our bank’.

The Branch Manager (C3-P) comments on the idea about the relationship between process innovation and relationship marketing:

‘Though we approach our customers either through conventional banking or digital banking, only one basic idea lies behind this. The idea is to build up a continuous relationship with customers. By looking at it from that angle, process innovation will enhance the capability of relationship marketing’.

The Vice President - Employment Relations (C4-P) confirms the relationship between process innovation and relationship marketing:

‘The success of the bank depends on the long-term relationship with our clients. Because of our internal process inefficiencies, we don’t want our customers to waste their valuable time. That’s why our processes are re-engineered with state-of-the-art techniques so that our service becomes available all the time. With the innovation, I can say that customers feel more attached to the bank through relationship marketing benefits’.

- **Organizational Innovation and Relationship Marketing**

The Assistant Relationship Manager (C1-P) talks about the combined concepts of organizational innovation and relationship marketing:

‘As an innovative bank, we accept the changes that come from innovation. These changes finally turn out to be an effective mechanism in order to create a long-term customer relationship’.

The Manager - Bancassurance (C2-P) talks about the combined concepts of organizational innovation and relationship marketing:

‘As I explained earlier, organizational learning fosters organizational innovation. So, the learning impact helps us to better understand our clients and create a sustainable relationship- meaning that organizational innovation improves the relationship marketing efforts’.

Explaining his idea behind the relationship between organizational innovation and relationship marketing, the Branch Manager (C3-P) comments:

‘To explain the relationship between organizational innovation and relationship marketing, I should quote again organizational innovation in terms of management competency. Through management competency, surely relationship marketing benefits because management competency brings new methods and techniques that can support relationship marketing to achieve a successful relationship with customers’.

IRM and Sustainable Competitive Advantage

The Assistant Relationship Manager (C1-P) explains her view on the relationship between IRM and SCA:

‘Of course, innovation will allow us to differentiate our products, processes and organizational system from our close competitors. In parallel, relationship marketing builds uniqueness by creating a sustainable relationship with customers. And then obviously, IRM has a positive impact on sustainable competitive advantage’.

The Manager - Bancassurance (C2-P) looks positively on the relationship between IRM and SCA:

‘If I simply explain what I understand from the IRM concept. IRM is like a tea pot. Innovation is like a tea bag which has many varieties breakfast, earl grey,

camomile and green tea. Relationship marketing is like boiling water. The strength of the tea pot depends on the blend that comes from the tea bag. Likewise, if we can blend the innovation with relationship marketing, the impact must be a stronger one. And then, IRM creates a situation that is difficult to break when it comes to the competitive advantage which cannot easily copy by other players in the industry either'.

The Vice President - Employment Relations (C4-P) talks about IRM and SCA:

'Oh yes, innovation-based relationship marketing will be a strong concept that can help us achieve our competitive advantage over the rivals'.

4.6 Case Organization - D (within-case analysis)

4.6.1 Introduction to Case Organization

With the aim of being the undisputed leader amongst Sri Lanka's private commercial banks, bank D serves over 2 million loyal customers every day. The bank serves customers in all segments and strata of socio-economic groups in all geographic locations in Sri Lanka (D-S, 2015) from retail banking, corporate banking, SME banking to micro-financing. The bank's value proposition offers customers more than funding and access to capital in addressing their expectations and needs (D-S, 2015). Bank D specializes in customised and tailor-made solutions, using a wide range of products and services, speed and efficient service, choice and convenience in accessing its products (D-S, 2015). Its retail banking business is constituted of the branch network; lending and investment products, which include leasing, pawning, housing loans, and personal loans; credit card services; savings accounts; fixed deposits; and current accounts. Bank D strives to partner an individual as he or she progresses through the different stages of life from birth to childhood, student and adult life to senior citizen (D-S, 2015).

Key priorities of bank D in terms of relationship marketing:

- To understand customer needs and expectations, behavioural patterns, identifying partially met or unmet needs of the customer segments served by the bank,

- To obtain customer feedback based on reasonable expectations on product suite, service quality, investment returns, reach and brand perception,
- To develop and engage mutually beneficial stronger relationships,
- To ascertain specific customer information towards completing KYC (Know Your Customer) requirements,
- To foster better understanding and awareness of product and service features and terms and conditions of a contract, dissemination of technical expertise and
- To communicate changes to the existing regulatory environment and changes made to standard operating procedures (D-S, 2013).

4.6.2 Case Organization - D (within-case analysis)

Table 4.12 illustrates the profile of interviewees particular to bank D. Their count of years' experience is made up of holding different positions in the retail banking sector.

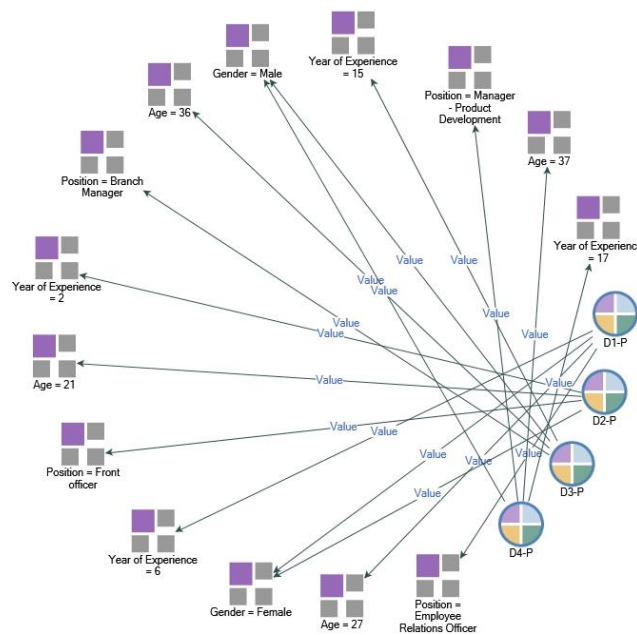
Table 4.12 Interviewee Profile - Bank D

Interview Code	Position	Age	Gender	Year of Experience
D1-P*	Employee Relations Officer	27	Female	06
D2-P*	Front Officer	21	Female	02
D3-P*	Branch Manager	36	Male	15
D4-P*	Manager - Product Development	37	Male	17

(Source: Interview Data)

P* symbolises the primary source.

Figure 4.9 Graphical Illustration of Informants Profile - Bank D



(Source: Interview Data)

Product Innovation

Over the past decades, bank D has led the commercial banking space through introducing ground-breaking products and processes into the industry (D-S, 2015). Product innovation basically means introducing new products and variations to existing products which aim to fill gaps in the market (D-S, 2015). Investment in new technology and platforms to offer new products is expected to improve the current and savings account (CASA) (D-S, 2013).

- **New Product Innovation**

Sharing her (D1-P, the Employee Relations Officer) view on the new financial products innovation, she comments:

‘Product innovation must be beneficial to the customers. Also, it should meet diverse customer needs. Our core values are manipulated with innovation. Through new financial products, customers are well-satisfied, so even temporary service failures or complaints do not lead them to leave us permanently’.

She (D1-P) further explains that:

‘Recently, we newly introduced a unique saving account which empowers youth above 18 years to realize their aspirations of higher education, career and life in general with complete financial independence’.

The bank recently introduced a user-friendly new leasing system which can support ever-increasing demand and diverse needs of the market in an innovative manner (D-S, 2014). This has led to mitigating possible adverse impacts of regulatory changes and shifts in consumer demand for conventional products and service offerings that may have progressed towards maturity in the product life cycle (D-S, 2013). The bank has taken various steps to introduce a number of unusual and novel value adding loans options to customers, such as variable interest options, ample grace periods and longer repayment plans (D-S, 2015).

The Branch Manager (D3-P) shares his idea about the introduction of new financial products:

‘Customers’ expectations and needs are diverse, so, we have to introduce state-of-the-art financial products to stay in touch with them because we cannot keep satisfying our customers with the same set of products all the time. Additionally, if we don’t introduce new products, customers may consider switching to a competitor who is offering much better products’.

Confirming his idea behind introducing new financial products, the Manager - Product Development (D4-P) explains that:

‘We are one of the leading private banking organizations in Sri Lanka, customers trust our services, so we have to keep satisfying their growing demand. For that, we have to have innovative augmented products which are new to the market. Also, new financial products reduce the risk of customers who have an intention to move away from our bank’.

Various product committees within the bank provide final oversight for the introduction of new, or changes to existing, products and services (D-S, 2015). Department heads are required to confirm that applicable regulatory requirements are considered, including those for consumer protection and anti-money laundering (D-S, 2015). The bank always ensures that products are designed to meet the needs of identified consumer groups, and that products perform to the standards as customers generally expect and do not unfairly impact on them (D-S, 2015). According to recent research,

the bank identifies areas which should be given more weight: trusted customer care, convenience, accessibility, innovative products and the bank's image (D-S, 2014).

- **Modified Product Innovation**

The Employee Relations Officer (D1-P) explains the importance of modifying existing financial products as:

'...certainly, product modification is more generic in our industry than introducing new financial products. Through improved products, we are able to reach our customers more effectively than with new products. Product modification can happen by adding more value-added features especially attractive interest rates, gifts schemes and easy loan schemes and so on. Actually, why we are trying to do product modification is that we can better serve customers' needs, create long term customer relationships and comply with government rules and regulations'.

The bank revamped and relaunched its children's savings proposition during the international thrift month of October (D-S, 2015). The new proposition offers greater flexibility and rewards and its enhanced appeal bolstered deposits from children's savings, which increased their saving segment by 13.9% in 2015 (D-S, 2015). Product offerings are regularly revamped in line with customer expectations and intense competition anticipated from peers (D-S, 2013). A senior citizens scheme was relaunched, adding more value for senior citizens (D-S, 2015). Senior citizens saving accounts and current accounts were revamped with a gift voucher scheme, hospitalization cover and discounts at participating retailers (D-S, 2015). Current accounts for professionals and executives who earn a net income worth Rs. 50,000 or more (£ 250) are modified with valued additions. The existing educational loans scheme was relaunched for students who aspire to professional courses and degree programmes locally and abroad to cover registration, tuition fees, exam fees and accommodations expenses (D-S, 2015).

Commenting on the importance of modifying existing products, the Branch Manager (D3-P) explains that:

'Due to the ever-changing diverse customers' needs, competitor pressure and technological advancements, we have to think about introducing customised products. Because those reasons may impact adversely on customer retention,

which is undoubtedly vital for our long-term survival, we modify existing products so that existing customers may stay with us’.

The Manager - Product Development (D4-P) comments on the importance of modifying existing financial products:

‘Mostly introducing new products may incur huge cost but modifying existing products does not. Then, through customised products, we can better satisfy unmet needs of our customers at a minimum cost’.

Process Innovation

As a revolutionised retail bank, bank D, which holds one of the largest branch networks in Sri Lanka, makes banking accessible to all provinces of the country. Despite the improvements in traditional banking, bank D also is pioneering electronic banking which focuses on innovation for tomorrow’s customers in terms of digital technological advancement and convergence (D-S, 2014). Thus, bank D creates a competitive advantage over peers in both physical presence, through customer touch points, and electronic banking (Bank D-S, 2015).

The Managing Director (D-S, 2013) comments that:

‘The focus of our multi-channel distribution strategy is on increasing our reach through electronic delivery channels that deliver increased customer convenience and greater choice. In other words, while our conventional channels will continue to maintain market leadership in the country, we will also focus on electronic channels. Today what we believe is hybrid banking channels enable us to be the dominant bank in the Sri Lankan banking sector’.

- **Bricks and Mortar Banking Innovation**

Sharing her (D1-P, the Employee Relations Officer) view on the bricks and mortar banking process innovation, she explains:

‘Conventional banking, especially operations of the front office and back office functions, have undergone a huge revamping with innovation activities, so we can now increase our physical presence, customer convenience and expand our interaction with customers’.

Business process re-engineering and the re-design of existing processes create dramatic results (D-S, 2013). With the help of technological platforms, they have been

able to expedite the approval and disbursement of loans (D-S, 2013). This is achieved with the introduction of the credit origination system e-Space, which leads to standardizing and improving the quality of the appraisal note, and the incorporation of scientifically developed internal risk ratings for retail loans (Bank D-S, 2013). Special features of credit origination system are:

- The system has created visibility across the entire process and eliminated bottle necks and delays, as a result of faster follow up action,
- Email alerts have sped up the entire approval process and resulted in significantly reducing the processing time of loan applications to four days from a previous average of two weeks and
- The automated workflows, with inbuilt benchmarks and time targets for processing turnaround time, provide important feedback for performance evaluation and continuous improvement (D-S, 2013).

The bank introduced an Asset Liability Management (ALM)/ Funds Transfer Pricing (FTP) system which has improved the bank's management information system (MIS) capability significantly by not only allowing it to analyse profitability in different dimensions, such as customer, product, business segment and channels, it has also enabled the bank to forecast its net interest income for future periods on various dimensions (D-S, 2013). Bank D has created a landmark as one of the first Sri Lankan banks to invest in such sophisticated analytical capability.

Remarking on the bricks and mortar process innovation, the Front Officer (D2-P) explains that:

'Our bricks and mortar banking, especially front office and back office operations, are considered to be improved through process innovation. As a result, the bank began to re-engineer its processes and procedures with the aim of enhancing the bricks and mortar banking segment. The front office and back office operations are better coordinated with the process improvement in order to provide satisfactory services to customers'.

Bank D considers that the branch network continues to remain important and relevant, even in the face of the digital age (D-S, 2013). Some of the branch processes have been re-engineered and redesigned in order to drive cost optimisation, consolidation

of the network and to better serve customers (D-S, 2013). The bank redeploys and retrain its staff to support the shift in focus at branch level (D-S, 2013). The measures having been taken as above, the bank is able to improve the efficiency of the branch network by reducing processing time and improve efficiency by the reduction in queuing time (D-S, 2013). According to the branch target operating model, bank D allocates its staff based on specific needs, volumes, market characteristics and potential importance of the locations island-wide (D-S, 2015).

Stating his idea behind the bricks and mortar process innovation, Manager - Product Development (D4-P) states that:

‘Process innovation improves the services offered by the bank and provides a faster service to our customers, especially customers who do not want to wait in the long queues at the front counters in order to do their transactions. Under the initiatives made so far, we (have upgraded) upgrade our offline banking, which allows our customers to fulfil their banking needs in self-service machines and front counters’.

Some of the other bricks and mortar banking process innovation initiatives made by bank D include:

- Introduction of the document management system which links all customer data across divisions and enable the storage and accessibility of images, increasing the safety of documents and greater control over customer management,
- Introducing a technology-driven led management solution to track workflows and provide oversight of business opportunities,
- Key branches conversion to 7-day, Saturday, Sunday and extended banking hours,
- Establishing a dedicated process improvement and change management (PICM) unit to drive business process re-engineering activities in branch level,
- Several key centralisations, process improvement, automation and outsourcing projects have been implemented, enabling optimal allocation of resources and release of staff from operational functions to sales and customer service,

- Implementing a paperless office concept by investing in technology whereby all internal documentation is digitised,
- Pioneering the installation of bulk cash deposit machines which have the ability of real-time crediting of accounts,
- Installing kiosk machines for utility bill payments,
- Providing a speedier service through automation and centralisation of functions (a customer's time required to open an account was reduced from 30 minutes to 5 minutes),
- Increasing the number of loan applications processed by the centralised back office unit 1,200 to 1,800 a day and
- Introducing sales dashboards for segments to track performance (D-S, 2015, 2014).

The Managing Director (D-S, 2013) comments on bricks and mortar banking process innovation:

'We will work towards redesigning and re-engineering existing processes, making them more robust and effective in facilitating speed, efficiency and productivity across the bank. Our objectives are twofold, the first being to drive unparalleled customer satisfaction and convenience through service excellence, with the second being to work towards a target operating model which will lead to better and more efficient ways of optimising our existing cost structures'.

• **Digital Banking Platforms Innovations**

Continuing with the innovative product development capabilities, the bank became the first bank in Sri Lanka to launch a fully-fledged mobile banking solution in Sri Lanka (D-S, 2015). The bank's technological thrust has become a key enabler of all of its strategic imperatives, such as customer convenience, enhancing the service offering, increasing avenues for fee-based income, cost optimization and minimising the carbon footprint (Managing Director, D-S, 2014).

The Employee Relations Officer (D1-P) expresses her view on digital banking platforms innovation:

'E-banking allows our customers to access our services anytime and anywhere. Services that are mainly available with e-banking are balance inquiry, mini

statement, bill payment, self-fund transferring, chequebook request and cheque status inquiry’.

E-delivery channels serve and cater to the diverse digital and Internet-based needs of the entire customer base of the bank, not only the retail sector but also other segments of the bank (D-S, 2013). Thus, the bank has taken the lead in pioneering the next generation of banking in Sri Lanka (D-S, 2013). Recent research indicated that online and mobile are preferred channels, particularly by generation Y customers, who expect seamless solutions to their everyday banking needs (D-S, 2013).

The bank’s innovative platform supports Internet, mobile banking, and banking through smart ATMs and Kiosks (D-S, 2015). The launch of mobile banking platform - another first in the industry, being the only bank in the country to offer 4 separate flavours of mobile banking (SMS, USSD, SmartApp and Browser), provides the customer a range of applications to engage in phone banking, using either smart phones or basic mobile phones (D-S, 2015).

Explaining the digital banking platforms innovation, the Front Officer (D2-P) comments that:

‘Customers who are especially generation Y are interested in using innovative online banking services. We introduce and upgrade features in our online banking platform so that our valued customers stay connected with us any time, any place’.

Bank D has digitised communication with customers by contacting them through direct mailers, email notifications and through the corporate website (D-S, 2015). Personalised SMS notifications (a first in the country) offer status updates and inform customers of various offers available on the use of credit cards at participating merchant outlets (D-S, 2015). The bank has been able to convert 25% of its customers’ statement requirements into e-statements (D-S, 2015). Also, bank D streamlines some of the processes through transferring certain applications to a cloud environment, which also reduces the requirement for servers and energy (D-S, 2015).

Voicing his idea behind the importance of process innovation, the Manager - Product Development (D4-P) states that

‘Our orientation is for the digital banking channels; we implement 24/7 banking platforms that are very fast and convenient to our customers. Apart from the innovative features of the 24/7 banking platforms, we offer great deals to those who are interested in using the service. This may include discounted prices for instalment payments and gift items’.

The bank has initiated the process to introduce another first to the Sri Lankan market through the launch of ‘Facebook banking’, which provides yet another electronic delivery channel in the area of social media networks in aligning the product and service offering to the users of social media, who are predominantly comprised of generation Y users (D-S, 2015). Furthermore, the enhanced presence on social media platforms such as Facebook and Twitter allow the bank to provide information on new products and services and obtain customer feedback (D-S, 2015). The bank has revolutionised Sri Lanka’s banking industry with state-of-the-art features which have converted smart ATMs into virtual bank branches (D-S, 2015).

Organizational Innovation

- **Organizational Culture Innovation**

The bank’s management demonstrates agility in responding to the opportunities arising from diverse customer needs and changes in demographic and social trends in creating new market space and tailoring value propositions in response to these changes (D-S, 2014). The bank’s business processes are supported by effective controls which drive the business for sustainable performance whilst ensuring that the bank stays within the ethos of its culture and core values (D-S, 2015). The bank clearly understands that efforts to re-engineer organizational activities would not have been successful, or even been possible, without the support and cooperation of internal staff (D-S, 2015).

Presenting her (D1-P, the Employee Relations Officer) view on organizational culture innovation, she explains:

‘Our culture predominantly shares innovative ideas among members of the bank. This helps us to keep up with the organizational innovation activities. Through this, we have succeeded on many occasions. On one occasion, we built a team called direct sales force which combined different roles in the front

office. The team shares different ideas which are potentially important for organizational innovation’.

The direct sales force is one of the unique elements in bank’s D organizational culture (D-S, 2015). The direct sales team initiated a new programme which rebranded the junior executives and banking assistants as business development officers and business development associates, respectively (D-S, 2015). Apart from the innovative orientation, the team contributes to improving the marketing function as well as optimal staff deployment (D-S, 2015).

As one third of the employees are comprised of generation Y’s, the bank introduced a unique programme to empower and develop staff and get them involved in innovation and creativity for the bank (D-S, 2015). The programme stresses youth empowerment, new idea generation and creating a voice for young talent (D-S, 2015). This is kind of reinforcement makes sure younger employees will be equipped with future readiness.

Putting forward her (D2-P, the Front Officer) idea on organizational culture innovation, she explains that:

‘Reinforcing the teams is a dynamic way of achieving organizational innovation. At the front office, by reinforcing the teams, we are well equipped with the necessary fitness for achieving the organizational innovation activities for our bank’.

As a banking organization, bank D is keen on securing a win-win situation inside the organization (D-S, 2015). The bank hears a plethora of suggestions and requests from the staff to propel growth and continue towards a leaner, more efficient and productive culture, which pushes the boundaries of the organization and the individual (D-S, 2015). Here, the Managing Director (D-S, 2015) comments on organizational culture innovation:

‘Whilst the bank focuses on technology as a key enabler and a provider of competitive advantage, we also remain focused on the indelible value of our human capital and knowledge base in achieving the goals that we have set for ourselves. The talents, passion and commitment of our people have been the cornerstone of our sustained success for over a century’.

The Branch Manager (D3-P) states his idea of organizational culture innovation:

'We as a bank have built up an innovative culture that is one of the key success factors for organizational innovation. Everyone who is attached to our innovative culture likes to contribute to novel ideas that may constructively support our innovation activities'.

By sharing common, recurring or specific customer complaints among our team at customer touch points, we pre-empt reoccurrence and create greater awareness and understanding about customer sensitivities, behavioural trends, and expectations (Bank D-S, 2013).

- **Organizational Learning Innovation**

Bank D drives a culture of learning in order to polish the employees' knowledge, skills and attitude (D-S, 2015). Thus, the bank has initiated several employee development programmes which cater to improving the learning culture insider the organization (D-S, 2015). In addition, the bank considers the overall value addition from employees to the organization when deciding the organizational learning activities (D-S, 2015). Confirming the above statements, the Managing Director (D-S, 2015) states that

'We believe in the workforce, which facilitates the right mix of experience, expertise and tacit knowledge, with the energy and passion, drive and innovative spirit to propel the bank to greater heights'.

Based on a thorough analysis of skills and competencies in the bank, staff deployment has been optimised so that employees are involved in the learning organization (D-S, 2015). In addition, bank D promotes a blame free culture and works towards a culture of learning and knowledge-sharing (D-S, 2015). The Managing Director (D-S, 2014) comments on the organizational learning innovation in term of staff:

'The talents, drive and commitment of our people have been the cornerstone of our sustained successes, and it is their passion and talents which have fuelled our innovations and progress'.

Offering her (D1-P, the Employee Relations Officer) view on the importance of organizational innovation, she explains:

'I think one aspect of organizational innovation is shared knowledge. If the shared knowledge can be well disseminated, then everyone is stimulated to think out of the box. It means shared knowledge enhances the innovation'.

Bank D has set up a dedicated learning and development centre which has five learning rooms including a computer lab, a modern library and space for people to interact and enjoy their learning experiences (D-S, 2015). Powered by an in-house learning management system, the learning centre is run fully automatically in order to foster employees learning experiences. Employees who work in remote areas have an opportunity to refer to an e-learning platform embedded with an online library (D-S, 2015). The bank is looking to replace its 37% conventional training sessions with the e-learning platform (D-S, 2015). This e-learning platform is one of the first in the industry and was the recipient of a silver award in the 'In-House Applications' category at the national best quality software awards 2007 conducted by the British Computer Society (D-S, 2015). In another initiative, from considering the generation Y employees, the bank initiated the cloud-based Talent Space platform, which can be accessed anywhere and anytime from any mobile device. Facilities offered by Talent Space include online courses, library facilities, discussion forums, exam syllabuses and interactive learning with social media (D-S, 2015).

Commenting on her (D2-P, the Front Officer) idea on the importance of organizational innovation, she explains that:

'From various training and development programmes, we can enhance our staff's ability to cope up with organizational innovation. Further, through training and development, our bankers will boost their readiness and adaptability for the organizational innovation activities. I remember I took part in one of the programmes which was aimed at improving the ability to think out of the box'.

As a part of learning among peers, the bank continues doing job rotation within the centralised hubs as well as other locations, facilitating opportunities to switch to sales and marketing, providing regular feedback for an employee to feel rewarded in seeing a progressive rise in his/her productivity due to specialisation, and maintaining a culture of fun and camaraderie by initiating diverse social activities (D-S, 2015).

Another remarkable initiation of the bank, Reach-Out, which is a special staff development programme designed to pay focused attention towards developing and improving staff members through a coaching and mentoring process (D-S, 2015). Special focus is given to improving technical skills, selling skills, speed in delivery and overall productivity (D-S, 2015). This programme has given an opportunity for senior

management officers to contribute with all sincerity towards uplifting the work and life of a co-worker. It is not a mere coaching process but a personnel challenge for each member to reform the assigned mentee through a process of mutual respect and understanding which will be rewarding for both concerned (D-S, 2015). According to the Managing Director (D-S, 2015), the training and development process is customised as:

‘Performing executives are labelled as Aspire, Acumen and Catalysts. The ‘Catalysts’ comprises senior management whilst ‘Acumen’ consist of middle level leaders and ‘Aspire’ of young leaders with high potential, and these groups are offered tailor-made personal and management development programmes’.

The Branch Manager (D3-P) states his idea about organizational innovation:

‘As a branch manager in a busy branch, I always believe in learning within the team. This is very interesting, sometimes, because learning can happen vertically and horizontally. This means that a team member may learn from senior staff as well as peers among the group. Learning within the team will lead to enhancing organizational innovation, eventually’.

Table 4.13 illustrates the innovation themes and sub-themes particular to bank D. By analysing the table, it can be seen that the respondents understand the terms of product, process and organizational innovation differently. Moreover, Table 4.14 shows the relative importance of innovation capabilities particular to bank D. The number of coding references has been included in each innovation capability. In addition, Figure 4.9 illustrates the graphical representation each sub-category of innovation capability. It can be concluded that bank D is more oriented towards process innovation than product innovation and organizational innovation. An alternative representation can be found in Appendix - V(IV).

Table 4.13 Bank D - Innovation Themes and Sub-themes

Theme	Sub-theme	D1	D2	D3	D4
Product Innovation	New Product Innovation	<i>Newly introduced</i>		<i>State-of-the-art financial products</i>	<i>Innovative augmented products</i>
					<i>New to the market</i>
					<i>New financial products</i>
	Modified Product Innovation	<i>Product modification</i>		<i>Customised products</i>	<i>Modifying existing products</i>
Process Innovation	Bricks & Mortar Banking Innovation	<i>Conventional banking</i>	<i>Bricks and mortar banking</i>		<i>Upgrade offline banking</i>
			<i>Front office and back office operations</i>		
	Digital Banking Platforms Innovation	<i>E-banking</i>	<i>Innovative online banking</i>		<i>24/7 banking platforms</i>
Organizational Innovation	Organizational Culture Innovation	<i>Shares innovative ideas</i>	<i>Reinforcing the teams</i>	<i>Innovative culture</i>	
	Organizational learning Innovation	<i>Shared knowledge</i>	<i>Training and development</i>	<i>Learning within the team</i>	

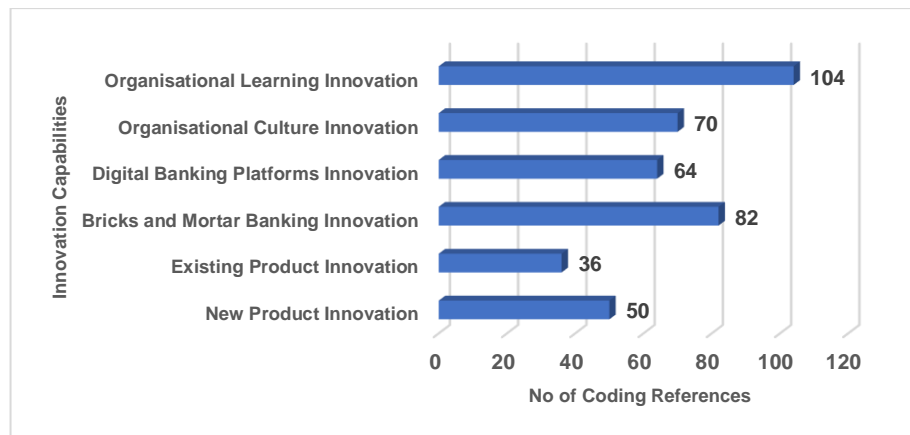
(Source: Interview Data)

Table 4.14 Relative Importance of Innovation Capability - Bank D

Innovation Capability	Sub-Category of Innovation Capabilities	No of Coding References
Product Innovation	New Product Innovation	50
	Modified product innovation	36
Process Innovation	Bricks and Mortar Banking Innovation	82
	Digital Banking Platforms Innovation	64
Organizational Innovation	Organizational Culture Innovation	70
	Organizational Learning Innovation	104

(Source: Interview Data)

Figure 4.10 Relative Importance of Innovation Capability - Bank D



(Source: Interview Data)

Relationship Marketing

Commenting on her (D2-P, the Front Officer) knowledge about relationship marketing, she shares:

'Relationship marketing helps us to build a long-term relationship with customers. In other words, relationship marketing creates a win-win situation for both customers and the bank. Moreover, relationship marketing gives us tactics which may be employed during the relationship building and maintaining process'.

The Branch Manager (D3-P) shares his ideas about relationship marketing:

'Loyal customers are our greatest strength; this enables us to maintain a remarkable relationship with our valuable customers. For the purpose of

maintaining such relationships, relationship marketing strategies are highly recommended’.

Stating his idea about relationship marketing, the Manager - Product Development (D4-P) clarifies that:

‘Relationship marketing is useful for enhancing the interaction with our customers who give us long-term profitability. However, this should not prompt opportunistic behaviour on our side to have the all the benefits. We are more likely create a win-win situation where both customers and the bank benefit. One of the major outcomes of relationship marketing is customer retention, which provides us with the required motivation to stay connected with customers’.

Innovation based Relationship Marketing

- **Product Innovation and Relationship Marketing**

Commenting on her (D1-P, the Employee Relations Officer) view on product innovation which is connected to relationship marketing:

‘Having new or modified financial products, we have more chances to approach the customers with the greatest confidence. Also, products may be a deciding factor for retaining customers; then in order to succeed with relationship marketing, we have to have product innovation’.

Sharing her (D2-P, the Front Officer) views on the relationship between product innovation and relationship marketing:

‘Introduction of new products and modifying products help us to retain our loyal customers. Thus, there is a direct link between product innovation and relationship marketing’.

Commenting on his ideas behind the relationship between product innovation and relationship marketing, the Manager - Product Development (D4-P) explains that:

‘What a wonderful idea, how relationship marketing is getting supported by innovation. As far as my understanding goes, this concept should be a novel idea. If we consider the relationship between product innovation and relationship marketing, I can say that new and modified products will improve the customer retention because customers satisfy their financial needs and there is no need to switch banks to find augmented products’.

- **Process Innovation and Relationship Marketing**

Commenting on her (D1-P, the Employee Relations Officer) view on the process of innovation which is connected to relationship marketing:

‘Improvements in the front office and back office functions mainly impact on our relationship with customers because the service they receive from the front office and back office is a crucial factor for retaining our valued customers’.

Speaking on the combination of process innovation and relationship marketing, the Branch Manager (D3-P) claims that:

‘Our internal processes are well-planned with the re-engineering activities which provide greater convenience to the customers. The convenience of returns converts to building a long-term relationship with customers’.

The Manager - Product Development (D4-P) explains the relationship between process innovation and relationship marketing as:

‘We are keen on improving our hybrid channel distribution for valued customers who wish to stay with us for a longer period. However, it is useless if we acquire 100 customers while we lose 120 in a month. In some cases, customers see our advanced processes and facilities but at the end of the day, they don’t stay with us. In this situation, relationship marketing plays a major role in securing existing customer relationships for the bank’.

- **Organizational Innovation and Relationship Marketing**

The Front Officer (D2-P) explains the relationship between the concepts of organizational innovation and relationship marketing:

‘Organization innovation allows us to establish a close relationship with our customers. The combined concept of innovation and relationship marketing works better than the single application of innovation and relationship marketing’.

The Branch Manager (D3-P) expresses his idea about the combination of organizational innovation and relationship marketing:

‘As I previously explained, an innovative culture is a main contributor to organizational innovation. If we can incorporate our innovative culture to enhance our ability to stay close to the customers, we can enjoy massive gains’.

The Manager - Product Development (D4-P) comments on the relationship between organizational innovation and relationship marketing:

'I can clearly confirm organizational innovation will promote relationship marketing. It can happen in two ways from inside-out or outside-in. What I mean by inside-out is, by engaging organizational innovation activities, we have a tendency to have a long-term relationship with customers. On the other hand, outside-in means customers who take the initiative by looking at our innovation activities want to stay connected with us'.

IRM and Sustainable Competitive Advantage

Commenting on her (D1-P, the Employee Relations Officer) view on the relationship between IRM and SCA:

'To be honest, we do innovations and practise relationship marketing principles individually, not in a combined manner. With the combined concept, that will be a new phenomenon which could drive our sustainable competitive advantage'.

Relating to the relationship between IRM and SCA, the Branch Manager (D3-P) stresses that:

'IRM has a great potential to excel in the competitive advantage in the long run because IRM consists of innovation underpinned by relationship marketing to works as a double-edged sword, which is more powerful than the conventional way of achieving sustainable competitive advantage'.

Commenting on his idea about the IRM and SCA, the Manager - Product Development (D4-P) explains that:

'IRM has the power to achieve the sustainable competitive advantage in a highly successful manner because it combines both innovation and relationship marketing'.

4.7 Cross-case Analysis (Bank A, B, C and D)

The cross-case analysis comprises the combined cases of banks A, B, C and D. The main outcome of the cross-case analysis is to build a valid model for innovation-based relationship marketing in the Sri Lankan retail banking sector. In this cross-case study, the main themes are coded according to the different views of interviewees.

Product Innovation

- **New Product Innovation**

The Relationship Officer (A3-P) comes up with the idea behind new product innovation:

'Product innovation sometimes comes under the label of latest products which mainly fulfil unmet needs of the customers. Product innovation is very important especially in a mature industry like banking. Mostly the latest products will also address diverse customers' demand'.

The Product Development Officer (B2-P) comments on new product innovation:

'When considering the Sri Lankan retail banking industry, there are many untapped areas which can be presented as new to the customer. From saving products to loan products, there are many untapped areas. Recent developments have contributed a lot to tap those niche markets'.

The Assistant Relationship Manager (C1-P) explains her view on new product innovation:

'Currently, we are known as one of the most innovative banks in Sri Lanka. New products provide us with a competitive edge and satisfy customers' needs'.

Commenting on her (D2-P, the Front Officer) view on the new product innovation, she explains that:

'Product innovation leads to introducing latest offerings to the customers. Through the latest offerings, we are able to satisfy our esteemed customers who do not switch among banks, searching for better products. In decades back, we were the banking institute which introduced a saving account with a reward scheme for the first time in Sri Lanka'.

- **Modified Product Innovation**

The Relationship Officer (A2-P) explains product modification as:

'The alteration of offerings can happen where existing products do not intend to provide necessary targets and customer satisfaction'.

The Manager - Advertising & Promotions (B3-P) comments that:

'Modified products also become appealing to the customer, because we already have a positive attitude on previous products. In some cases, products may saturate and be obsolete by the passage of time and become less attractive to the customers. However, we manage to restore the previous products when they are modified with novel features'.

The Vice President - Employment Relations (C4-P) shares his view on modifying existing financial products:

'Modified products that come as an extension of the previous products help to identify need gaps in the market. Modified products may come up as a result of innovation made on the previous version of the products'.

When she (D2-P, the Front Officer) talks about modifying existing financial products, she comments:

'Altered offerings of existing financial products may secure our market share, otherwise our place in the market will drop significantly due to products becoming obsolete. On the other hand, in order to maximise the customer retention, we have to modify existing products'.

Process Innovation

- **Bricks and Mortar Banking Innovation**

The Relationship Officer (A2-P) comments on bricks and mortar banking process innovation:

'Regardless of technological development, we still believe in traditional banking in which we keep maintaining a close relationship with our valued customers. However, we use technology as a blessing for improving the traditional banking activities'.

The Manager - Advertising & Promotions (B3-P) comments on bricks and mortar banking innovation:

'Our conventional banking has undergone a dramatic improvement by the passage of time. The end results will be a streamlining of the processes, customer convenience and speedy service. We always try to give a professional and enjoyable banking experience to our customers via rethinking on our conventional banking'.

The Branch Manager (C3-P) expresses his view on bricks and mortar banking innovation as:

‘Certainly yes, bricks and mortar banking innovations provide an edge to the bank. From the front desk to the back office, we have to think about the improvements that we can do for the benefits of our customers’.

According to the Branch Manager (D3-P), the importance of bricks and mortar banking process innovation can be illustrated as:

‘Through that, we streamline our delivery channels, especially traditional banking. So, we are able to stabilise the efficiency and effectiveness of our operations, at last, they all benefit the customers’.

- **Digital Banking Platforms Innovation**

The Manager - Product Development (A1-P) shares his views on digital banking innovation:

‘We have to cater to Internet banking in which customers can access our banking facilities at any time . . . Internet banking is much more popular among the younger generation who are technologically friendly’.

The Manager - Advertising & Promotions (B3-P) shares her views on digital banking platforms:

‘As we offer modern day banking experiences to our customers, we believe a 24/7 banking facility is requisite. We mostly do value addition in this segment of the bank because future banking will be shaped in this area of business. The bank has signed an agreement with the ‘Lanka Pay’ network, enabling customers to use ATMs of other banks in Sri Lanka’.

The Assistant Relationship Manager (C1-P) explains her view on the digital banking platform as:

‘E-banking is the recent development of digital banking orientation. What we expect from e-banking is that we offer efficient service with the help of innovation. As an example, we introduced ‘drive through’ ATMs that help a lot for busy individuals’.

Remarking on the digital platform process innovation, the Branch Manager (D3-P) explains that:

‘Internet banking mediates our customers to reach our services around the clock. With the busy lifestyle, customers do not want to wait at the bank to fulfil their banking needs. We make aware our valued customers that Internet

banking is an alternative to traditional banking and that many of the traditional functions are now available with Internet banking'.

Organizational Innovation

- **Organizational Culture Innovation**

The Manager - Card Centre (A4-P) explains his view on organizational innovation as:

'Organizational learning plays an important role in improving our relationship marketing efforts. Specifically, new skills and new knowledge will add value to our customer service'.

The Product Development Officer (B2-P) also explains about another aspect of organizational innovation:

'One of the dominant requirements for organizational innovation is to have a customer-oriented culture. This will cultivate the foundation for implementing successful organizational innovation activities'.

The Branch Manager (C3-P) expresses his view on organizational innovation as:

'Skilful staff is a great asset for the organizational innovation activities because they have the capacity to turn impossible things into possible outcomes'.

Stating his idea of the importance of organizational culture innovation, the Manager - Product Development (D4-P) clarifies that:

'Though organizational innovation provides a positive impact on our bank, it is always rooted in a risk. However, our management, including staff, do not step back just because of the risk. We at the product development department cultivate risk taking traits among bankers who are keen on proposing and implementing organizational innovation activities'.

- **Organizational Learning Innovation**

The Relationship Officer (A3-P) comments about the organizational innovation as:

'Specialised expertise that will bring new knowledge to the bank. Regardless of front office and back office, we need to have bankers who have specialised expertise to succeed in organizational innovation activities'.

The Front Officer (B4-P) comments on the organizational innovation:

‘We do changes to our organizational system and procedures. However, this will not be effective, if we don’t have open-minded staff who can dedicate the utmost for the success’.

The Assistant Relationship Manager (C1-P) expresses her ideas about organizational innovation:

‘While we are at work, we have to learn from peers. This will create a learning environment that stimulates innovative thinking. This is happening where either the learner may come out with a crazy idea while he or she is learning, or the resource person may do the same’.

Stating his ideas of the importance of organizational innovation, the Manager - Product Development (D4-P) comments that:

‘Organizational innovation creates an environment which encourages organizational learning. Working in a bank means totally a learning process. I have held different positions at different levels in the same bank for many years, gaining a massive experience which I use today for product development for the bank. Not only me, but many others collectively contribute to organizational innovation through organizational learning’.

Table 4.15 Cross-Case Analysis - Innovation Themes and Sub-themes

Theme	Sub-theme	A3	B2	C1	D2
Product Innovation	New Product Innovation	<i>Latest products</i>	<i>New to the customer</i>	<i>New products</i>	<i>Latest offerings</i>
		A2	B3	C4	D2
	Modified Product Innovation	<i>Alteration of offerings</i>	<i>Modified products</i>	<i>Modified products</i>	<i>Altered offerings</i>
			<i>Modified with novel features</i>		<i>Modify existing products</i>
	Sub-theme	A2	B3	C3	D3
Process Innovation	Bricks & Mortar Banking Innovation	<i>Improving the traditional banking</i>	<i>Rethinking on our conventional banking</i>	<i>Bricks and mortar banking innovation</i>	<i>Streamline delivery channels especially traditional banking</i>
		A1	B3	C1	D3

	Digital Banking Platforms Innovation	<i>Internet banking</i>	<i>24/7 banking facility</i>	<i>E-banking</i>	<i>Internet banking</i>
	Sub-theme	A4	B2	C3	D4
Organizational Innovation	Organizational Culture Innovation	<i>Empowering employees</i>	<i>Customer oriented culture</i>	<i>Skilful staff</i>	<i>Risk taking traits among bankers</i>
	Organizational Learning Innovation	A3 <i>Specialised expertise</i>	B4 <i>Open-minded staff</i>	C1 <i>Learn from peers</i>	D4 <i>Organizational learning</i>

(Source: Interview Data)

Table 4.16 Relative Importance of Innovation Capabilities - Cross-Case Analysis in Terms of Banks

Innovation Capability	Sub-Category of Innovation Capabilities	Bank A	Bank B	Bank C	Bank D
Product Innovation	New Product Innovation	16	16	22	50
	Modified Product Innovation	10	22	20	36
Process Innovation	Bricks and Mortar Banking Innovation	16	66	68	82
	Digital Banking Platforms Innovation	18	90	50	64
Organizational Innovation	Organizational Culture Innovation	24	36	32	70
	Organizational Learning Innovation	22	32	34	104

(Source: Interview Data)

Table 4.15 shows how respondents perceive the term of innovation from the product, process and organizational innovation points of view. Table 4.16 shows the relative importance of innovation capabilities of each bank in terms of coding references. The number of coding references of particular innovation capabilities has been included in each bank. Comparing the banks, bank D leads in all the sub-categories of innovation apart from digital banking platform innovation. Overall, bank D is more innovation-oriented than the other three banks. Conversely, banks B and C place more emphasis on process innovation than product innovation and organizational innovation. Figure 4.10 illustrates the graphical presentation of the importance of innovation capabilities in each bank. An alternative representation of innovation capabilities can be found in appendix - V(V).

Figure 4.11 Relative Importance of Innovation Capabilities - Cross-Case Analysis

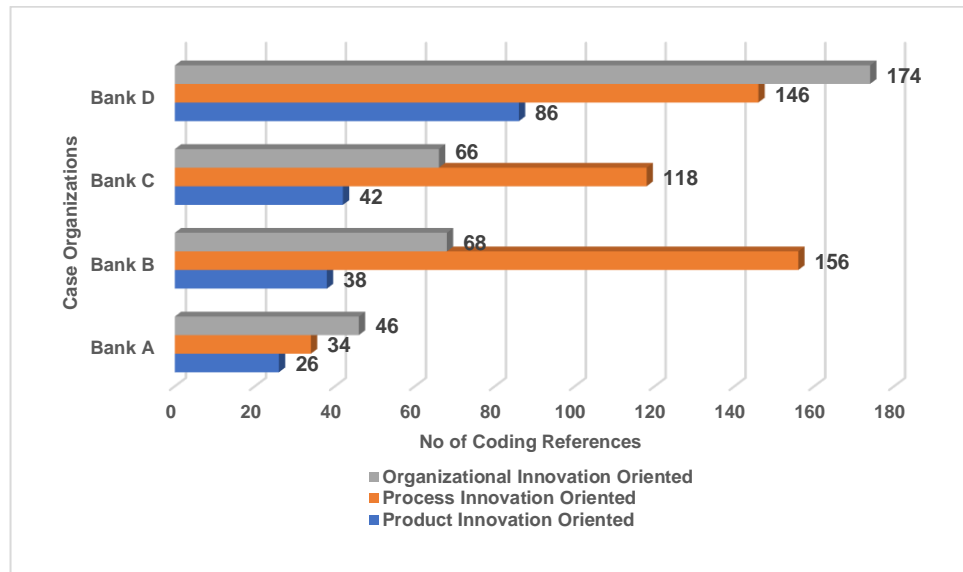


Table 4.17 Comparison of Each Bank Based on Innovation Capabilities

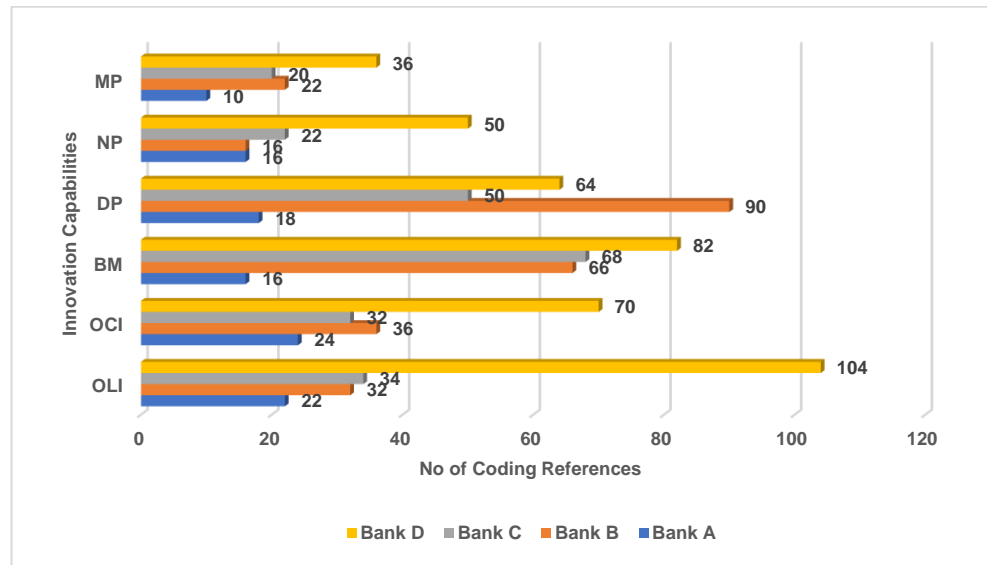
	NP	MP	BM	DP	OCI	OLI
Bank A	16	10	16	18	24	22
Bank B	16	22	66	90	36	32
Bank C	22	20	68	50	32	34
Bank D	50	36	82	64	70	104

NP = New Product Innovation/ MP = Modified Product Innovation/ BM = Bricks & Mortar Banking Innovation/ DP = Digital Banking Platforms Innovation/ OCI = Organizational Culture Innovation/ OLI = Organizational Learning Innovation

(Source: Interview Data)

Table 4.17 illustrates a cross comparison among banks based on innovation capabilities. Organizational learning innovation is the most preferred innovation capability in almost every bank. New product innovation and modified product innovation did not show any particular importance when compared to process and organizational innovation. This scenario is also depicted in Figure 4.12.

Figure 4.12 Comparison of Each Bank Based on Innovation Capabilities



NP = New Product Innovation/ MP = Modified Product Innovation/ BM = Bricks & Mortar Banking Innovation/ DP = Digital Banking Platforms Innovation/ OCI = Organizational Culture Innovation/ OLI = Organizational Learning Innovation

(Source: Interview Data)

Relationship Marketing

The Relationship Officer (A3-P) expresses his idea about relationship marketing as:

‘From my point of view, relationship marketing is a customer retention strategy. Survival of the business mainly depends on the customers who stay with the business long time. So, relationship marketing tries to do that’.

The Product Development Officer (B2-P) explains how he understands relationship marketing:

‘Basically, our survival depends on our valued customers. If they do not do business with us, we have no existence. That’s why we need to have a stronger relationship with them. On many occasions, customers are visited by banking staff to maintain closer relationships’.

The Vice President - Employment Relations (C4-P) explains his view on relationship marketing:

‘In a country like Sri Lanka, many customers are emotional customers; what I meant here is that if something bad happens to them, they keep it forever, so this is very true with banking too. We have to understand them well and

approach them effectively. For this, relationship marketing does an impressive task of retaining existing customers’.

Commenting on her (D1-P, the Employee Relations Officer) view on the importance of relationship marketing:

‘Customers are very important to a bank and its survival. We generate a profit by providing services to the customers. Retaining customers are special as they generate a solid income generation for the bank, and they tend to refer others to the bank. Before building any relationship with customers, we need to identify their needs, then only can we maintain and enhance it further. In this regard, relationship marketing plays an important role for our banking organization’.

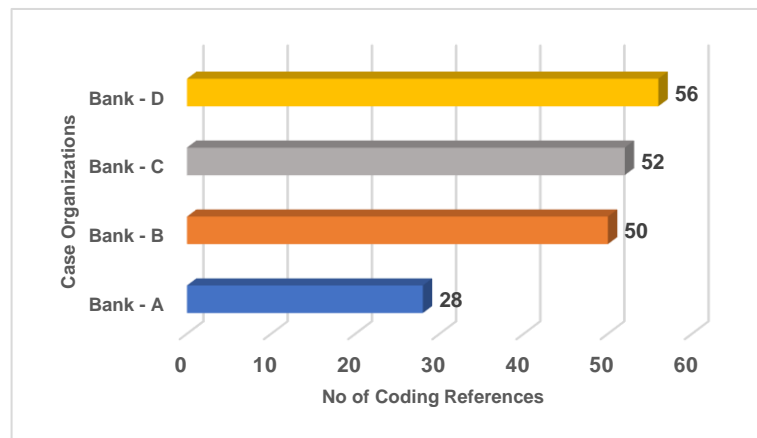
Table 4.18 Cross-Case Comparison - Relationship Marketing Coding References

Banking Organization	Coding References - Relationship Marketing
Bank - A	28
Bank - B	50
Bank - C	52
Bank - D	56

(Source: Interview Data)

Table 4.18 shows the relative attention to relationship marketing in each bank. The number of coding references has been included in each bank. Bank D, as in innovation capabilities, is the leading bank. However, banks B and C also provide evidence that they pay attention to relationship marketing to almost the same degree. Again, not surprisingly, bank A is less interested in putting its attention into relationship marketing. This scenario is also illustrated in Figure 4.14. An alternative analysis of relationship marketing orientation can also be found in Appendix - V(VI).

Figure 4.13 Relative Importance of Relationship Marketing - Cross-Case Analysis



(Source: Interview Data)

Innovation based Relationship Marketing

- **Product Innovation and Relationship Marketing**

The relationship between product innovation and relationship marketing is elaborated by the Manager - Product Development (A1-P);

‘Through our new and modified products, there is a huge potential which urges us to have a long-term relationship with our customers. Whether our product is new or modified, our ultimate target is to retain our valued customers’.

The Product Development Officer (B2-P) comments on the combined concepts of product innovation and relationship marketing:

‘I think, innovation provides a boost for relationship marketing because product innovation satisfies customer requirements and on the top of that, customer relationship can be stabilised further’.

The Manager - Bancassurance (C2-P) shares his view on the combined approach of product innovation and relationship marketing:

‘Products that we modify or introduce newly focus us on having a successful relationship with our clients. So, I can say that product innovation is a direct driver for relationship marketing’.

Stating his ideas behind the combined concept of product innovation and relationship marketing, the Branch Manager (D3-P) explains:

'I think, the combination of product innovation and relationship marketing is a result-oriented concept because product innovation allows us to keep satisfying customers through new products and modified products. And then, the input gains from product innovation, relationship marketing can be more fruitful'.

- **Process Innovation and Relationship Marketing**

The Manager - Card Centre (A4-P) mentions the combined concept of process innovation and relationship marketing:

'The way we designed the processes and the way we will design the processes cater to our valued customers. We try our best to provide not too complicated services that will directly involve customer retention'.

The Manager - Advertising & Promotions (B3-P) explains her view on the relationship between process innovation and relationship marketing as:

'I can say that there is a direct link between process innovation and relationship marketing, we manage our processes in an innovative manner towards the ultimate purpose of having a relationship with our clients'.

The Assistant Relationship Manager (C1-P) expresses her view on the combined concepts of process innovation and relationship marketing as:

'Our process has been arranged so that our customers can easily interact with our services. This allows us to maintain a stronger relationship with our customers'.

The relationship between process innovation and relationship marketing, according to (D2-P), the Front Officer:

'We especially pay our attention to the needs of our valued customers when we design our processes. We set up our front office operations and back office operations in a manner so that customers can easily approach our services'.

- **Organization Innovation and Relationship Marketing**

The Relationship Officer (A3-P) discusses the combined concept of organizational innovation and relationship marketing:

'In my understanding, innovative culture is most helpful to create an organization that boosts the relationship marketing activities. Clients perceive

that our bank is a modern-day organization in which they build long term relationships’.

The Manager - Advertising & Promotions (B3-P) presents her view on the relationship between organizational innovation and relationship marketing:

‘Organizational innovation creates an environment where the bank and customers can improve the interaction. And then, the interaction leads to creating a long-term relationship between the bank and the customers’.

The Vice President - Employment Relations (C4-P) describes the relationship between organizational innovation and relationship marketing:

‘What I’d like to say here is that sharing knowledge is key to succeeding the relationship marketing activities since everyone will contribute to relationship marketing through knowledge sharing’.

Commenting on her (D1-P, the Employee Relations Officer) views on organizational innovation when connected with relationship marketing:

‘Organizational innovation brings new methods and new procedures to the bank. The end result will be more satisfied customers who will secure our long-term profitability. By considering this, organizational innovation stimulates the relationship marketing’.

Table 4.19 Relative Importance of PIRM Concept - Cross-Case Analysis

Banking Organization	Coding References - PIRM
Bank - A	34
Bank - B	62
Bank - C	38
Bank - D	88

(Source: Interview Data)

IRM and Sustainable Competitive Advantage

The Manager - Card Centre (A4-P) praises the relationship between IRM and SCA:

‘Of course, IRM will promote a competitive edge more precisely. Meaning that with the combined concept, relationship marketing underpinned by innovation will enable a new phenomenon where the banks can enjoy sustainable competitive advantage’.

The Manager - Advertising & Promotions (B3-P) presents her view on the relationship between IRM and SCA:

‘As a general rule, if two things combine together, the result will be a much stronger one. Likewise, IRM as I just know will be a sustainable solution for bankers who want to be unique from other players’.

The Branch Manager (C3-P) expresses his view on the relationship between IRM and SCA:

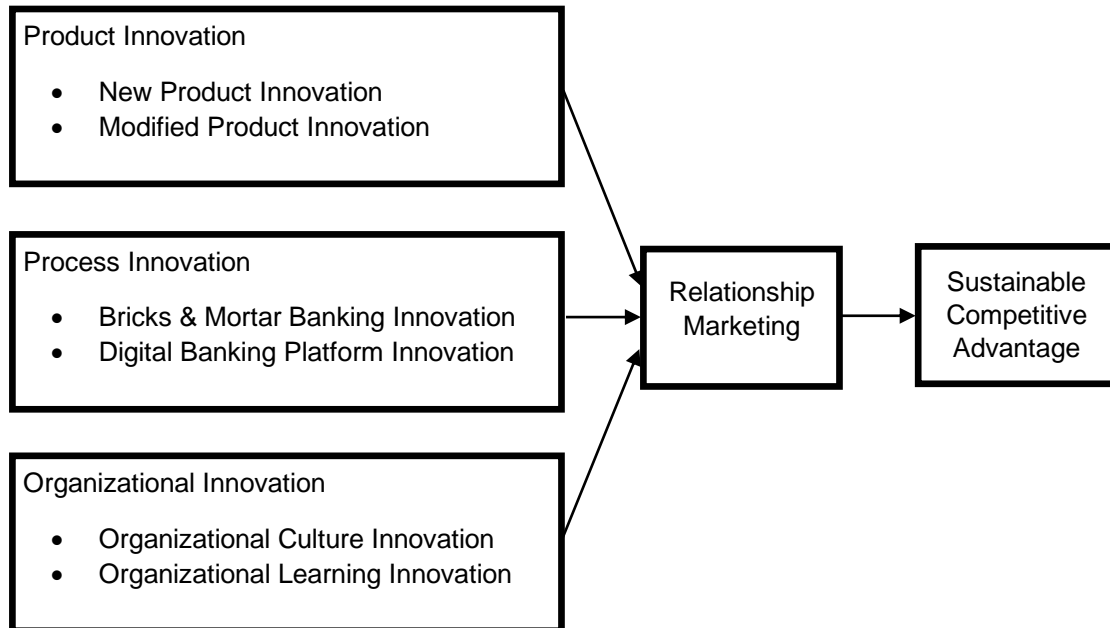
‘A mature market like the banking sector in Sri Lanka, we need to have a concept like IRM. Then only, we can better secure our competitive position in the market’.

Giving her (D2-P, the Front Officer) view on the relationship between IRM and SCA:

‘As far as my understanding goes, both relationship marketing and innovation lead to achieving a sustainable competitive advantage; with the combined approach, IRM does the job much better’.

Themes, patterns and categories which have emerged from the multiple case studies have been integrated into a model called Innovation-based Relationship Marketing. The following Figure 4.15 shows the integrated approach to innovation and relationship marketing. The model synthesises the relationship between innovation and relationship marketing. Further, the model may provide insights for bankers to rethink their practices of relationship marketing.

Figure 4.14 Perceptions of Innovation-based Relationship Marketing Model



CHAPTER V

5. QUANTITATIVE DATA ANALYSIS

5.1 Introduction to the Quantitative Data Analysis

Quantitative data analysis is twofold, a pilot data analysis and main survey data analysis. The model derived from the qualitative research phase has been tested with PLS-SEM. A pilot study is administered to verify the suitability of the questions and extract the most relevant questions to be included in the final questionnaire. Main survey aids to test the PIRM model based on the measurement model and structural model.

5.2 Informing the qualitative findings to qualitative research

- *Complementary nature of the research methodology*

This research is an exploratory mixed methods research where qualitative findings lead to building the quantitative research phase. In the qualitative phase, theory-building multiple case study method aids to find out key themes and variables that can be informed to shape the quantitative research phase. Therefore, it can be considered as qualitative and quantitative research phases may share complementary role as well supplementary role when informing the qualitative findings to the qualitative research phase.

The qualitative phase was able to highlight six types of sub-themes related to three innovation capabilities namely product innovation, process innovation and organizational innovation. Under product innovation, qualitative research reveal that new product innovation and modified product innovation are drivers for retail banking sector in Sri Lanka. Bricks and mortar innovation and digital banking platform innovation were the sub-themes of process innovation. Moreover, organizational innovation finds that organizational culture innovation and organizational learning innovation are important in the retail banking sector in Sri Lanka. The above-mentioned sub-themes are complementary to covert latent variables of the quantitative study. On the same vein, relationship marketing themes emerged customer retention related coding that helps quantitative research to focus on validated scales of

customer retention. Conclusively, the PIRM model is relatively new to the marketing sphere, the qualitative phase of the research has contributed to identifying distinctive themes in which transform for the quantitative phase of the research.

- *Supplementary nature of the research methodology*

Morse and Niehaus (2009) argue that mixed research methods “consists of a complete method (the core component), plus one (or more) incomplete method(s) (the supplementary component[s]) that cannot be published alone, within a single study” (p. 9). Morse (2010) explains that “the supplementary component provides explanation or insight within the context of the core component, but for some reason the supplementary component cannot be interpreted or utilized alone” (p. 484). In this particular research, it was not possible to build a theoretical framework in the first place, because of the very limited literature available, thus, the qualitative research phase was designed to reveal the insights about IRM. Therefore, the quantitative research phase totally depended on the outcome of the qualitative findings. This will reflect the nature of the supplementary element of this research. Morse and Niehaus (2009) further comment that mixed methods research may have core and supplementary component where synchronization can happen simultaneously or sequentially. In this particular research project, sequential synchronization happened due to the fact that qualitative findings lead to building the quantitative phase which is the supplementary component and cannot be stand alone. From this point onward, items and scale construction for quantitative study were presented, therefore, it clearly shows the bridge between complementary and supplementary nature of the research from qualitative study to the quantitative study.

5.3 Items Generation for the Quantitative Analysis

Items in the product innovation, process innovation, organizational innovation, relationship marketing and SCA have been adopted from the previous research. Initially, 16 items were generated for the product innovation scale (new product innovation = 8 items, modified product innovation = 8), 23 items were generated for process innovation (bricks and mortar banking innovation = 16, digital banking platform innovation = 7) and 48 items were generated for the organizational innovation scale (organizational culture = 23, organizational learning = 25). In addition, 31 items

were generated for the relationship marketing dimension and 15 items are generated for the SCA scale. 5 banking professionals and 15 academic experts, including the director of studies and scholars from international colloquium on relationship marketing, were requested to rank each scale according to the relevancy to the research questions and research objectives. Further, they were asked to conduct a critical face validity on each item in each scale. Initially, they asked to remove duplicate questions which implied the same meaning and avoided double-barrelled questions.

Upon considering the experts' ideas, 11 items were retained for product innovation, 10 items were included for process innovation, 10 items were taken for organizational innovation, 10 items were extracted for relationship marketing and finally 13 items were generated for the SCA. The following tables (Table 5.1 - Table 5.5) show the sources of adopted items in the pilot study questionnaire.

The product innovation scale consists of two sub-scales: new product innovation and modified product innovation. The new product innovation sub-scale was developed based on two items from Calantone, Cavusgil and Zhao (2002), one item from Škerlavaj, Song and Lee (2010), one item from Atuahene-Gima, Slater and Olson (2005) and one item from Hogan *et al.* (2011). The modified product innovation sub-scale was developed according to one item from Hogan *et al.*, 2011, one item from Menguc and Auh (2010), one item from Reinartz, Krafft and Hoyer (2004), one item from Sin, Tse and Yim (2005), one item from Olson, Slater and Hult (2005) and one item from Lin, Chen and Chiu (2010).

Table 5.1 Product Innovation Measurement Scale

	Questions	Adopted From
1	Our new product introduction has increased over the last 5 years ¹	Calantone, Cavusgil and Zhao (2002)
2	Our company is often the first to market with new products ¹	Calantone, Cavusgil and Zhao (2002)
3	Our new products are often perceived as very novel by customers ¹	Škerlavaj, Song and Lee (2010)
4	We continuously try to discover additional needs of our customers of which they are unaware ¹	Atuahene-Gima, Slater and Olson (2005)
5	We provide our clients with products that offer unique benefits than competitors ¹	Hogan <i>et al.</i> (2011)
6	We provide our clients with products that are superior to competitors ¹	Hogan <i>et al.</i> (2011)
7	We make innovations that fundamentally change existing products ²	Menguc and Auh (2010)
8	We systematically attempt to customize products based on the value of the customer ²	Reinartz, Krafft and Hoyer (2004)
9	Our bank provides customized products to our customers ²	Sin, Tse and Yim (2005)
10	We innovate even at the risk of making our own products obsolete ²	Olson, Slater and Hult (2005)
11	Our bank launches customized products according to market demands ²	Lin, Chen and Chiu (2010)

1 = items particular to new product innovation, 2 = items particular to modified product innovation

Table 5.2 Process Innovation Measurement Scale

	Questions	Adopted From
1	Our banking branch structure is meticulously designed around our customers ³	Sin, Tse and Yim (2005)
2	Frontline employees are empowered to solve customers' problems ³	Ray, Barney and Muhanna (2004)
3	The activities of functional units are tightly coordinated for the use of process innovation ³	Atuahene-Gima (2005)
4	Our bank branch seeks out new ways to do things ³	Calantone, Cavusgil and Zhao (2002)
5	Our bank adopts innovative work designs for bricks and mortar banking ³	Lin, Chen and Chiu (2010)
6	Our bank managers encourage digital banking ⁴	Hway-Boon and Ming Yu (2003)
7	Being ahead of our competitors' digital banking capabilities is a key factor ⁴	Srinivasan, Lilien and Rangaswamy (2002)
8	We introduce new features to digital banking services ⁴	Hway-Boon and Ming Yu (2003)
9	We implement digital banking platforms to streamline business processes ⁴	Srinivasan, Lilien and Rangaswamy (2002)
10	We provide adequate technical supports for digital banking ⁴	Hway-Boon and Ming Yu (2003)

3 = items particular to bricks and mortar banking, 4 = items particular to digital banking platforms innovation

Table 5.3 Organizational Innovation Measurement Scale

	Questions	Adopted From
1	We value creative new solutions to solve problems ⁵	Matsuno, Mentzer and Özsomer (2002)
2	Marketing personnel in our bank spend time discussing customers' future needs with other functional departments ⁵	Matsuno, Mentzer and Özsomer (2002)
3	Our management encourages employee participation in innovation decision ⁵	Atuahene-Gima and Ko (2001)
4	Our management actively seeks innovative ideas ⁵	Olson, Slater and Hult (2005)
5	We do a lot of in-house research that is directed at determining our customers' needs ⁵	Baker and Sinkula (1999)
6	Our bank values learning as the key to improvement ⁶	Calantone, Cavusgil and Zhao (2002)
7	Bankers are encouraged to share what they learn ⁶	Bamber and Castka (2006)

8	Top managers understand the importance of training and development for success ⁶	Bamber and Castka (2006)
9	Representatives from different departments within our firm meet regularly to discuss our customers' needs ⁶	Baker and Sinkula (1999)
10	We regularly collect information concerning our customers' objectives ⁶	Baker and Sinkula (1999)

5 = items particular to organizational culture innovation, 6 = items particular to organizational learning innovation

Table 5.4 Relationship Marketing Measurement Scale

	Questions	Adopted From
1	We regularly meet with our customers in order to find out what their needs will be in the future	Baker and Sinkula (1999)
2	We attempt to build long-term relationships with our customers	Reinartz, Krafft and Hoyer (2004)
3	Our business objective is primarily driven by customer relationships	Sin, Tse and Yim (2005)
4	A larger proportion of acquired customers remain profitable in the long run for as compared to our competitors	Ramani and Kumar (2008)
5	We systematically attempt to manage the expectations of valued customers	Reinartz, Krafft and Hoyer (2004)
6	We try to identify good ways of familiarizing customers with products that can satisfy their needs	Jasmand, Blazevic and de Ruyter (2012)
7	We ask questions to assess whether the customer would be willing to buy an additional product	Jasmand, Blazevic and de Ruyter (2012)
8	Our marketing activities are intended to develop cooperative relationships with our customers	Coviello et al (2002)
9	We offer an additional product which meets the customers' needs best	Jasmand, Blazevic and de Ruyter (2012)
10	We hardly neglect a good opportunity to advise customers of a product which they would benefit from	Jasmand, Blazevic and de Ruyter (2012)

Table 5.5 Sustainable Competitive Advantage Measurement Scale

	Questions	Adopted From
1	Our strategy for competitive advantage is based on our understanding of customers' needs	Narver and Slater (1990)
2	We target customers where we have an opportunity for competitive advantage	Narver and Slater (1990)
3	Employees throughout the organization share information concerning competitors' activities	Olson, Slater and Hult (2005)
4	We rapidly respond to competitive actions that threaten us	Olson, Slater and Hult (2005)
5	Our top management regularly discusses competitors' strengths	Olson, Slater and Hult (2005)
6	Our top management regularly discusses competitors' weaknesses	Olson, Slater and Hult (2005)
7	We track the performance of key competitors	Olson, Slater and Hult (2005)
8	We diagnose competitors' goals	Olson, Slater and Hult (2005)
9	Our bank regularly collects information concerning competitors' activities	Olson, Slater and Hult (2005)
10	We identify the areas where the key competitors have succeeded	Olson, Slater and Hult (2005)
11	We identify the areas where the key competitors have failed	Olson, Slater and Hult (2005)
12	We evaluate the strengths of key competitors	Olson, Slater and Hult (2005)
13	We evaluate the weaknesses of key competitors	Olson, Slater and Hult (2005)

5.4 The Pilot Study

The pilot study was administered based on bankers in the bank D. The reasons for choosing bank D are that the bank is considered one of the best innovative banks in Sri Lanka and with the personal contact with them, pilot data collection can be accomplished within a reasonable time period. Data collection took place in April 2017. Total 123 responses received after second week of the reminder. Upon the initial data cleaning process, three questionnaires are omitted because of having significant missing values (more than 10% from total questions) in the responses. One

questionnaire is also removed from the pilot data analysis due to monotonous responses (number 5 for all questions). Finally, 119 questionnaires were retained with the pilot study.

5.4.1 Descriptive Statistics of the Pilot Sample

Litwin (1995) notes that every survey research should be piloted before administering the main study. The pilot study aims to verify the questions related to whether questions are relevant to all members of the particular sample, whether respondents understand all the questions, whether any questions have a double meaning and whether any useful ideas arise to develop the survey instrument (Litwin, 1995; Saunders *et al.*, 2016). Table 5.6 shows the sample profile of the pilot data. 65 male respondents and 54 female respondents were included in the sample. 46.2% of respondents represent the 24 - 34 age category which is highest in the sample. 48.7% of the sample respondents educate up to the undergraduate level while 53.8% of them count more than 9 years of services in the bank D.

Table 5.6 Demographic Factors of the Pilot Sample

Demographic Factor	Classification	Frequency (119)	Percentage
Gender	Male	65	54.6
	Female	54	45.4
Age	18 - 24 years	19	15.9
	25 - 34 years	55	46.2
	35 - 44 years	30	25.2
	45 - 54 years	11	9.3
	55 - < years	04	3.4
Qualification	A/L	12	10.1
	Diploma	13	10.9
	Undergraduate Degree	58	48.7
	Postgraduate Degree	36	30.3
Experience	0 - 2 years	14	11.8
	3 - 5 years	10	08.4
	6 - 8 years	31	0 26
	9 - < years	64	53.8

(Source: Pilot Data)

5.4.2 Dimension Reduction Factor Analysis

The principal component analysis (PCA) was applied as an exploratory analysis to reduce the large number of questionnaire items to a smaller number of major latent factors (Hair *et al.*, 2010). Varimax rotation was used to maximise the variance between those factors and to realise the independence of each. The Kaiser-Meyer-Oklin (KMO) test was used to predict if questionnaire items were likely to be well factored or not, based on correlation and partial correlation. The eigenvalues technique for factor extraction was used. Only those factors with eigenvalues greater than 1.0 were considered to determine the number of factors to be extracted.

Hair *et al.* (2010) recommended that factor loadings greater than 0.50 should be considered to be very significant. With the aim of including the most significant loadings, the cut-off point was kept as 0.50. Table 5.7 shows the factor loading for extracted items from the principal component analysis in the product innovation dimension. Cronbach's Alpha was used to test the inter-consistency of the questionnaire (Nunnally, 1978). The higher the value of alpha, the stronger the relationship between the independent and dependent variables. In addition, the variable is meeting the requirement of reliability if the alpha value is equal or more than 0.6. However, Nunnally (1978) recommends having alpha value above 0.7 in each dimension in the questionnaire.

Some of the items in product innovation scale were eliminated for making final questionnaire due to the fact that those items loaded below 0.5. The eliminated items of new product innovation sub-scale were question 4, 5 and 6 (Refer table 5.1 for item numbering). Additionally, question 8 and 10 from modified product innovation sub-scale were also deleted due low factor loadings (Refer table 5.1 for item numbering). Table 5.7 shows the extracted items which were in the new product innovation sub-scale reported a Cronbach Alpha of 0.770. The second set of scale in the product innovation, modified product innovation recorded a Cronbach alpha of 0.790.

Table 5.7 Product Innovation Dimension - Principal Components Analysis

Product Innovation Items		Loading	Cronbach's Alpha
1	Our new product introduction has increased over the last 5 years ¹	0.918	0.77
2	Our bank is often the first to market with new products ¹	0.791	
3	Our new products are often perceived as very novel by customers ¹	0.736	
4	We make innovations that fundamentally change existing products ²	0.920	0.79
5	Our bank provides customized products to our customers ²	0.664	
6	Our bank launches customized products according to market demands ²	0.926	

1= items particular to new product innovation, 2= items particular to modified product innovation

(Source: Pilot Data)

A few of the items in process innovation scale were also eliminated for making final questionnaire due to the fact that those items loaded below 0.5. The eliminated items of bricks and mortar banking innovation sub-scale were question 1 and 4 (Refer to Table 5.2 for item numbering). Additionally, question 6 and 10 from digital banking platforms innovation sub-scale were also deleted due low factor loadings (Refer to Table 5.2 for item numbering). Table 5.8 shows the extracted items for bricks and mortar banking innovation sub-scale which reported Cronbach alpha of 0.812. The second set of scale in the process innovation, the digital banking platforms innovation recorded a Cronbach alpha of 0.782.

Table 5.8 Process Innovation Dimension - Principal Components Analysis

	Process Innovation Items	Loading	Cronbach's Alpha
1	Frontline employees are empowered to solve customers' problems ³	0.763	0.812
2	The activities of functional units are tightly coordinated to ensure better use of process innovation ³	0.902	
3	Our bank adopts innovative work designs for bricks and mortar banking ³	0.882	
4	We implement digital banking platforms to streamline our business processes ⁴	0.859	
5	Being ahead of our competitors' digital banking capabilities is a key factor ⁴	0.718	
6	We introduce new features to digital banking services ⁴	0.835	

3= items particular to bricks and mortar banking, 4= items particular to digital banking platforms innovation

(Source: Pilot Data)

To streamline the final questionnaire, a few of the items in organizational innovation scale were also eliminated due to low factor loadings. The eliminated items of organizational culture innovation sub-scale were question 2 and 5 (Refer to Table 5.3 for item numbering). Additionally, question 9 and 10 from the organizational learning innovation sub-scale were also deleted due to low factor loadings (Refer to Table 5.3 for item numbering). Table 5.9 shows the extracted items which were in the organizational culture innovation sub-scale and reported a Cronbach Alpha of 0.746. The second set of scales in the organizational innovation, organizational learning innovation sub-scale recorded a Cronbach Alpha of 0.686.

Table 5.9 Organizational Innovation Dimension - Principal Components Analysis

	Organizational Innovation Items	Loading	Cronbach's Alpha
1	We value creative new solutions to solve problems ⁵	0.860	0.746
2	Our management encourages employee participation in innovation decision ⁵	0.790	
3	Our management actively seeks innovative ideas ⁵	0.767	
4	Our bank values learning as the key to improvement ⁶	0.544	

5	Top managers understand the importance of training and development for success ⁶	0.863
6	Bankers are encouraged to share what they learn ⁶	0.881

5= items particular to organizational culture innovation, 6= items particular to organizational learning innovation

(Source: Pilot Data)

To improve the final questionnaire's consistency and validity, a few of the items in the relationship marketing scale were also eliminated due to low factor loadings. Thus, the eliminated items of the relationship marketing scale were questions 5, 7, 9 and 10 (Refer to Table 5.4 for item numbering). Table 5.10 shows the extracted items which were in the relationship marketing dimension and reported a Cronbach Alpha of 0.809.

Table 5.10 Relationship Marketing Dimension - Principal Components Analysis

	Relationship Marketing Items	Loading	Cronbach's Alpha
1	Our business objective is primarily driven by customer relationships	0.812	0.809
2	We attempt to build long-term relationships with our customers	0.602	
3	A larger proportion of acquired customers remain profitable in the long run for as compared to our competitors	0.752	
4	We regularly meet with our customers in order to find out what their needs will be in the future	0.610	
5	Our marketing activities are intended to develop cooperative relationships with our customers	0.741	
6	We try to identify good ways of familiarizing customers with products that can satisfy their needs	0.687	

(Source: Pilot Data)

A few of the items in the SCA scale were also eliminated from making the final questionnaire due to the fact that those items loaded below 0.5. Hence, the eliminated items of SCA scale were questions 5, 6, 7, 9, 11, 12 and 13 (Refer to Table 5.5 for item numbering). Table 5.11 shows the extracted items which were in the SCA dimension and which reported a Cronbach alpha of 0.877.

Table 5.11 Sustainable Competitive Advantage Dimension - Principal Components Analysis

Sustainable Competitive Advantage Items		Loading	Cronbach's Alpha
1	Our strategy for competitive advantage is based on our understanding of customers' needs	0.848	0.877
2	We target customers where we have an opportunity for competitive advantage	0.759	
3	Employees throughout the organization share information concerning competitor's activities	0.761	
4	We rapidly respond to competitors' actions that threaten us	0.737	
5	We diagnose competitors' goals	0.729	
6	We identify the areas where the key competitors have succeeded	0.766	

(Source: Pilot Data)

5.5 The Main Study

5.5.1 Descriptive Statistics of the Main Study

The main study was administered based on all the banks - A, B, C and D. The data collection was administered between July 2017 and September 2017. A total of 221 responses were received after a second reminder at the end of August 2017. After the initial data cleaning process, five questionnaires were discarded because of having significant missing values (more than 10% from total questions) in the responses. Finally, 216 questionnaires were retained for further analysis. The demographic factors of the main study are shown in Table 5.12.

Table 5.12 Demographic Factors of the Main Study

Demographic Factor	Classification	Frequency (216)	Percentage
Bank	A	46	21.3
	B	63	29.3
	C	58	26.9
	D	49	22.7
Gender	Male	123	56.9
	Female	93	43.1
Age	18 - 24 years	19	8.8
	25 - 34 years	88	40.7
	35 - 44 years	66	30.6
	45 - 54 years	37	17.1
	55 - < years	6	2.8
Qualification	A/L	9	4.2
	Diploma	17	7.9
	Undergraduate Degree	125	57.9
	Postgraduate Degree	65	30.1
Experience	0 - 2 years	11	5.1
	3 - 5 years	8	3.7
	6 - 8 years	64	29.6
	9 - < years	133	61.6

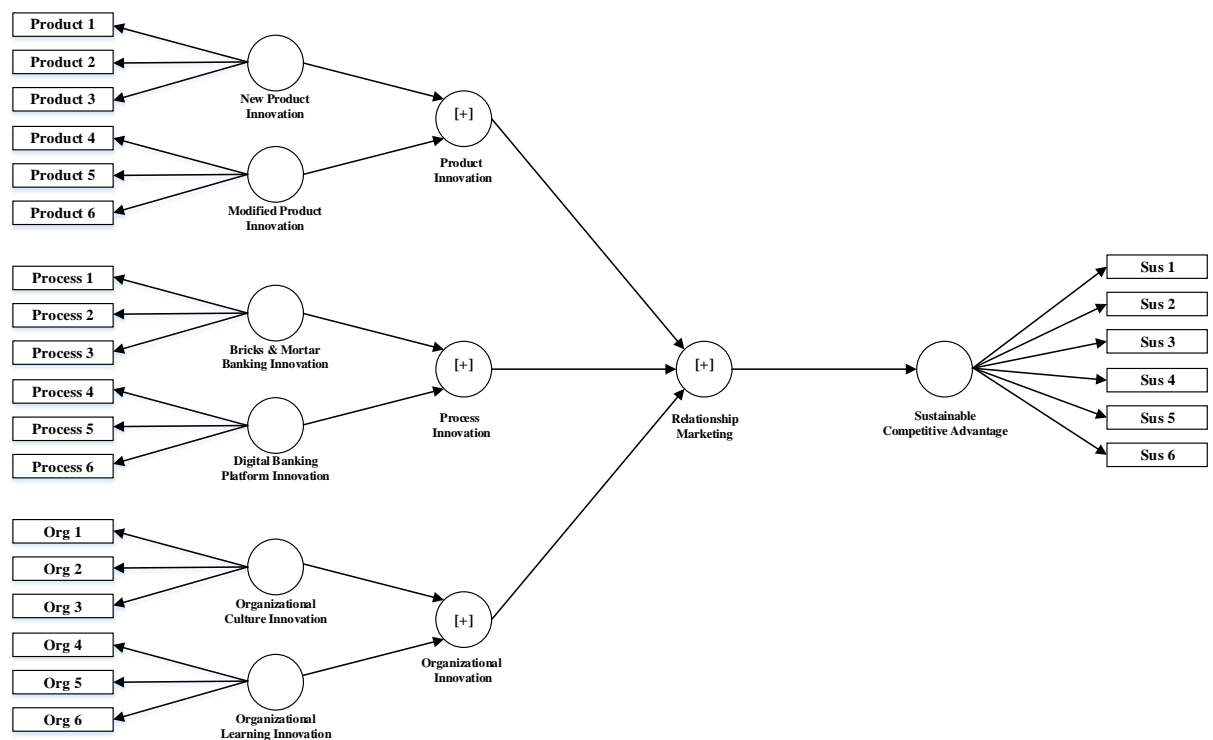
(Source: Main Study)

5.5.2 Model Specification

The model was basically built as a result of the first stage of the qualitative study. The model was ideally fitted with PLS-SEM as a second order reflective-formative model. The first order model was formed with the new product innovation, modified product innovation, bricks and mortar banking innovation, digital banking platforms innovation, organizational culture innovation and organizational learning innovation. Additionally, the second order model consists with product innovation, process innovation and organizational innovation. Not only the findings of qualitative phase, but also the first order model abides to the operational definition (Hair *et al.*, 2018) which is clearly separate innovation into six distinctive types particular to retail banking sector. The

model tests the direct impact of product innovation, process innovation and organizational innovation into relationship marketing whilst mediating effect of relationship marketing between each innovation types and SCA. The high order constructs are ideal due to bandwidth-fidelity trade-off, overcoming the jangle fallacy and building a parsimonious path model (Hair *et al.*, 2018). The model specification of the PIRM model can be depicted in Figure 5.1.

Figure 5.1 Second Order Reflective-Formative Model Specification



5.5.3 Exploratory Factor Analysis

All the measurement scales were analysed with principal component analysis (PCA). The KMO test of sampling adequacy value reached 0.846 (Appendix I), which is higher than the recommended minimum of 0.6 threshold (Kaiser, 1974). The Bartlett's test of sphericity also confirmed "the presence of correlations" among indicators (Hair *et al.*, 2006, p. 115) which was 10737.493 and reached statistical significance (0.000) while supporting the factorability of the correlation matrix. Upon analysis of dimension reduction PCA, eight components were extracted with orthogonal technique of Varimax rotation. The rotated component matrix was clearly separated 30 indicator variables into 8 extracted components that restate the parsimonious of the derived

qualitative model. Factor loading was suppressed to 0.30 and all factor loading scores of the indicators were above 0.6. Table 5.13 shows the results of PCA.

Table 5.13 Rotated Component Matrix^a

	Component							
	1	2	3	4	5	6	7	8
Product1	0.843							
Product2	0.766							
Product3	0.736							
Product4		0.904						
Product5		0.899						
Product6		0.814						
Process1			0.877					
Process2			0.772					
Process3			0.875					
Process4				0.825				
Process5				0.808				
Process6				0.822				
Org1					0.873			
Org2					0.866			
Org3					0.807			
Org4						0.785		
Org5						0.783		
Org6						0.712		
Rela1							0.800	
Rela2							0.847	
Rela3							0.835	
Rela4							0.751	
Rela5							0.851	
Rela6							0.844	
Sus1								0.866
Sus2								0.883
Sus3								0.836
Sus4								0.808
Sus5								0.832
Sus6								0.688

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Product 1 - 3 = New product innovation, Product 4 - 6 = Modified product innovation, Process 1 - 3 = Bricks and mortar banking innovation, Process 4 - 6 = Digital banking platforms innovation, Org 1 - 3 = Organizational culture innovation, Org 4 - 6 = Organizational learning innovation, Rela 1 - 6 = Relationship marketing, Sus 1 - 6 = Sustainable competitive advantage

(Source: Main Study)

Table 5.14 KMO and Barlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.846
Bartlett's Test of Sphericity	Approx. Chi-Square		10737.493
	Df		215
	Sig.		0.000

(Source: Main Study)

Table 5.15 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.619	28.732	28.732	8.619	28.732	28.732	4.715	15.717	15.717
2	2.809	9.363	38.095	2.809	9.363	38.095	4.602	15.340	31.058
3	2.459	8.197	46.292	2.459	8.197	46.292	2.486	8.286	39.344
4	2.234	7.447	53.739	2.234	7.447	53.739	2.337	7.789	47.133
5	1.989	6.630	60.369	1.989	6.630	60.369	2.306	7.686	54.818
6	1.907	6.357	66.726	1.907	6.357	66.726	2.215	7.385	62.203
7	1.573	5.244	71.970	1.573	5.244	71.970	2.168	7.227	69.431
8	1.183	3.942	75.913	1.183	3.942	75.913	1.945	6.482	75.913

Extraction Method: Principal Component Analysis

(Source: Main Study)

5.5.4 Model Estimation

Initiated by Wold (1972), PLS-SEM is a second-generation multivariate data analysis method. Model estimation in PLS-SEM performs as two stage process where the first step is to test the content, convergent and discriminant validity of constructs using the measurement model, whilst the second step is to test the structural model and hypotheses (Chin, 1998; Hair *et al.*, 2017). Though there are many software packages available for assessing model estimation in PLS-SEM such as PLS Graph Alpha, SmartPLS, Warp PLS and ADANCO, SmartPLS 3.2.7 version was selected as its user-friendliness and comprehensiveness. There are established criteria dedicated to assessing the measurement model and structural model as shown in Table 5.16.

Table 5.16 Systematic Evaluation of PLS-SEM Results

Measurement Model	Structural Model
Internal consistency (Cronbach's alpha, composite reliability)	Collinearity Assessment
Convergent validity (indicator reliability, average variance extracted (AVE))	Structural model path coefficients
Discriminant validity	Coefficient of determination (R^2 value)
	Effect size f^2
	Blindfolding and predictive relevance Q^2
	Effect size q^2

(Hair *et al.*, 2017, p. 106)

5.6 The Measurement Model Assessment (Outer Model)

The measurement model, which is also recognised as the outer model, is a structural correlation among the latent variables and their indicators (Hair *et al.*, 2017). Since, all the indicators in the PIRM measurement model are reflective in nature, the model was assessed through internal consistency, convergent validity and discriminant validity.

5.6.1 Internal Consistency Reliability

The traditional internal consistency measurement is Cronbach's alpha which provides an estimate of the reliability based on the inter-correlation of the observed indicator variables (Hair *et al.*, 2017, p. 111). Table 5.17 shows the Cronbach's alpha for the first order model which varies from 0.775 to 0.864, whilst the second order model from 0.773 to 0.715. Cronbach's alpha for relationship marketing was 0.928 and SCA was 0.926. All the alpha values in the reflective measurement model were well above the threshold value of 0.7 (Nunnally, 1978), hence it can be concluded that the internal consistency reliability of the measurement model is fulfilled.

Due to the intrinsic drawbacks of Cronbach's alpha (assumes all indicators are equally reliable and sensitive to the number of items in the scale), composite reliability is a much-preferred method of measuring internal consistency (Hair *et al.*, 2017). The composite reliability shown in Table 5.17 varies from 0.944 to 0.797. The threshold

value for composite reliability is 0.70, thus it can be reported that composite reliability is satisfactorily met in the PIRM measurement model. rho_A values of the model show also a good internal consistency reliability as all the rho_A threshold values are above 0.7 in the measurement model.

6.4.2 Convergent Validity

Convergent validity refers “the extent to which a measure correlated positively with alternative measures of the same construct” (Hair *et al.*, 2017, p. 112). The accepted criterion for convergent validity is AVE (Hair *et al.*, 2017). The minimum requirement of the AVE should be equal or higher than 0.50 (Hair *et al.*, 2017). In this particular model, the AVE for all the dimensions ranges from 0.804 to 0.564. Thus, convergent validity is established.

Table 5.17 Measurement Model Assessment

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
New Product Innovation	0.775	0.716	0.816	0.599
Modified Product Innovation	0.864	0.871	0.917	0.787
Bricks & Mortar Banking Innovation	0.810	0.839	0.885	0.720
Digital Banking Platforms Innovation	0.878	0.883	0.925	0.804
Organizational Culture Innovation	0.820	0.831	0.892	0.734
Organizational Learning Innovation	0.862	0.866	0.916	0.784
Relationship Marketing	0.928	0.932	0.944	0.736
SCA	0.926	0.933	0.941	0.728

(Source: Main Study)

5.6.2 Discriminant Validity

Discriminant validity indicates that “a construct is truly distinct from other constructs by empirical standards” (Hair *et al.*, 2017, p. 115). Thus, the establishing of discriminant validity means a construct is unique from other measurement items of the model (Hair *et al.*, 2017). In order to assess the discriminant validity, traditionally the Fornell-Larcker criterion is used (Hair *et al.*, 2017). It compares the square root of the AVE

values with latent variable correlations (Hair *et al.*, 2017). In order to meet Fornell-Larcker discriminant validity, the square root of the AVE of each construct should be higher than the construct's highest correlation with any other construct in the model (Hair *et al.*, 2017). As shown in Table 5.18, the diagonal position depicts the highest square root of AVE compared to each row and column of the other measurement items. Thus, Fornell-Larcker discriminant validity is established by confirming each latent variable is uniquely different from the others in the path model.

Table 5.18 Fornell-Larcker Criterion

	1	2	3	4	5	6	7	8	9	10	11
BM (1)	0.84										
DP (2)	0.25	0.89									
MP (3)	0.08	0.06	0.88								
NP (4)	0.07	0.03	0.03	0.77							
OCI (5)	0.02	0.10	0.02	0.07	0.85						
OI (6)	0.15	0.52	0.00	0.03	0.41	0.77					
OLI (7)	0.18	0.53	0.00	0.01	0.09	0.14	0.88				
Process I	0.58	0.58	0.01	0.01	0.06	0.47	0.49	0.76			
Product I	0.08	0.07	0.09	0.11	0.02	0.00	0.00	0.01	0.75		
RM (10)	0.23	0.39	0.16	0.02	0.08	0.47	0.48	0.40	0.16	0.85	
SCA (11)	0.19	0.45	0.08	0.08	0.09	0.50	0.51	0.43	0.08	0.50	0.85

Bricks & Mortar Banking Innovation = 1, Digital Banking Platforms Innovation = 2, Modified Product Innovation = 3, New Product Innovation = 4, Organizational Culture Innovation = 5, Organizational Innovation = 6, Organizational Learning Innovation = 7, Process Innovation = 8, Product Innovation = 9, Relationship Marketing = 10, Sustainable Competitive Advantage = 11

(Source: Main Study)

Alternatively, Henseler, Ringle and Sarstedt (2015) introduced a new criterion which assesses discriminant validity in PLS-SEM after identifying drawbacks with the Fornell-Larcker criterion. The criterion, referred to as the heterotrait-monotraits ratio (HTMT), "is the ratio of the between-trait correlations to the within-trait correlations" (Hair *et al.*, 2017, p. 118). Even though the threshold value of the HTMT is arguable, Henseler *et al.* (2015) recommend the threshold value should be below 0.90. As seen in Table 5.19, all measurement scales are below the threshold value of 0.90, thus the HTMT discriminant validity is assured.

Table 5.19 HTMT Criterion

	1	2	3	4	5	6	7	8	9	10	11
BM (1)											
DP (2)	0.28										
MP (3)	0.11	0.07									
NP (4)	0.09	0.09	0.08								
OCI (5)	0.10	0.11	0.04	0.11							
OI (6)	0.24	0.54	0.05	0.12	0.45						
OLI (7)	0.22	0.61	0.02	0.04	0.12	0.51					
Process I	0.47	0.46	0.12	0.12	0.14	0.52	0.56				
Product I	0.16	0.12	0.32	0.42	0.11	0.12	0.05	0.18			
RM (10)	0.24	0.43	0.17	0.08	0.11	0.47	0.53	0.45	0.20		
SCA (11)	0.20	0.49	0.10	0.10	0.10	0.51	0.58	0.47	0.15	0.53	

Bricks & Mortar Banking Innovation = 1, Digital Banking Platforms Innovation = 2, Modified Product Innovation = 3, New Product Innovation = 4, Organizational Culture Innovation = 5, Organizational Innovation = 6, Organizational Learning Innovation = 7, Process Innovation = 8, Product Innovation = 9, Relationship Marketing = 10, Sustainable Competitive Advantage = 11

(Source: Main Study)

5.7 Structural Model Analysis

After confirming the measurement model's validity and reliability, the next stage of analysis of PLS-SEM is to address the structural model results (Hair *et al.*, 2017). The model assessment examines "the model's predictive capabilities and the relationships between constructs" (Hair *et al.*, 2017, p. 191). Path coefficients are interpreted individually; however, size of the path coefficient will signal the effect on endogenous latent variable (Hair *et al.*, 2017). As prescribed by Hair *et al.* (2017) for calculating the significance of each estimated path, the bootstrapping procedure was used, with 5,000 resamples drawn with replacement.

5.7.1 Collinearity Assessment

There is a requirement to check if there is a critical level of collinearity between predictor variables (Hair *et al.*, 2017). The ideal VIF (Variance Inflation Factor) value should be below the threshold value of 5 (Hair *et al.*, 2017). VIF measures the multicollinearity among predictor variables (Heckman, 2015). VIF signals the how much the variance of a regression coefficient increases if predictor variables are correlated (Heckman, 2015). As shown in Table 5.20, all VIF values are below 5, meaning that there is no collinearity issue with the predictor variables.

Table 5.20 Collinearity Statistics - Inner VIF Values

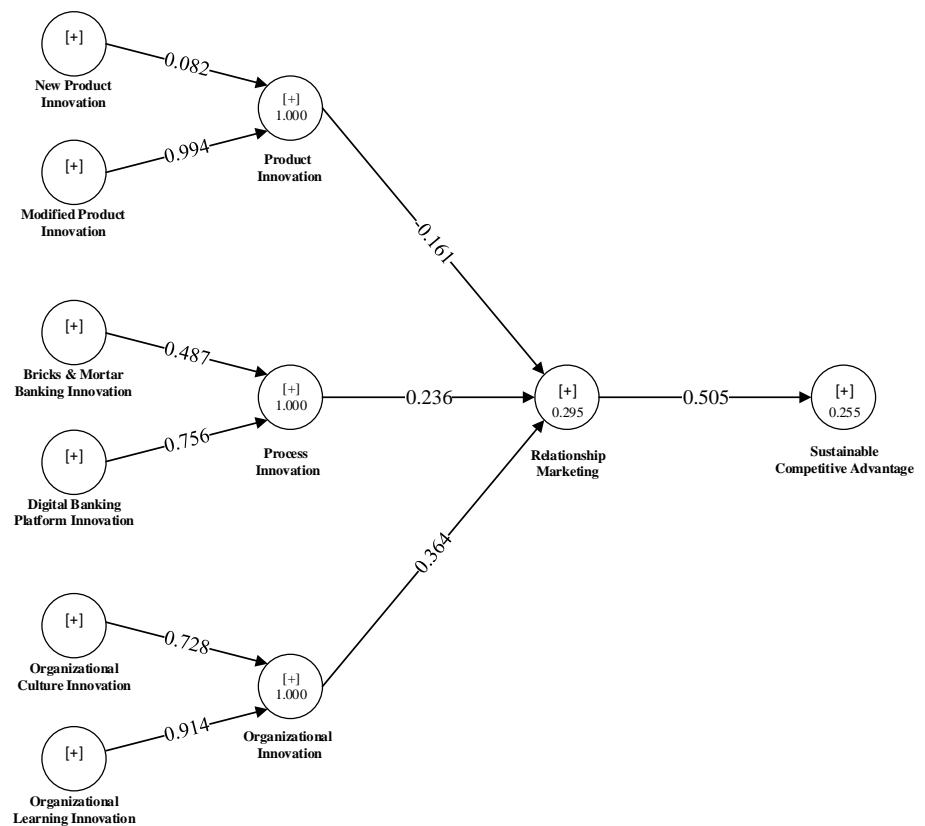
	1	2	3	4	5	6	7	8	9	10	11
BM (1)	0.00	0.00	0.00	0.00	0.00			1.07			
DP (2)								1.07			
MP (3)									1.00		
NP (4)									1.00		
OCI (5)						1.00					
OI (6)										1.28	
OLI (7)						1.00					
Process I										1.28	
Product I							0.00			1.00	
RM (10)											1.00
SCA (11)							0.00		0.00		

Bricks & Mortar Banking Innovation = 1, Digital Banking Platforms Innovation = 2, Modified Product Innovation = 3, New Product Innovation = 4, Organizational Culture Innovation = 5, Organizational Innovation = 6, Organizational Learning Innovation = 7, Process Innovation = 8, Product Innovation = 9, Relationship Marketing = 10, Sustainable Competitive Advantage = 11

(Source: Main Study)

5.7.2 Structural Model Path Coefficients

Figure 5.2 Structural Model Path Coefficient



(Source: Main Study)

Table 5.21 Total Effects of Structural Model

	1	2	3	4	5	6	7	8	9	10	11
BM (1)								0.487		0.115	0.058
DP (2)								0.756		0.178	0.09
MP (3)									0.994	-0.160	-0.081
NP (4)									0.082	-0.013	-0.007
OCI (5)						0.728				0.119	0.060
OI (6)										0.364	0.184
OLI (7)						0.914				0.333	0.168
Process I (8)										0.236	0.119
Product I (9)										-0.161	-0.081
RM (10)											0.505
SCA (11)											

Bricks & Mortar Banking Innovation = 1, Digital Banking Platforms Innovation = 2, Modified Product Innovation = 3, New Product Innovation = 4, Organizational Culture Innovation = 5, Organizational Innovation = 6, Organizational Learning Innovation = 7, Process Innovation = 8, Product Innovation = 9, Relationship Marketing = 10, Sustainable Competitive Advantage = 11

(Source: Main Study)

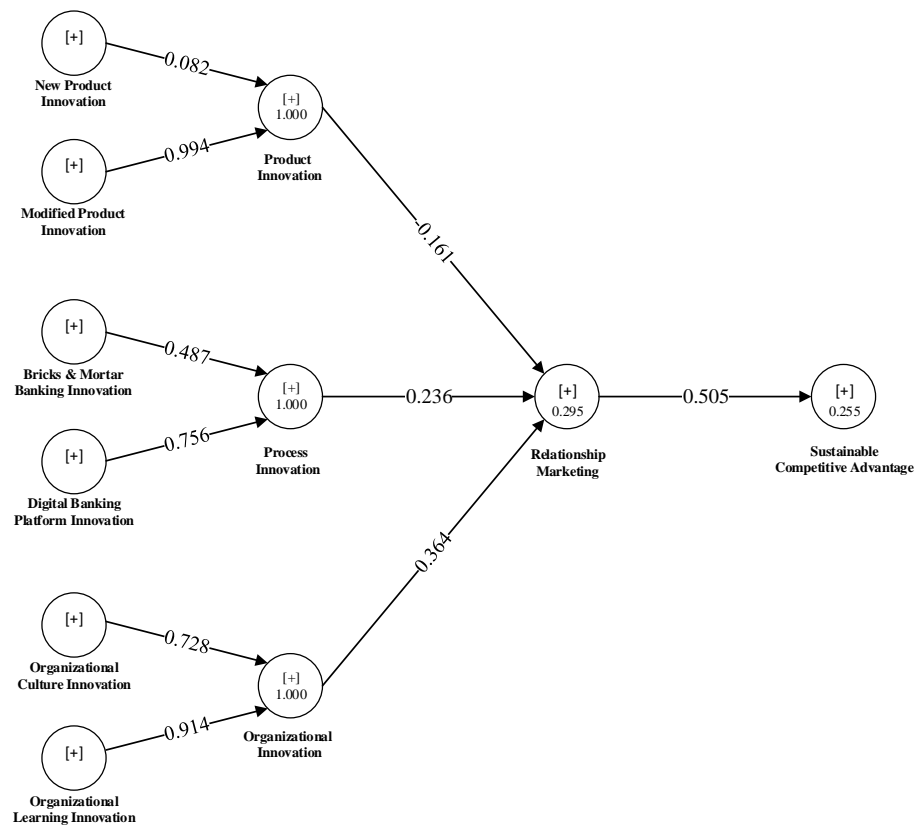
New product innovation has reported a relatively weak effect (0.082) on product innovation; however, modified product innovation has shown a relatively strong effect (0.994) on product innovation. Both bricks and mortar banking innovation (0.487) and digital banking platform innovation (0.756) are shown to have a strong effect on process innovation. Moreover, both organizational culture innovation (0.728) and organizational learning innovation (0.914) have a strong effect on organizational innovation. When it comes to the total effect from product innovation to relationship marketing, it shows a negative effect (-0.161). However, process innovation (0.236) and organizational innovation (0.364) show a strong relationship with relationship marketing. The results of the total effect imply that bankers should more focus on process and organizational innovation in order to improve the notion of relationship marketing. Both Figure 5.2 and Table 5.21 show the statistics in detail.

5.7.3 Coefficient of Determination (R^2 value)

The R^2 value is widely used to evaluate the structural model (Hair et al., 2017). R^2 implies the predictive power of the model distinguished as substantial, moderate or weak, depending on the value (Hair et al., 2017). If the R^2 value is between 0.50 - 0.25, this indicates that the model's predictive accuracy is moderate (Hair et al., 2017). However, the R^2 value may be subject to change with the research discipline and model complexity; for example, in a lot of consumer behaviour research, if the value

is 0.20, it is regarded as having a high predictive value (Hair et al., 2017). The following Figure 5.3 shows the R^2 values in the second order model. Table 5.22 illustrates the predictive value particular to relationship marketing and the SCA. The R^2 value for relationship marketing is 0.295 and SCA is 0.255. Therefore, it can be concluded that the model shows a moderate predictive power as per the threshold; however, it can be also reported as having high predictive value if considered as marketing-related research.

Figure 5.3 Coefficient of Determination (R^2 value)



(Source: Main Study)

Table 5.22 Coefficient of Determination (R^2 value)

	R^2
Product Innovation	1.000
Process Innovation	1.000
Organizational Innovation	1.000
Relationship Marketing	0.295
SCA	0.255

(Source: Main Study)

5.7.4 Effect Size f^2

Cohen (1988) presented the guidelines to assess the effect size f^2 as 0.02, 0.15 and 0.35, which are classified as small, medium and large. Table 5.23 shows the effect size f^2 in which product innovation has a small effect on relationship marketing, whereas process and organizational innovation have a medium effect on relationship marketing. Moreover, relationship marketing has a medium effect on SCA.

Table 5.23 Effect size f^2 Exogenous Latent Variable

Exogenous Latent Variable	Relationship Marketing	SCA
Product Innovation	0.023	
Process Innovation	0.161	
Organizational Innovation	0.166	
Relationship Marketing		0.342

(Source: Main Study)

5.7.5 Blindfolding and Predictive Relevance Q^2

Table 5.24 Predictive Relevance Q^2

	SSO ^a	SSE ^b	$Q^2 (=1-SSE/SSO)$
Bricks & Mortar Banking	648.00	648.00	
Digital Banking Platforms	648.00	648.00	
Modified product innovation	648.00	648.00	
New Product Innovation	648.00	648.00	
Organizational Culture	648.00	648.00	
Organizational Innovation	1296.00	807.51	0.377
Organizational Learning	648.00	648.00	
Process Innovation	1296.00	719.78	0.445
Product Innovation	1296.00	826.57	0.362
Relationship Marketing	1296.00	1041.74	0.196
SCA	1296.00	1078.49	0.168

a= Sum of the Squared Observations/ b= Sum of the Squared Predication Errors

(Source: Main Study)

The structural model for predictive relevance is satisfactory in terms of exogenous latent variables. The highest Q^2 value was process innovation (0.445), followed by product innovation (0.362). Organizational innovation was 0.377, which is also a strong predictive relevance in the structural model.

5.7.6 Effect Size q^2

SmartPLS does not calculate readily the effect size q^2 ; the calculation had to be found manually by using the following equation:

$$Q^2 = \frac{Q^2_{included} - Q^2_{excluded}}{1 - Q^2_{included}}$$

Table 5. 25 Effect Size q^2

Effect Size Relationship	Formula	Effect Size q^2
q^2 Product Innovation -> Relationship Marketing	$\frac{0.362 - 0.179}{1 - 0.362}$	0.286
q^2 Process Innovation -> Relationship Marketing	$\frac{0.445 - 0.167}{1 - 0.445}$	0.500
q^2 Organizational Innovation -> Relationship Marketing	$\frac{0.377 - 0.128}{1 - 0.377}$	0.399
q^2 Relationship Marketing -> SCA	$\frac{0.196 - 0.056}{1 - 0.196}$	0.174

(Source: Main Study)

Using Cohen's (1988) guidelines to assess the effect size q^2 , the strongest effect shows for process innovation to relationship marketing (0.500), whereas product innovation to relationship marketing (0.286) shows the least effect. However, all the effect sizes q^2 show large effect with respective endogenous latent variables.

5.8 Testing Hypotheses

Though the prior research claims the intervention of innovation in relationship marketing is limited, hypotheses were built on from scatted literature. Product innovation is the development and introduction of a new product to the market or the modification of existing products in terms of function, quality consistency or appearance (Liao, Fei and Chen 2007). Product innovations can utilize new knowledge or technologies or can be based on new uses or combinations of existing

knowledge or technologies (Günday *et al.*, 2011). With the current advanced technologies, changing customer needs, shortening product life cycles and increasing global competition, product innovation becomes a difficult process (Günday *et al.*, 2011). However, Craig and Hart (1992) explain that innovation is an essential tool which withstands the detrimental impact of turmoil in the external environment, industry maturity, shorter business cycles and rapidly changing technological advances.

In order to enhance the clarity of the hypothesised relationships, PRIM model splits into two models where first three hypotheses including relevant sub-hypotheses draft in the first model and the rest of three hypotheses including relevant sub-hypotheses show in the second model.

Figure 5.4 Hypothesized PRIM Model - I

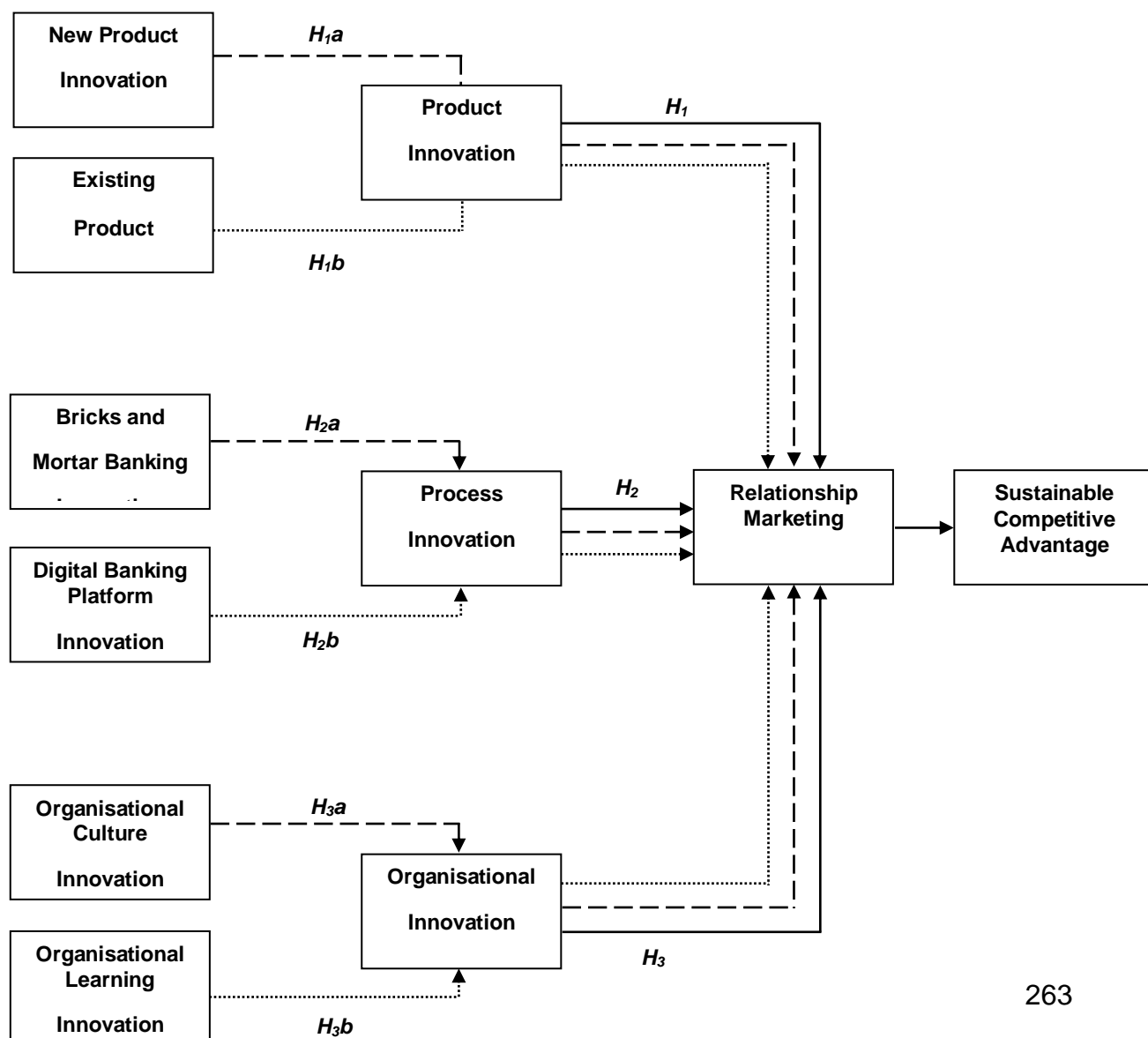
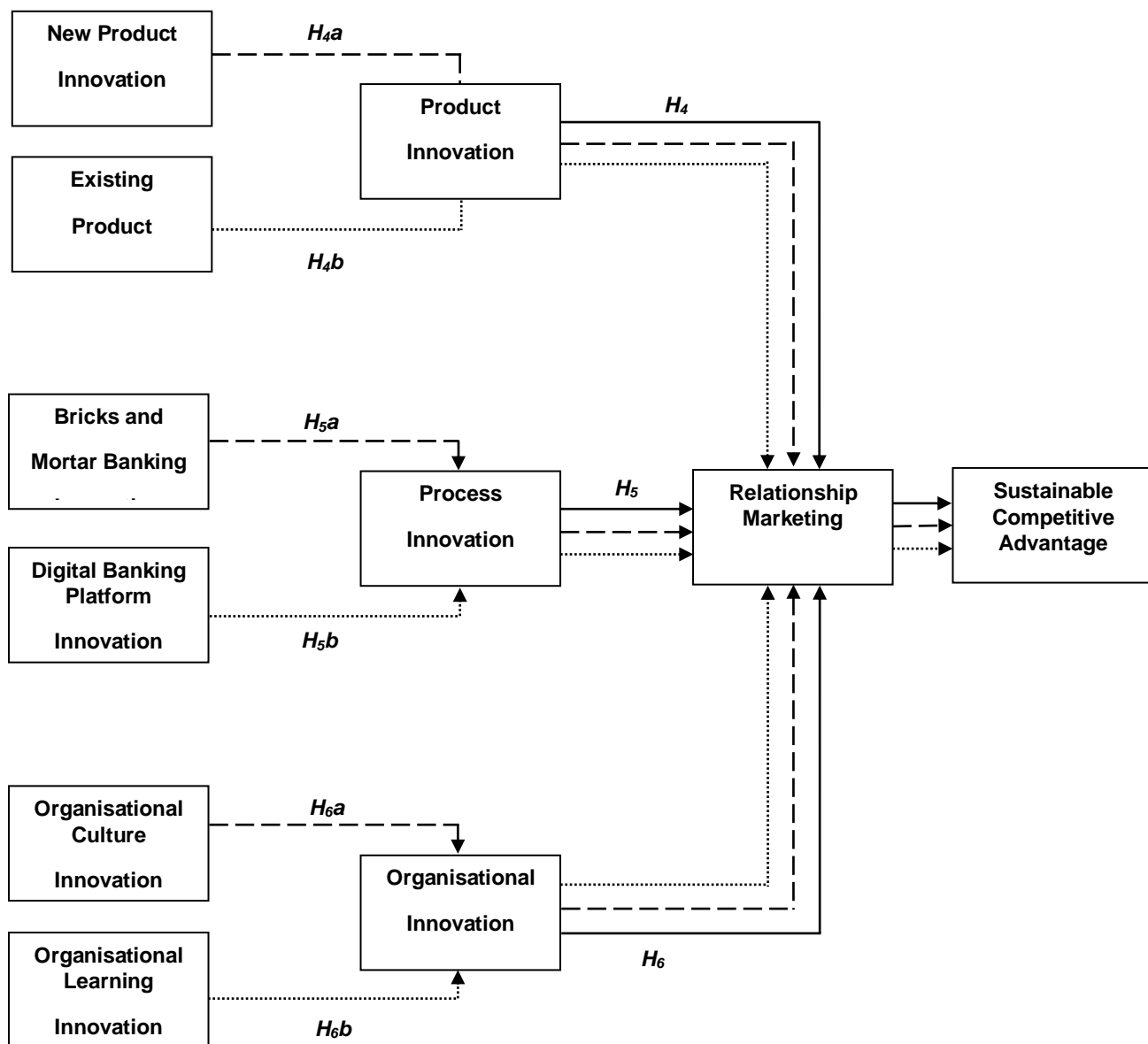


Figure 5.5 Hypothesized PIRM Model - II



As a result of product innovation, organizations can introduce innovative products or services (Johne, 1999), redesign, improve current products or extend current product lines (Kuczmarski, 1992). The decision to concentrate the empirical investigation in the retail financial market stems from the crucial importance of developing new offerings for the survival and wealth of financial companies nowadays (Avlonitis and Papastathopoulou, 2000). Cooper and De Brentani (1991) argue that new service products are key to the future growth and prosperity of financial institutions. Although innovation has been a “critical part of the financial landscape over the past decades, its determinants remain poorly understood” (Heffernan, Fu and Fu 2013, p. 3400). Thus, a new era of relationship marketing has emerged as having a long-term

orientation and representing a win-win situation for the dyadic relationships of buyers and sellers (Agariya and Singh, 2011). Based on the above literature, and the qualitative findings, the following hypothesis is derived.

H₁: There is a positive relationship between product innovation and relationship marketing.

Table 5.26 Relationship Between Product Innovation and Relationship Marketing

Hypothesized Relationship	Direct effect	t value (bootstrap)	Significance (p value)	Confirmation (H ₁)
<i>H₁ - Product Innovation → Relationship Marketing</i>	-0.161	2.672	0.008	No

(Source: Main Study)

H_{1a}: There is a positive relationship between new product innovation and relationship marketing.

Table 5.27 Relationship Between New Product Innovation and Relationship Marketing

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{1a} - New Product Innovation → Product Innovation → Relationship Marketing</i>	-0.013	2.679	0.017	No

(Source: Main Study)

H_{1b}: There is a positive relationship between modified product innovation and relationship marketing.

Table 5.28 Relationship Between Exiting Product Innovation and Relationship Marketing

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{1b} - Modified product innovation → Product Innovation → Relationship Marketing</i>	-0.16	2.707	0.007	No

(Source: Main Study)

The Sri Lankan retail banking industry is experiencing a major transformation, with institutions adopting structures that keep them up to date in order to meet the demands and requirements of the customers (World Finance, 2017). When it comes to the banking scenario, two main processes are important: bricks and mortar banking and digital banking platforms. Though digital platforms are dominating the market, bricks and mortar banking is still accepted by the customers. Following initiatives in conventional banking, many retail financial institutions employ FLEs who continue to interact with customers (Gannage, 2014). Gannage (2014) explains that the knowledge and skills of FLEs must be used strategically in order to stimulate the innovation orientation of the organization. Because FLEs are able to provide a superior and memorable experience for customers by escalating service delivery to the next level (Maria Stock *et al.*, 2017).

On the other hand, innovation in back-office functions is also critical to maintaining the banking function in a bank. The key back office functions are administrative activities, record maintaining, accounting and IT services. Polatoglu and Ekin (2001) demonstrate that Internet banking lowers operational costs while increasing customer satisfaction and retention in the Turkish retail banking sector. However, the Sri Lankan banking sector continues to expand its traditional access points (branches and ATMs), whilst placing more emphasis on digital and e-based initiatives in the coming years (Seylan Bank, 2015). According to Lambert (2009), relationship marketing is a strategic, process-oriented, cross-functional, and value-creating approach that interacts buyers and sellers. Based on the above literature and qualitative findings, the following hypothesis is derived.

H₂: There is a positive relationship between process innovation and relationship marketing.

Table 5.29 Relationship Between Process Innovation and Relationship Marketing

Hypothesized Relationship	Direct effect	t value (bootstrap)	Significance (<i>p</i> value)	Confirmation
<i>H₂ - Process Innovation → Relationship Marketing</i>	0.236	3.152	0.002	Yes

(Source: Main Study)

H_{2a}: There is a positive relationship between bricks and mortar banking innovation and relationship marketing.

Table 5.30 Relationship Between Bricks and Mortar Banking Innovation and Relationship Marketing

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{2a} - Bricks & Mortar Banking Innovation → Process Innovation → Relationship Marketing</i>	0.115	2.905	0.004	Yes

(Source: Main Study, 2017)

H_{2b}: There is positive relationship between digital banking platforms innovation and relationship marketing.

Table 5.31 Relationship Between Digital Banking Platforms Innovation and Relationship Marketing

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{2b} - Digital Banking Platforms Innovation → Process Innovation → Relationship Marketing</i>	0.178	2.959	0.003	Yes

(Source: Main Study)

Organizational innovations tend to increase a firm's performance by reducing administrative and transaction costs, improving workplace satisfaction (and thus labour productivity), gaining access to non-tradable assets or reducing costs of supplies (OECD, 2005). The main spheres of organizational innovation are organizational culture innovation and organizational learning innovation, which are associated with the development of new knowledge, which is crucial in a firm's innovation and performance levels (Hurley and Hult, 1998). Based on empirical findings, Calantonea, Cavusgil and Zhao (2002) confirm that the higher the extent of learning orientation, the stronger the influence on innovation. The authors further explain that innovation has a direct relationship with organizational learning (Calantonea *et al.*, 2002). Moreover, Cohen and Levinthal (1990) describe how learning orientation significantly reinforces innovative thought in organizations.

Several other scholars have also indicated that learning orientation and innovation are strongly linked (Baker and Sinkula, 1999; Hurley and Hult, 1998; Sinkula *et al.*, 1997).

Ajayi and Morton (2015) argue that empowering employees is of the utmost importance in terms of application of organizational innovation, in that employees' opinions would be welcomed, trusted, and valued in the decision-making process. Some opined that the employees' sense of belonging and teamwork and getting feedback from the employees would promote the creation of a well-informed employee community (Ajayi and Morton, 2015). Such a community is a prerequisite for the implementation of a successful and fruitful organizational change (Ajayi and Morton, 2015). When it comes to organizational learning innovation, employee training and development in terms of supporting and implementing new organizational methods is vital for an organization (Ajayi and Morton, 2015). In addition, in-house knowledge transfer, on the job training, accessing external knowledge, staff seminars and training, and measures for appraising staff performance after training will boost organizational innovation (Ajayi and Morton, 2015; Kang and Park, 2019).

H₃: There is a positive relationship between organizational innovation and relationship marketing.

Table 5.32 Relationship Between Organizational Innovation and Relationship Marketing

Hypothesized Relationship	Direct effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H₃ - Organizational Innovation → Relationship Marketing</i>	0.364	4.273	0.000	Yes

(Source: Main Study)

H_{3a}: There is a positive relationship between organizational culture innovation and relationship marketing.

Table 5.33 Relationship Between Organizational Culture Innovation and Relationship Marketing

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{3a} - Organizational Culture Innovation → Organizational Innovation → Relationship Marketing</i>	0.119	2.054	0.040	Yes

(Source: Main Study)

H_{3b}: There is a positive relationship between organizational learning innovation and relationship marketing.

Table 5.34 Relationship Between Organizational Learning Innovation and Relationship Marketing

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{3b} - Organizational Learning Innovation → Organizational Innovation → Relationship Marketing</i>	0.333	3.887	0.000	Yes

(Source: Main Study)

H₄: There is a mediating effect on relationship marketing from product innovation and sustainable competitive advantage.

Table 5.35 Mediating Effect on Relationship Marketing from Product Innovation and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H₄ - Product Innovation → Relationship Marketing → SCA</i>	-0.081	2.417	0.016	Yes

(Source: Main Study)

H_{4a}: There is a mediating effect on relationship marketing from new product innovation and sustainable competitive advantage.

Table 5.36 Mediating Effect on Relationship Marketing from New Product Innovation and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{4a} - New Product Innovation -> Product Innovation -> Relationship Marketing -> SCA</i>	-0.007	2.652	0.019	Yes

(Source: Main Study)

H_{4b}: There is a mediating effect on relationship marketing from modified product innovation and sustainable competitive advantage.

Table 5.37 Mediating Effect on Relationship Marketing from Modified Product Innovation and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{4b} - Modified product innovation → Product Innovation → Relationship Marketing → SCA</i>	-0.081	2.454	0.014	Yes

(Source: Main Study)

H₅: There is a mediating effect on relationship marketing from process innovation and sustainable competitive advantage.

Table 5.38 Mediating Effect on Relationship Marketing from Process Innovation and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H₅ - Process Innovation → Relationship Marketing → SCA</i>	0.119	2.712	0.007	Yes

(Source: Main Study)

H_{5a}: There is a mediating effect on relationship marketing from bricks and mortar banking and sustainable competitive advantage.

Table 5.39 Mediating Effect on Relationship Marketing from Bricks and Mortar Banking and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{5a} - Bricks & Mortar Banking Innovation → Process Innovation → Relationship Marketing → SCA</i>	0.058	2.702	0.007	Yes

(Source: Main Study)

H_{5b}: There is a mediating effect on relationship marketing from digital banking platforms innovation and sustainable competitive advantage.

Table 5.40 Mediating Effect on Relationship Marketing from Digital Banking Platforms Innovation and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{5b} - Digital Banking Platforms Innovation -> Process Innovation -> Relationship Marketing -> SCA</i>	0.09	2.498	0.014	Yes

(Source: Main Study)

H₆: Relationship marketing mediates between organizational innovation and sustainable competitive advantage.

Table 5.41 Relationship Marketing Mediates Between Organizational Innovation and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H₆ - Organizational Innovation → Relationship Marketing → SCA</i>	0.184	3.268	0.001	Yes

(Source: Main Study)

H_{6a}: There is a mediating effect on relationship marketing from organizational culture innovation and sustainable competitive advantage.

Table 5.42 Mediating Effect on Relationship Marketing from Organizational Culture Innovation and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{6a} - Organizational Culture Innovation -> Organizational Innovation -> Relationship Marketing -> SCA</i>	0.06	1.928	0.051	Yes

(Source: Main Study)

H_{6b}: There is a mediating effect on relationship marketing from organizational learning innovation and sustainable competitive advantage.

Table 5.43 Mediating Effect on Relationship Marketing from Organizational Learning Innovation and Sustainable Competitive Advantage

Hypothesized Relationship	Indirect effect	t value (bootstrap)	Significance (p value)	Confirmation
<i>H_{6b} - Organizational Learning Innovation -> Organizational Innovation -> Relationship Marketing -> SCA</i>	0.168	2.992	0.003	Yes

(Source: Main Study)

The summary of the hypotheses testing can be found in Table 5.44. Conclusively, product innovation has a negative relationship between relationship marketing. however, process innovation and organizational innovation have a positive relationship between relationship marketing. Moreover, relationship marketing negatively mediates between product innovation and SCA whereas relationship marketing positively mediates among process innovation/organizational innovation and SCA.

Table 5.44 Summary of the Hypotheses

	Hypotheses	Effect	t value (bootstrap)	Significance (<i>p</i> value)	Confirmation
H ₁	Product Innovation → Relationship Marketing	-0.161	2.744	0.007	No
H _{1a}	New Product Innovation → Product Innovation → Relationship Marketing	-0.014	2.679	0.017	No
H _{1b}	Modified product innovation → Product Innovation → Relationship Marketing	-0.15	2.707	0.006	No
H ₂	Process Innovation → Relationship Marketing	0.235	3.152	0.002	Yes
H _{2a}	Bricks & Mortar Banking Innovation → Process Innovation → Relationship Marketing	0.116	2.905	0.004	Yes
H _{2b}	Digital Banking Platforms Innovation → Process Innovation → Relationship Marketing	0.177	2.959	0.003	Yes
H ₃	Organizational Innovation → Relationship Marketing	0.363	4.273	0	Yes
H _{3a}	Organizational Culture Innovation → Organizational Innovation → Relationship Marketing	0.118	2.054	0.04	Yes
H _{3b}	Organizational Learning Innovation → Organizational Innovation → Relationship Marketing	0.334	3.884	0	Yes
H ₄	Product Innovation → Relationship Marketing → SCA	-0.081	2.417	0.016	No
H _{4a}	New Product Innovation → Product Innovation → Relationship Marketing → SCA	-0.007	2.652	0.019	No
H _{4b}	Modified product innovation → Product Innovation → Relationship Marketing → SCA	-0.081	2.454	0.014	No
H ₅	Process Innovation → Relationship Marketing → SCA	0.119	2.712	0.007	Yes
H _{5a}	Bricks & Mortar Banking Innovation → Process Innovation → Relationship Marketing → SCA	0.058	2.702	0.007	Yes
H _{5b}	Digital Banking Platforms Innovation → Process Innovation → Relationship Marketing → SCA	0.090	2.498	0.014	Yes
H ₆	Organizational Innovation → Relationship Marketing → SCA	0.184	3.268	0.001	Yes
H _{6a}	Organizational Culture Innovation → Organizational Innovation → Relationship Marketing → SCA	0.060	2.928	0.001	Yes
H _{6b}	Organizational Learning Innovation → Organizational Innovation → Relationship Marketing → SCA	0.168	2.992	0.003	Yes

(Source: Main Study)

CHAPTER VI

6. DISCUSSION

The aim of the research, as framed in chapter 1, has been to investigate the bankers' perceptions of innovation-based relationship marketing as a driving force for sustainable competitive advantage in the Sri Lankan retail banking sector. In this chapter, both qualitative and quantitative research methods apply for deriving the stipulated research aim, research objectives, research questions and research gaps. Furthermore, the findings of this research were critiqued with the existing knowledge in the literature. As the PIRM model is a relatively new phenomenon and very little is known about it, current findings of this research may not be fully justified existing knowledge and literature. Finally, the chapter directs the future research avenues for the area of perception of innovation-based relationship marketing. Pure research (discovery, invention and reflection) type has been applied for qualitative and quantitative phases of the research where qualitative research was complementary/supplementary to the later stage of the quantitative study.

6.1 The Fulfilment of the Research Questions

During the course of the study, the derived research questions were meaningfully answered. The following accounts explains how well research questions have been met by the research study.

RQ1. How does product innovation improve the notion of relationship marketing in the Sri Lankan retailing banking sector?

According to the first research question, the research investigates how product innovation improves the notion of relationship marketing. Based on qualitative research findings, each bank has a relatively similar opinion on how product innovation is related to relationship marketing. They stressed the importance of product innovation regarding relationship marketing strategies. They commented on how new products and modifying existing financial products add more value to relationship marketing. The favourable qualitative findings critiqued the quantitative findings, which showed a negative relationship between product innovation and relationship

marketing. Key findings of product innovation and leading literature related categories can be illustrated in Table 6.2 and 6.2.

Table 6.1 Key Findings of New Product Innovation

Categories and Themes	Related Literature
New Product Innovation - Bank A	
<ul style="list-style-type: none"> • <i>A set of new products</i> • <i>Newly developed products</i> • <i>Introduced first time</i> • <i>State-of-the-art products</i> • <i>New financial products</i> • <i>Latest products</i> 	<p>Agarkov <i>et al.</i> (2011)</p> <p>Booz <i>et al.</i> (1982)</p> <p>Božić (2007)</p> <p>Burkow (2014)</p>
New Product Innovation - Bank B	Cooper and Kleinschmidt (1987)
<ul style="list-style-type: none"> • <i>Latest offerings</i> • <i>State-of-the-art products</i> • <i>Product introduction</i> • <i>Launch new products</i> • <i>New to the customer</i> 	<p>Dul and Ceylan (2014)</p> <p>Edquist <i>et al.</i> (2001)</p> <p>Jajja <i>et al.</i> (2014)</p> <p>Liao <i>et al.</i> (2007)</p> <p>Lonial and Carter (2015)</p>
New Product Innovation - Bank C	Oke (2007)
<ul style="list-style-type: none"> • <i>State-of-the-art financial products</i> • <i>Newly launch products</i> • <i>Latest to the market</i> • <i>New products</i> 	<p>Rangaswamy and Lilien (1997)</p> <p>Saeed <i>et al.</i> (2015)</p> <p>Sivadas and Dwyer (2000)</p> <p>Slater <i>et al.</i> (2014)</p>
New Product Innovation - Bank D	Visnjic <i>et al.</i> (2016)
<ul style="list-style-type: none"> • <i>Newly introduced</i> • <i>State-of-the-art financial products</i> • <i>Innovative augmented products</i> • <i>New to the market</i> • <i>New financial products</i> • <i>Latest offerings</i> 	Yordanova (2013)

Table 6.2 Key Findings of Modified Product Innovation

Categories and Themes	Related Literature
Modified Product Innovation - Bank A	
<ul style="list-style-type: none"> • <i>Modified products</i> • <i>Customised products</i> • <i>Improved products</i> • <i>Modification of previous version</i> • <i>Alteration of offerings</i> 	Akhisar <i>et al.</i> (2015)
Modified Product Innovation - Bank B	Atuahene-Gima (1996)
<ul style="list-style-type: none"> • <i>Reshape offerings</i> • <i>Revised products</i> • <i>Altered offerings</i> • <i>Modified products</i> • <i>Modified with novel features</i> 	Berry <i>et al.</i> (2006) Booz <i>et al.</i> (1982) Cooper and Kleinschmidt (1987) De Brentani (2001) Froehle <i>et al.</i> (2000)
Modified Product Innovation - Bank C	Liao <i>et al.</i> (2007)
<ul style="list-style-type: none"> • <i>Improved products</i> • <i>Customised products</i> • <i>Revised products</i> • <i>Modified products</i> 	Nejad (2016) Oke (2007) Schilling and Hill (1998)
Modified Product Innovation - Bank D	Tranfield <i>et al.</i> (2003)
<ul style="list-style-type: none"> • <i>Product modification</i> • <i>Customised products</i> • <i>Modifying existing products</i> • <i>Improved products</i> • <i>Customised products</i> • <i>Altered offerings</i> • <i>Modify existing products</i> 	Vorhies <i>et al.</i> (1999)

According to bank A, it recently introduced a new paperless account, which can be activated in a few minutes, that helps them to provide convenient and fast services to customers. Ideally, this will strengthen their relationship with customers. Respondents of bank A also stressed that new products came as state-of-the-art products, newly developed products as well as those first introduced to the market. The new products

which were adopted by the customers allowed bankers to build long-term relationships with them.

When it comes to modifying existing financial products, bank A modified its home loan system, which now takes only two weeks to be disbursed to the customers. According to bank A, the modification of a bank product can be realised by either improving products or customising them, whichever is best suited to satisfy customer requirements. This customisation will enable the bank to have a healthy relationship with their customers. Describing the relationship between product innovation and relationship marketing, Relationship officer (A2-P*) further explains that

‘Product innovation is an effective way of fulfilling relationship marketing effort as our intention to maintain our relationship with customers long time’

Relationship Officer (A3-P*) also comments that

‘Whatever innovation we try to introduce either by new product or updated existing financial products, the ultimate target is to retain the customers with the bank long time’

Bank B also took initiatives to introduce new products which have the latest features, a uniqueness and follow state-of-the-art fashion. In addition, Bank B talked about the importance of having new products in the Sri Lankan retail banking sector where more than 25 commercial banks are operating for a relatively small population across the country. For the first time in the Sri Lankan market, bank B had introduced a home loan product which has a five-year fixed interest rate plan. Through this new product innovation, bank B aims to stabilise existing customer relationships and increase customer retention. Bank B considered modifying their existing products by revising them, altering them and addressing need gaps. Recently, bank B relaunched its saving accounts as tiered accounts and salaried accounts. The bank believes that existing names are familiar to customers who have become attached to them over a long period of time. By modifying existing products, bank B is able to establish a long-term relationship with its customers. It is believed that modified products will take bankers to the next level of the relationship. Branch Manager (B1-P*) expresses his final remarks regarding product innovation underpinned by the relationship marketing as:

‘We have applied many strategies and tools to excel the market, however, a mature market like retail banking does need a capable model to stay

competitive in the market. I think, product innovation definitely supports relationship marketing strategies that we draft at the bank’.

Product Development Officer (B2-P*) comments on the idea of product innovation and relationship marketing as:

‘Once we talk about the innovation, basically everyone perceives the technological innovation, however, there are some innovation like product innovation does not need much technical support, but sensible use of new product ideas together. On the other hand, I can support 100% for the statement on the fruitful combination of product innovation and relationship marketing’.

Bank C has also taken similar steps in order to introduce new financial products. According to the respondents of bank C, they perceived new financial products as state-of-the-art financial products, newly launched products and latest to the market. Following the new product innovation, bank C expected to satisfy and retain its existing customers who are directly involved the bank’s survival. Bank C has also taken similar steps in order to introduce new financial products. According to the respondents of bank C, they perceived new financial products as state-of-the-art financial products, newly launched products and latest to the market. Following the new product innovation, bank C expected to satisfy and retain its existing customers who are directly involved the bank’s survival.

Bank C modifies its offerings from time to time so that it can be more adaptable to the changes in the market. The interviewees understood product modification as being improved products, customised products and revised products. Bank C has implemented a product which is a fixed deposit scheme; simultaneously, customers can borrow a short-term loan on top of the fixed deposit while having interest from the deposit. Manager - Bancassurance (C2-P*) comments on the idea behind product innovation and relationship marketing as:

‘As we know, innovation is the only feasible solution that never outdated and can be highly recommended for the success of the organization. Therefore, I think product innovation energises the relationship marketing activities of the bank a lot’.

From the perspective of Vice President - Employment Relations (C4-P*), he comments that

'However, we are behind with the ongoing trends of world banking, we have a genuine motive, we need to go for product innovation for retaining our valued customers'.

Bank D defined new product introduction as newly introduced, state-of-the-art financial products and innovative augmented products. Regarding new product innovation, bank D has taken various steps to introduce a number of unusual and novel value adding loans options to customers, such as variable interest options, ample grace periods and longer repayment plans. In bank D, modified existing financial products may come under improved products, product modification and customised products. The existing educational loans scheme has been relaunched for students who aspire to professional courses and degree programmes, locally and abroad, to cover registration, tuition fees, exam fees and accommodations expenses. By commenting further for the idea of product innovation and relationship marketing, Employee Relations Officer (D1-P*) claims that

'We are here to satisfy our valued customers, imagine if we do not have ideal products that suit their lifestyle, income and social status, they will definitely switch to our competitors. Therefore, we cannot maintain a long-term relationship with them. I think product innovation is a must for retaining our diverse customer range in our bank'.

Manager - Product Development (D4-P*) explains the idea of product innovation and relationship marketing as:

'My product development department always tries to introduce innovative products that timely satisfy customer needs. As far as we satisfy our customers, we can maintain a healthy relationship with them'.

Contradictory to the qualitative finding, quantitative findings for product innovation and relationship marketing show a negative effect. More specifically, the causal relationship between new product innovation and relationship marketing was negative, which means that banks do not think of introducing new products in the interest of improving relationship marketing (Panditharathna, Bamber and Maximilian, 2018). This is mainly because of bankers perceive that if products are new to the customers, they may not adopt them due to lack of clarity of purpose in the products, complicated technical application or complexity, making them difficult to understand (Panditharathna *et al.*, 2018). Bankers may perceive these reasons may lead to a decline in customer relationships (Panditharathna *et al.*, 2018). On the other hand, the

cultural perspective may also be a major barrier to introducing new products to customers who may not be prepared to try them (Panditharathna *et al.*, 2018). This has further proposed by Valtakoski *et al.* (2019) who recommend that managers should consider the local cultural environment when they decide to implement new service development. Furthermore, Sri Lanka is rebuilding after having an ethnic war; this may have a bearing on why banks do not want to adopt new products at the moment (Panditharathna *et al.*, 2018). Again, quantitative finding on the relationship between modified product innovation and relationship marketing is negative. The reasons can be the same as for new product innovation, including existing products are very much stabilised within the customer ideology, which is very difficult to change.

As a remedy for the negative effect between product innovation and relationship marketing, CIC concept must be a solution. CIC enables organizations to design products or modify existing offerings with a consultation with customers. This will reduce product failure in the market as the ideas, operations and final evaluations happened with the collaboration with customers. Because CIC supports improving relational effect (Orr, Bush and Vorhies, 2011) while generating new ideas to the organization (Anning-Dorson, 2019).

RQ2. How does process innovation improve the notion of relationship marketing in the Sri Lankan retailing banking sector?

According to the second research question, the research investigated how process innovation improves the notion of relationship marketing. Banks mainly build relationships with customers via two main processes: bricks and mortar banking and digital banking platforms. Though bricks and mortar banking may appear traditional, the Sri Lankan banks still believe in developing the same with innovation. Initiatives under innovation in bricks and mortar banking include an increase by some banks of their branch networks, the relocation of branches, improvements in services in the existing branch network, the use of the latest core banking systems, and queue management systems. Table 6.3 and table 6.4 reemphasise the findings of bricks and mortar banking innovation and digital banking platform innovation. Moreover, the findings were matched with existing literature.

Table 6. 3 Key Findings of Bricks and Mortar Banking Innovation

Categories and Themes	Related Literature
Bricks & Mortar Banking Innovation - Bank A	
<ul style="list-style-type: none"> • <i>Branch banking innovation</i> • <i>Innovating facilities of bricks and mortar banking</i> • <i>Expanding traditional banking</i> • <i>Improving the traditional banking</i> 	
Bricks & Mortar Banking Innovation - Bank B	
<ul style="list-style-type: none"> • <i>Innovation in physical presence</i> • <i>Front and back office process improvement</i> • <i>Bricks and mortar banking</i> • <i>Rethinking on our conventional banking</i> 	<p>Achimba <i>et al.</i> (2014)</p> <p>Ainin <i>et al.</i> (2005)</p> <p>Boateng <i>et al.</i> (2016)</p> <p>Bowen <i>et al.</i> (1999)</p> <p>De Keyser <i>et al.</i> (2019)</p> <p>Devlin (1995)</p> <p>Devlin <i>et al.</i> (1995)</p> <p>Manrai and Manrai (2007)</p>
Bricks & Mortar Banking Innovation - Bank C	
<ul style="list-style-type: none"> • <i>Front office and back office process improvement</i> • <i>Brick and mortar banking</i> • <i>Conventional banking</i> 	<p>Slåtten <i>et al.</i> (2011)</p> <p>Tan and Teo (2000)</p> <p>Tseng (2019)</p>
Bricks & Mortar Banking Innovation - Bank D	
<ul style="list-style-type: none"> • <i>Conventional banking</i> • <i>Bricks and mortar banking</i> 	

- *Upgrade offline banking*
- *Front office and back office operations*
- *Streamline delivery channels especially traditional banking*

Table 6.4 Key Findings of Digital Banking Platforms Innovation

Categories and Themes	Related Literature
Digital Banking Platforms Innovation- Bank A	
<ul style="list-style-type: none"> • <i>Front office and back office innovation</i> • <i>Innovate front office and back office operations</i> • <i>Innovative online banking facility</i> • <i>Internet banking</i> • <i>Innovative digital banking platforms</i> 	<p>Ainin <i>et al.</i> (2005)</p> <p>Akhisar <i>et al.</i> (2015)</p> <p>Baba (2012)</p> <p>Chauhan <i>et al.</i> (2019)</p> <p>Dauda and Lee (2015)</p> <p>Garg <i>et al.</i> (2014)</p> <p>Gerrard and Cunningham (2003)</p>
Digital Banking Platforms Innovation - Bank B	
<ul style="list-style-type: none"> • <i>Innovative e-banking</i> • <i>Online banking</i> • <i>Internet banking</i> • <i>24/7 banking facility</i> 	<p>Ling <i>et al.</i> (2016)</p> <p>Manrai and Manrai (2007)</p> <p>Martins <i>et al.</i> (2014)</p> <p>Mbama and Ezepue (2018)</p> <p>Nedumaran and Baladevi (2018)</p> <p>Onay and Ozsoz (2012)</p> <p>Svahn <i>et al.</i> (2017)</p>
Digital Banking Platforms Innovation - Bank C	
<ul style="list-style-type: none"> • <i>Innovative digital banking facilities</i> • <i>E-banking</i> • <i>Digital banking</i> 	<p>Szopiński (2016)</p> <p>Tan and Teo (2000)</p> <p>Tuchila (2000)</p>

- *Bricks and mortar banking innovation*

Digital Banking Platforms Innovation - Bank D

- *E-banking*
- *Innovative online banking*
- *24/7 banking platforms*
- *Internet banking*

In addition to bricks and mortar banking, digital banking platform innovation has also provided an edge to the banks. Bank A provides electronic banking facilities to the customers who can check their balances, fund transferring and pay utility bills. The convenience and fast services brought from electronic banking is unparalleled in retaining customers. With the advance of IT, banks tend to adopt new features in their digital banking platforms. Bank A provides SMS services to customers to alert them of their balance confirmation and suspicious transactions that happen in real time. Bank A has introduced 24/7 banking branches, increased self-service machines including CDMs, and increased the number of ATM machines available for customers. One of the main outcomes of bricks and mortar banking innovation is that it has maximised the retention of customers in the bank. Manager - Product Development (A1-P*) talks about the process innovation and relationship marketing as:

'The key to success as a bank is the process because our processes must facilitate our customers to fulfil their needs. Our processes are mainly operating in digital and traditional principles where we try to provide the maximum benefits to our customers. And then we can maintain a long-term relationship with our customers'.

Relationship Officer (A2-P*) explain the relationship between process innovation and relationship marketing as:

'As a relationship officer, my duty of care is to look after my clients with maximum benefit. I always promote our digital banking facilities to my clients who can handle transactions in seconds. Therefore, process innovation is clearly helpful for our bankers to maintain higher level of relationships among customers'.

The initiatives among bricks and mortar banking innovation in bank B include expectations of an increase in its physical presence and improvements in front and back-office operations. Many of the front and back-office functions have been automated so that the bank can provide a satisfactory service to the customers. It is also clear that bank B is on a par with bricks and mortar banking innovation by establishing a credit administration unit which streamlines the credit management function. Furthermore, bank B has set up a branch supervision unit to bring uniformity and control among its branches. In addition, bank B has revisited its front and back-office functions through a re-engineering process. All the efforts made by bank B imply that it is committed to maintaining strong relationships with its customers.

The digital tendency of bank B is also impressive. The bank provides all kinds of digital banking platforms, ranging from SMS banking and mobile banking to Internet banking and customer kiosks. The bank's website has been revamped and relaunched in an innovative manner, by way of crowd sourcing, a world's first by a bank, where customers were invited to cut the ribbon and launch the site online. By looking at digital adoptability, it can be concluded that the bank B has a great capability to strengthen the relationships with customers through digital banking platform innovation. Commenting on the relationship between process innovation and relationship marketing, Branch Manager (B1-P*) expresses:

'The world is moving towards a digital transformation where our industry has no exception. However, a culture like Sri Lanka has a mixed attitude on digital technology and traditional way of banking. Therefore, we have a huge challenge in which we need to find out the right balance of digital and traditional banking that satisfy our customers'.

Front officer (B4-P*) describes the relationship between process innovation and relationship marketing:

'I am involved in the branch level banking where I have to resolve many customer problems. Some of the customers complaints about our services while some of them praise the help we rendered. However, I personally believe

in process is one of the key elements that should be streamlined in order to retain our customers in the long term'.

Bank C has improved its bricks and mortar banking innovation by setting up the latest core banking system, automated branches, a mobile teller concept, and process re-engineering. More specially, the front-office and back-office process improvements have enabled it to expand its interactions with its customers. By doing that, bank C plans to optimise customer retention. Steps which have been taken to improve the digital appearance in bank C include the introduction of a mobile wallet concept which will facilitate the management of wallet accounts by bank/non-bank customers using a mobile application. This mobile application will facilitate transfer/cash top-ups, merchant payments, fund transfers between wallet accounts, utility payments and a host of other features. The basic idea behind the digital appearance of bank C is that it can reach customers and retain their relationships with the bank. Talking about the relationship between process innovation and relationship marketing, Assistant Relationship Manager (C1-P*) explains that:

'I meet a lot of people every day, most of them like the way we plan our processes at the branch level. It was in the past, customers stand up in the long queues and wait to be served. However, things have changed with the introduction of CDM and walking front officers who resolve customer inquiries in a minute. Therefore, we are able to retain a fruitful relationship with our valued customers'.

Branch Manager (C3-P*) explains the relationship between process innovation and relationship marketing as:

'As a branch manager, I would like to see more customers in the bank. However, with the advent of digital banking facilities, customers tend to do transactions remotely and drastically went down as numbers. However, our profitability and other metrics are higher than before'.

Considering bank D, bricks and mortar banking innovation is phenomenal. With their business process re-engineering and redesign of existing processes, bank D has acquired dramatic results. With the help of technological platforms, bank D has been able to expedite the approval and disbursement of loans with the introduction of the credit origination system e-Space, which leads to standardizing and improving the quality of the appraisal note, and the incorporation of scientifically developed internal risk ratings for retail loans.

Bank D has initiated digital platforms which enable them to offer competitive facilities to the customers. For the first time in Sri Lanka, bank D has introduced 'Facebook banking', which provides yet another electronic delivery channel in the area of social media networks in aligning the product and service offering to the users of social media who are predominantly comprised of generation Y users, who mostly are believed to be less brand loyal. Escalating the fact which is the relationship between process innovation and relationship marketing, Employee Relations Officer (D1-P*) comments:

'As our main processes are branch level banking and digital platforms, we are able to increase the customer touchpoints as never before. Therefore, we are able to expand our interaction through many channels'.

Front Officer (D2-P*) explains the relationship between process innovation and relationship marketing as:

'Digital banking facilities are no longer high-end products that used to be only for affluent customers. Therefore, it has penetrated all walks of life specially among young customers. What I want to stress here is that customers use digital banking facilities for their banking needs, in returns, we continue to interact with them'.

According to the quantitative research findings, bricks and mortar banking innovation proved to have a positive relationship with relationship marketing. Thus, relationship marketing should benefit with the innovation associated with bricks and mortar banking. This can be true particularly in a country like Sri Lanka, where customers are more likely to become attached to physical branches in order to do their everyday banking. Thus, the customers may expect to have an innovative approach in the bricks and mortar banking. This scenario has been well understood by the banks where they have improved the capabilities of bricks and mortar banking so that they can maintain a positive relationship with customers.

Bricks and mortar banking activities are traditional, due to the cultural effect, and customers are more likely to be attached to branch banking. Hence, banks should improve infrastructure and facilities in branch banking. On the other hand, there was a positive relationship between digital banking platform innovation and relationship marketing. This is particularly due to generations Y and generation Z, who are basically technologically oriented. Hence, they rely on digital platforms to perform everyday banking. So far, the retail banking sector in Sri Lanka has already identified

the promises of digital orientation that can lead them to building long-term relationships with customers.

RQ3. How does organizational innovation improve the notion of relationship marketing particular to the Sri Lankan retailing banking sector?

According to the third research question, the research investigates how organizational innovation improves the notion of relationship marketing. Organizational innovation was found to be twofold, according to the qualitative research findings: organizational culture innovation and organizational learning innovation. Table 6.5 and table 6.6 reemphasize the findings of organizational culture innovation and organizational learning innovation. Moreover, the findings were matched with existing literature.

Table 6.5 Key Findings of Organizational Culture Innovation

Categories and Themes	Related Literature
Organizational Culture Innovation - Bank A	Alegre <i>et al.</i> (2012)
	Chandler <i>et al.</i> (2000)
• <i>Team spirit</i>	Claver <i>et al.</i> (1998)
• <i>Management support</i>	Claver <i>et al.</i> (1998)
• <i>Innovative culture</i>	De Tienne and Mallette (2012)
• <i>A new organizational system</i>	Dekoulou and Trivellas (2017)
• <i>Empowering employees</i>	Dobni (2008)
Organizational Culture Innovation - Bank B	Dobni (2008)
	Frohman (1998)
• <i>Committed staff</i>	Gadomska-Lila (2010)
• <i>Top management commitment</i>	Khazanchi (2007)
• <i>Innovative team performance</i>	Kraśnicka <i>et al.</i> (2018).
• <i>Customer oriented culture</i>	Maher (2014)
Organizational Culture Innovation - Bank C	Peris-Ortiz <i>et al.</i> (2018)
	Romero and Martinez-Román (2012)
• <i>Strategic leadership</i>	Sharifirad and Ataei (2012)
• <i>Trust in employees</i>	Škerlavaj <i>et al.</i> (2010)

- *Recognition of employees*
- *Skilful staff*

Szczepańska-Woszczyna (2014)

Organizational Culture Innovation - Bank D

- *Shares innovative ideas*
- *Reinforcing the teams*
- *Innovative culture*
- *Risk taking traits among bankers*

Table 6.6 Key Findings of Organizational Culture Learning Innovation

Categories and Themes	Related Literature
Organizational learning Innovation - Bank A	Argyris and Schon (1978)
	Barney (1986)
	Belderbos <i>et al.</i> (2004)
	Birkinshaw <i>et al.</i> (2008)
	Chadwick and Raver (2015)
	Chiva <i>et al.</i> (2014)
	Gadomska-Lila (2010)
	García-Morales <i>et al.</i> (2008)
Organizational learning Innovation - Bank B	Garvin <i>et al.</i> (2008)
	Hurley <i>et al.</i> (1998)
	Kang and Park (2019)
	Levitt and March (1988)
	Liao <i>et al.</i> (2012)
	Lin <i>et al.</i> (2004)
Organizational learning Innovation - Bank C	Mothe and Thi (2010)
	Muffatto (1998)
	Naranjo-Valencia <i>et al.</i> (2010: 2011)
	Panayides (2007)

- *Learn from peers*

Salim and Sulaiman (2011)

Slater and Narver (1995)

Organizational learning Innovation - Bank D

Som (2012)

Som and Zanker (2011)

Urbancova (2013)

- *Shared knowledge*
- *Training and development*
- *Learning within the team*
- *Organizational learning*

Bank A believes team spirit as the key to achieving organizational innovation. In addition, management support and innovative culture will support relationship marketing to be fruitful. From the perspective of organizational learning innovation, bank A thinks that individual skills, staff experience and sharing knowledge will be key in deriving organizational innovation. Commenting on the relationship between organizational innovation and relationship marketing, Relationship Officer (A3-P*) describes:

‘Organizational culture is a main element of our bank; the culture provides the enthusiasm that enables us to generate new ideas and new organizational systems. Those ideas and organizational system lead to promoting the way we serve our customers’.

Manager - Card Centre (A4-P) explains the relationship between organizational innovation and relationship marketing as:

‘In order to succeed in organizational innovation, empowering employees is essential. For me, running the card centre, I have to empower employees who can make decisions innovatively, so in the end customers feel comfortable. In addition, those colleagues must be given some level of independence in order to derive a new way of thinking and maintaining robust procedures’.

In bank B, committed staff, top management commitment and innovative team performance were revealed as important elements of organizational cultural innovation. In terms of organizational learning innovation, creative thinking, learning by doing and staff skills were posited. The input gains from organizational innovation, according to bank B, can support its relationship marketing efforts so that the bank

maintains long-term relationships with customers. Product Development Officer (B2-P*)

'The top management leadership is the key to shaping the way we treat our customers. therefore, strategic leadership will enhance our motivation to serve customers at the highest level'.

Describing the relationship between organizational innovation and relationship marketing, Front officer (B4-P*)

"If I condense all effort towards our customers, it is a teamwork. Therefore, we need to cultivate innovative team behaviour among our team members. This is not a hard task as our culture provides ample support for that. Then only, our individual efforts will be fruitful for satisfying our customers".

Bank C initiated organizational innovation activities, especially organizational culture innovation, by engaging strategic leadership, trusting in employees and recognising employees. Regarding organizational learning innovation, bank C looked at organizational learning, management competency and knowledge-sharing among bankers. Through organizational learning innovation, the bank encourages its employees to enhance knowledge not only in their specialised areas but also in other general functions within the bank. According to the innovation strategy, the bank directs its efforts to building and stabilising relationships with its valued customers. Commenting on the relationship between organizational innovation and relationship marketing, Manager - Bancassurance (C2-P*) explains:

"We learn from peers every day, if we come across an issue, we seek helps from our senior managers. We have a culture that no one discriminates if we seek further advice that resolves work related issues. Therefore, we are able to better satisfy our customers".

Explaining the relationship between organizational innovation and relationship marketing, Branch Manager (C3-P*) comments:

'Knowledge is the power of the generation we are living in. However, sharing knowledge is even better as many parties involved in sharing process. As we have a culture that enlightens the knowledge sharing, that ultimately flourishes our service that delivers to customers'.

Bank D also employed organizational innovation activities through which they can successfully satisfy customer requirements. Regarding organizational culture innovation, bank D shares innovative ideas, reinforces the teams, and promotes an innovative culture within the organization. In another look, bank D considers organizational learning innovation in terms of sharing knowledge, training and development and learning within the team. Based on the quantitative findings, there was a positive relationship between organizational innovation and relationship marketing. Front Officer (D2-P*) explains the relationship between organizational innovation and relationship marketing as:

'The innovative culture cannot be created by the effort only from the product development team. This is a collective effort from every department of the bank. Therefore, positive reinforcement is a must. Then only, we can work as one team and serve our customers' needs'.

Describing the relationship between organizational innovation and relationship marketing, Manager - Product Development (D4-P*) comments:

'We have an open door for policy for innovative ideas. Also, we place a box that requests innovative ideas for our bank. I have seen personally some of the ideas have come to the practice from such means for the betterment of our internal processes and valued customers'.

One of the prominent banks in Sri Lanka, Sampath Bank devises its core values of the organization as a creating learning-oriented culture where individuals, organizational and customers may receive benefits from innovation (Sampath Bank, 2019). A positive relationship was found between both organizational culture innovation and organizational learning innovation with relationship marketing. It can be concluded that organizational culture innovation and organizational learning innovation support relationship marketing to be successful in the Sri Lankan retail banking sector.

RQ4. How does innovation-based relationship marketing (IRM) contribute to achieving a sustainable competitive advantage particularly in the Sri Lankan retailing banking sector?

Considering the findings from the qualitative interviews, it can be concluded that within the banking sector in Sri Lanka, the concept of IRM is being implemented, intentionally or unintentionally. As per the underlying principle of IRM, relationship marketing, supported by innovation, will be one of the dynamic ways of achieving SCA.

Individually, innovation and relationship marketing are sources of SCA; however, IRM will be much more solid than the individual application of innovation and relationship marketing.

According to the qualitative findings, each bank confirmed the importance of the IRM concept in order to achieve a SCA. Based on bank A, respondents admit that IRM is a kind of modern concept that helps to achieve SCA. Placing more emphasis on the IRM concept, bank B equates the concept of IRM with a double-bladed sword which can be used collectively. Respondents from bank C comment that the IRM concept allows them to distinguish their products, processes and organizational systems from their close competitors. According to bank D, IRM has great potential to excel in competitive advantage in the long run. In addition, respondents from bank D claim that IRM should be much stronger than conventional methods of achieving SCA. Thus, IRM has a positive impact on the SCA. According to the quantitative findings, the mediating role of relationship marketing between product innovation and SCA proved negative. However, the mediating role of relationship marketing in both process innovation and organizational innovation with SCA was found to be positive. Hence, it can be concluded that the IRM concept is especially applicable for improving SCA through the provision of process and organizational innovation. Weerawardena (2003) confirms that innovation capabilities such as product, process, administrative and marketing innovation have a positive impact on SCA.

Menguc, Auh and Yannopoulos (2014) acknowledge that the complementary nature of marketing and innovation in many industries. Additionally, Moorman and Slotegraaf (1999) also confirm that complementarily sharing capabilities of marketing and new product development. According to the absorptive capacity theory, organizations have a competitive advantage over other similar competitors having a deep understanding of the business environment and customers (Zahra and George, 2002). Dul and Ceylan (2014) claim that innovative products are essential for organizations to stay competitive in the market.

Christensen *et al.* (2005) argue that organizations must be effective in innovation if they can successfully understand the customer requirements. Agarkov *et al.* (2011) argue that innovative offerings that meet customer requirements keep organizations

above the rivals. According to the resource-based view, SCA can be achieved by the strategic choices made by the management (Fahy, 2000; Wernerfelt, 1984). This implies that operand resources or operant resources cannot be used without having a proper acknowledgment of the management. This is mainly valid for the Sri Lankan retail banking sector where product, process or organizational innovation cannot be effectively blended with relationship marketing without having the strategic choices made by the management.

One of the upcoming innovative banking products introduced by HNB bank as HNB Fit which facilitates customers to earn higher interest depending on the number of steps they walk during the day (KPMG Sri Lanka, 2019). This product revolutionises the banking industry by providing the customer with dual benefits by a higher interest gain and boosting a healthy lifestyle (KPMG Sri Lanka, 2019). This is one of the great examples that meet innovation and relationship marketing effectively in order to succeed with SCA. However, as Sri Lanka is rebuilding the country in a three decades war, bankers may not be ready to introduce the new products. Because, previous research show that the success rate of the product innovation may depend on the current situation in the market (Vilaseca-Requena *et al.*, 2007). However, Bessant and Tidd (2009) argue that not all innovation disrupts the market where failure to do effective research and development may be the first reason to fail. Moreover, some organizations may design innovative products that do not reflect what they target to achieve in their organizational strategy (Bessant and Tidd, 2009). The retail banks in Sri Lanka do not engage in much research and development activities whilst embracing world banking phenomena instead.

The world is moving from a single channel to a multi-channel or more advanced omni-channel situation where customers can enjoy their banking experience seamlessly. With the severe competition, many banks rely on multi-channel or omni-channel banking technology that provides a competitive edge for banks. Cruz *et al.* (2010) confirm that the cost and perceived risks are the barriers to adopt mobile banking followed by confusion, complexity, device issues and lack of relative advantage. One of the greatest challenges in the Sri Lankan retail banking sector is non-performing loans in which customers may not pay back their loans overdue. As a remedy, Onay and Ozsoz (2012) report that banks can ease their processes by introducing digital

channels whereas they can more focus on other essential processes especially lending and debt collection.

Based on the innovation diffusion theory, Mullan, Bradley and Loane (2017) study mobile banking innovation from the bankers' point of view. The implication of their study mobile banking innovation improves customer relations and finally support to achieve relative advantage which is identical to SCA (Mullan et al., 2017). The retail banking sector is undergoing a huge threat, not from existing competitors, but Fintech space who are drawing maps to excel the Sri Lankan banking sector (FT.lk, 2018). Moreover, Telcos, crowdfunding and peer to peer lending pose a great challenge for traditional banking, thus, innovation disruption is timely needed (KPMG Sri Lanka, 2019). Therefore, the IRM concept is timely important to with hand the potential threats of Fintech companies and achieve the SCA.

Unlike other countries, most Sri Lankan customers are digital migrants who rely on traditional banking and experience the digital transformation later stage of their life (KPMG Sri Lanka, 2019). However, digital natives are new entrants especially millennials and post-millennials who are much capable of adjusting digital banking environment (KPMG Sri Lanka, 2019). Nevertheless, in order to succeed in the market and achieve SCA, Sri Lankan retail banks must use 'phygital' concept in which combine physical and digital banking platform in the right balance (KPMG Sri Lanka, 2019). Especially, it is a must in a situation where customers may not loyal or retain a particular bank, but banking with many banks for their convenience and benefits. In the retail banking sector, many customers are using more than one retail bank for their banking needs. Therefore, there is a high risk that customers may permanently leave banks for a competitor. In such a situation, IRM concept could be used as a resistance to customer switching behaviour as well as switching intentions. Some customers do not leave the bank just for failure to provide a satisfactory service (Vyas and Raitani, 2014), however, they like to receive cutting-edge service with the development of the bank. If the customers see that competitive bank provides such service, their switching intention may go high. Therefore, bank managers can adopt the PIRM model in which blended with innovation and the relational effect would be a feasible salutation, finally, it will lead to achieving unique SCA that cannot be easily copied by the competitors.

Some of the world banking phenomena cannot be directly applied to the Sri Lankan retail banking sector due to government legislation and protective influences. On the other hand, due to heavy regulations of the government and slow progressing economic conditions in Sri Lanka, retail banks are shrinking their profit margins and other important performance indicators. Therefore, banks have to think differently and adopt such changes. The solution they prescribe, and practices are that continuously and continually reducing the cost by streamlining their operating environment. For such initiatives, process innovation is a must.

Sampath bank Sri Lanka pledges to introduce ground-breaking banking solutions that enhance customer experience seamlessly through various channels (Sampath Bank, 2019). Revolutionising the retail banking industry in Sri Lanka, Sampath Bank has introduced igift mobile app that allows sending gifts via the app. The special feature of this app is that they used Blockchain technology for creating the app in which the first such development happened in Sri Lanka. Based on the saved contact list in the smart phone, the sender allows sending igift to anyone (Sampath Bank, 2019). This is one of the real case studies that shows process innovation leads to improving relationship marketing efforts in real life.

One of the pilot projects succeeded in digital banking areas called virtual teller machine in which integrates essential banking facilities to customers 24/7 (Sampath Bank, 2019). Another pilot project launch in some of the selected Sampath bank branches is a video teller machine. The video teller machines integrated with a video support assistant who can resolve customer inquiries (Sampath Bank, 2019). Sampath bank also introduced a chatbot in which powered by artificial intelligence. The chatbot is popped-up on their website, Facebook Messenger and other messaging platforms whenever customers enquire questions related to their bank accounts, credit and debit cards, loans, leasing and pawning facilities.

Wang *et al.* (2009) consider organizational innovation as a compulsory element for building SCA in a highly competitive market. Günday *et al.* (2011) report that organizational innovation closely relates to managerial efforts that renew existing organizational systems, procedures and motivate employees to share knowledge and learning. Bowen *et al.* (1999) claim that the extent to which FLEs are given ample

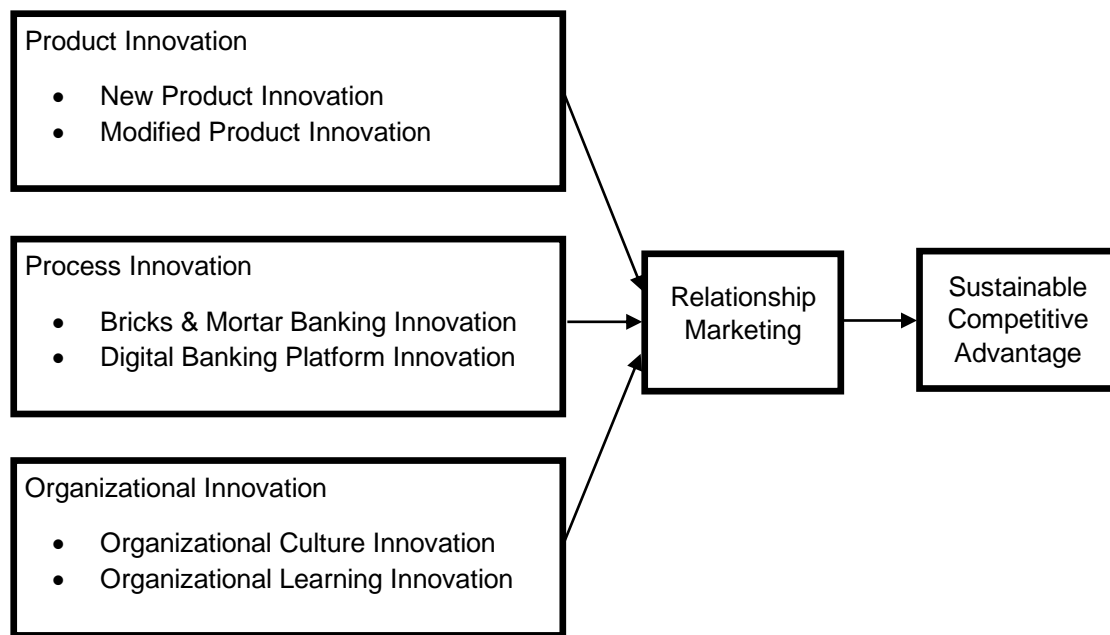
authority and treatment, the quality of the customer service may go high. Because FLEs provide a unique service which is not one size fit for all concept (Parasuraman *et al.*, 1985). FLEs are the greatest asset of the organization (Slåtten *et al.*, 2011) where they combine innovative ideas and relational effect together, finally, organizations enable to achieve SCA which cannot be imitated easily.

Lin and Chen (2007) divides organizational innovation into two segments such as administrative innovation and strategic innovation. However, only the strategic organizational innovation allows organizations to build long term competitive advantage. In order to excel organizational innovation point of view, most of the Sri Lankan retail banks are empowering their employees by understanding their expertise in three broad ways. They are namely, the digital natives, digital migrants and the non-digital adopters. Digital native employees are more powerful and upgraded their talents based on modern banking changes while digital migrants evolve from traditional banking environments to digital transformation in which they have a better idea for supporting customers who are also digital migrants. Even though non-digital adopters are depleting in the banking industry, however, a substantial number of bankers are still working in the Sri Lankan banking sector. Therefore, there is a clear challenge for the Sri Lankan banking sector to find the right balance of employees who improve their organizational innovation effort that support relationship marketing activities and finally contribute to SCA.

RQ5. Can a research model devise and test to reflect the PIRM phenomenon in the Sri Lankan retail banking sector?

Based on the evidence of qualitative data, the PIRM model has emerged. The main feature of the PRIM model is that the model developed from a theory building case study. Also, the model was tested by using PLS-SEM for validity in the retail banking sector in Sri Lanka. The model has three exogenous variables namely product innovation, process innovation and organizational innovation. Moreover, the PIRM model has two endogenous such as relationship marketing and SCA. Figure 6.1 shows the qualitative PIRM that reflects the PIRM phenomenon in the Sri Lankan retail banking sector.

Figure 6.1 Qualitative PIRM Model

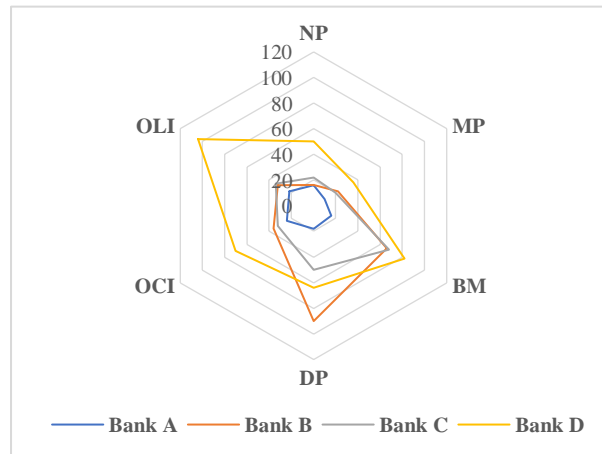


Berry *et al.* (2006) summarise product innovation as updating existing products or launching totally new products that meet need customer or market demand effectively. Kotler *et al.* (2008) claim that product innovation must be matched with the organizational strategic direction and position in the market. Moreover, organizations need to motivate employees in order to develop and disseminate innovative ideas around the organization. Based on a literature survey, Szopiński (2016) and Sinha and Mukherjee (2016) report that product innovation would be successful if they consist perceived usefulness, perceived ease of use, convenience, trust, sense of safety, sense of privacy and match with the lifestyle of customers. Yordanova (2013) reports that new product innovation must target to retain existing customers who can feel the experience and benefits of the latest offerings. Furthermore, many banks used to develop products that match their internal processes without acknowledging customer needs, but the situation has changed as customer requirements are one of the main drivers for product innovation (Yordanova, 2013). Some of the other factors that drive banks to introduce new products can be technological advancement in the industry, segmenting the market and resistance to the competition (Yordanova, 2013). Akhisar *et al.* (2015) claim that designing new financial products is a complicated and rigorous process, therefore, updating existing products is a feasible solution for matured markets like banking.

Ainin *et al.* (2005) claim that some customers still rely on traditional banking in which personal touch is the key. Therefore, the service can be delivered at a banking branch, call centres or FLEs (Boateng *et al.*, 2016). The Sri Lankan retail banking sector in which acknowledges the latest trends and phenomena regarding digital based banking, still believes the idea of bricks and mortar facilities as they are gradually improving. As extending services in bricks and mortar banking, the many Sri Lankan banks improve services in the areas of front offices, software upgrading in core banking systems, 7 days banking, process reengineering and easy deposit CDM (Hatton National Bank, 2015; 2014). Tan and Teo (2000) admit the importance of traditional banking where many banks try to increase the number of branches and facilities.

Szopiński (2016) explains two types of online banking users in which mostly applicable to the Sri Lankan retail banking sector. If a customer builds trust in traditional banking, they have a greater tendency to use online channel (Szopiński, 2016). However, if the customer is happy with traditional banking facilities, they do not bother to use the online banking (Szopiński, 2016). Boateng *et al.* (2016) find that the intention to use online banking may depend on the attractiveness of the website, privacy and security reasons and matching with lifestyle. Moreover, the factors affecting on the adoption of online banking can be demographic factors of customers, motivation and utilitarian function and attitudes on new technologies. Sri Lanka is getting higher attention on digital banking platforms such as smart zones, 24/7 banking, virtual banking and Facebook banking.

Figure 6.2 Cross-case Comparison - Coding References



NP = New Product Innovation/ MP = Modified Product Innovation/ BM = Bricks & Mortar Banking Innovation/ DP = Digital Banking Platforms Innovation/ OCI = Organizational Culture Innovation/ OLI = Organizational Learning Innovation

(Source: Interview Data)

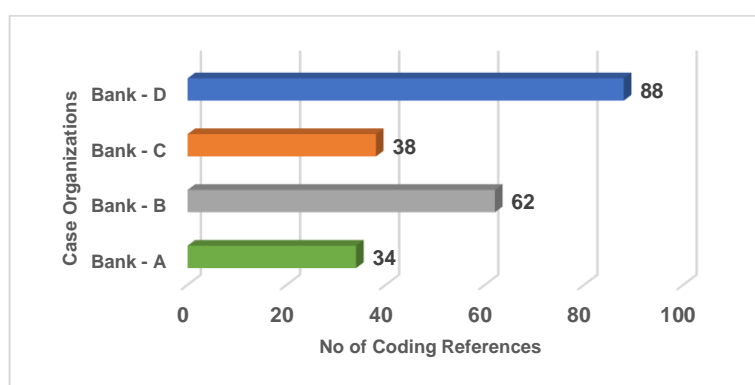
Birkinshaw *et al.* (2008) confirms that organizational innovation is a multi-dimensional construct that spreads many wide spectra. They can be a new strategy, new management system, a new way of treating customers, a new organizational structure, a tool to generate new ideas and acknowledging innovative employees. Camison and Lopez (2011) claim that organizational innovation focuses on new ways of allocating responsibilities among employees who make strategic decisions for the future survival of the organization. However, Armbruster *et al.* (2008) argue that even though organizational innovation leads to achieving superior performance, the literature fails to understand the contribution to SCA. The following table reemphasises the relationship marketing related themes and categories that were matched with existing literature.

Table 6. 7 Key Findings of Relationship Marketing

Categories and Themes	Related Literature
Relationship Marketing - Bank A	
<ul style="list-style-type: none"> • <i>Keeping customer relationship</i> • <i>Long-term relationship</i> • <i>Uninterrupted relationship</i> • <i>Customer retention</i> • <i>Stay with the business long time</i> 	<p>Aspinall <i>et al.</i> (2001)</p> <p>Balci <i>et al.</i> (2019)</p> <p>Clark (1997)</p> <p>Coviello <i>et al.</i> (2002)</p>
Relationship Marketing - Bank B	
<ul style="list-style-type: none"> • <i>Long run relationships</i> • <i>A long-term relationship</i> • <i>Customer relationship</i> • <i>Customer retention</i> • <i>Stronger relationship</i> 	<p>Farquhar (2004)</p> <p>Grönroos (1991)</p> <p>Guo <i>et al.</i> (2013)</p> <p>Kassim and Souiden (2007)</p> <p>Liu and Wu (2007)</p>
Relationship Marketing - Bank C	
<ul style="list-style-type: none"> • <i>Retain customers</i> • <i>Retain loyal customers</i> • <i>Strong relationship</i> • <i>Sustainable for a longer period</i> • <i>Relationship marketing</i> 	<p>Liu and Wu (2007)</p> <p>Magasi (2015)</p> <p>Mahmoud (2019)</p> <p>Morgan and Hunt (1994)</p> <p>Nezhad <i>et al.</i> (2011)</p>
Relationship Marketing - Bank D	
<ul style="list-style-type: none"> • <i>Long-term relationship</i> • <i>Loyal customers</i> • <i>Remarkable relationship</i> • <i>Interaction with our customers</i> • <i>Customer retention</i> • <i>Retaining customers</i> 	<p>Patterson and Smith (2003)</p> <p>Ravald and Grönroos (1996)</p> <p>Verhoef (2003)</p> <p>Zeithaml and Bitner (2003)</p> <p>Zineldin (2006)</p>

From the relationship marketing point of view, Zineldin (2006) claims that customer retention is an ongoing win-win situation where customers may continue to do business with the organization. Moreover, the long-term relationship is one of the key measures of identifying customer retention in an organization (Buttle, 2009).

Figure 6.3 Relative Importance of PIRM Concept - Cross-Case Analysis



(Source: Interview Data)

Figure 6.3 shows the relative importance of the PIRM concept in each bank. The number of coding references has been included in each bank. Bank D is significantly more attentive to the PIRM concept than the other three banks. The proportional contribution of the PIRM concept is also illustrated via a hierarchical chart in Appendix - V(VII). However, PIRM model does not show up why innovation has categorised into six sub-dimensions, therefore, further research needs to investigate underlying reasons for such categorisation.

6.2 The Fulfilment of the Research Aim

As devised in chapter 1, the aim of this research was to investigate the bankers' perceptions of innovation-based relationship marketing as a driving force for sustainable competitive advantage in the Sri Lankan retail banking sector. Accordingly, the qualitative findings of the research study show that there is a clear shred of evidence that bankers accept that innovation supports relationship marketing, which can be regarded as a dynamic way of achieving SCA in the Sri Lankan retail banking sector. With the paucity of literature available for identifying the link between innovation and relationship marketing, the research has taken a bold decision that goes beyond the conventional method of developing a model based on literature. Eventually, the research originated a model based on qualitative data and validated it through quantitative data. The PIRM model (Figure 4.15 and Figure 5.1) which developed from the qualitative and quantitative methods that explains the intervention of innovation on relationship marketing, further flourishes the SCA. Innovation has

emerged into three main categories: product innovation, process innovation and organisational innovation. Two antecedents of product innovation have emerged as new product innovation and modified product innovation as a fruitful result of the qualitative data analysis. Figure 6.2 and Figure 6.3 show that hypothesized relationship between innovation and relationship marketing. The qualitative model has divided into two parts for better reflection and clarity of the PIRM model as shown in Figure 6.2 and Figure 6.3.

Figure 6.4 Path Relationships of Hypothesized PIRM Model - I

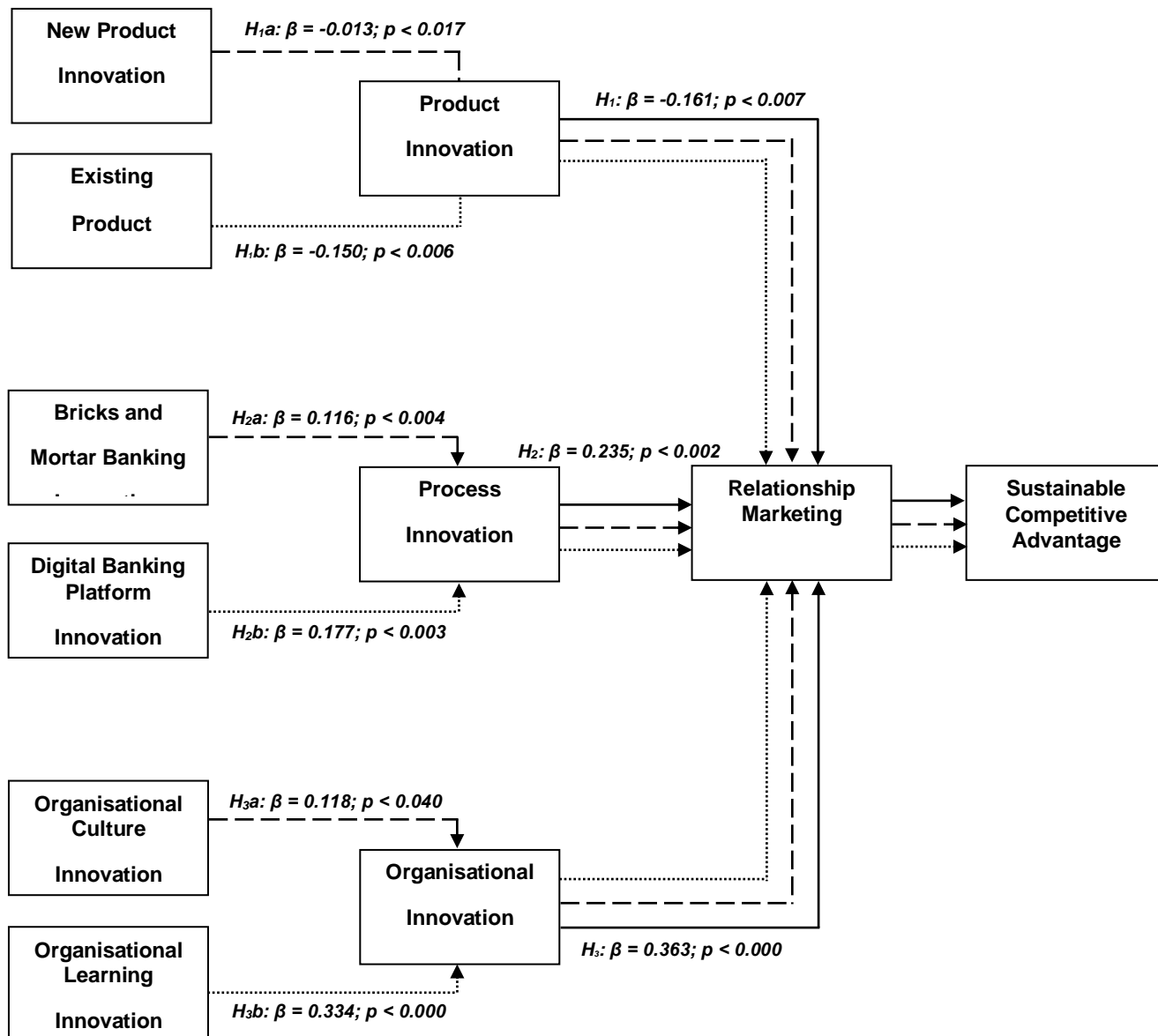
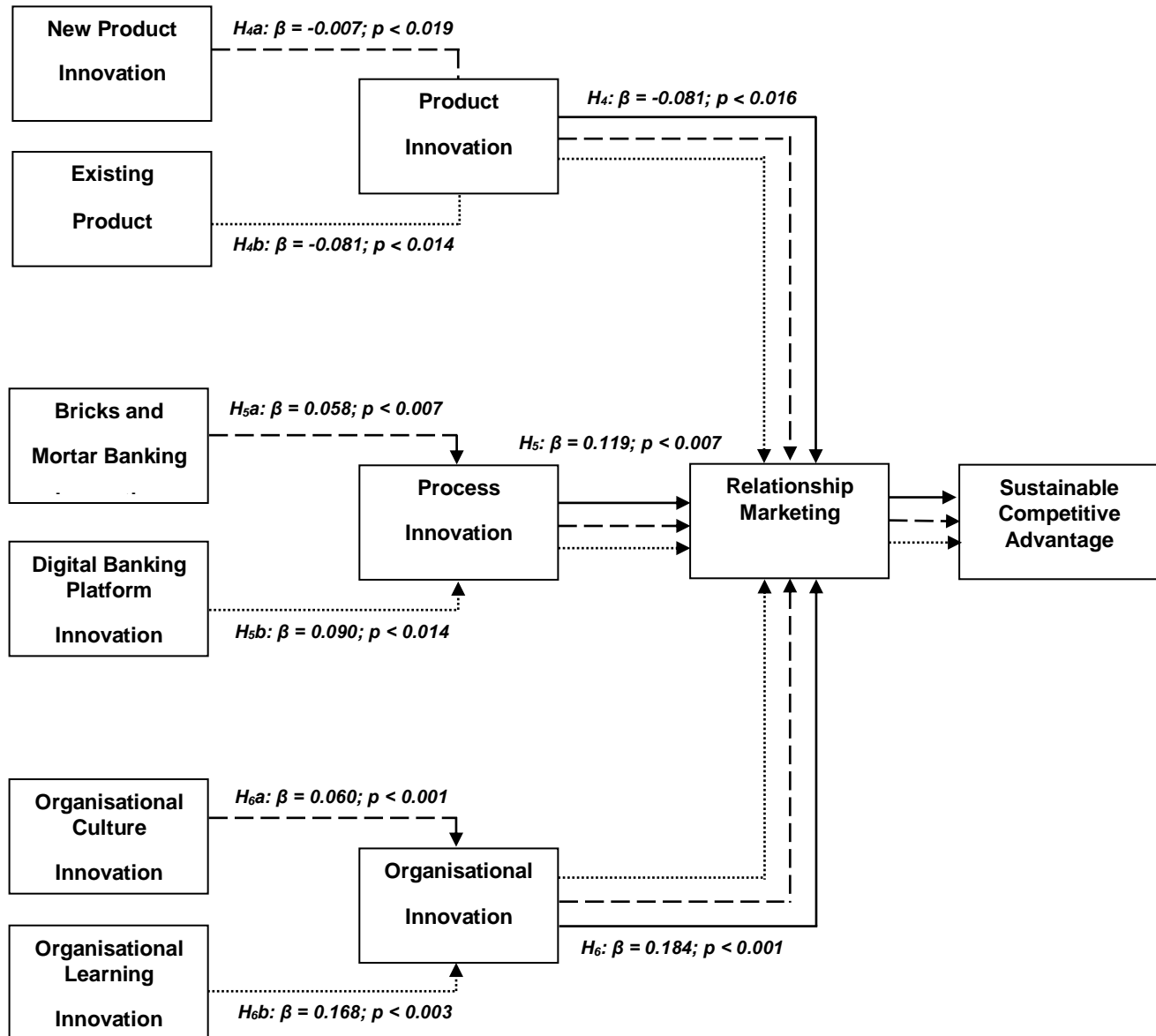


Figure 6.5 Path Relationships of Hypothesized PIRM Model - II



The literature witnesses new product innovation as discontinuous or radical modifications that represent real novelties and unique solutions, involving the development and application of new products, state of the art in technology and product categories (Božić, 2007). On the other hand, modified product innovation is found in the literature as continuous innovations which are new products with only slight or no technological modifications, which are minor improvements, imitations or supplements to a current product portfolio (De Brentani, 2001). The derived hypotheses based on qualitative findings and proxy literature, the main hypothesis and sub-hypotheses of product innovation found negative.

H₁: There is a positive relationship between product innovation and relationship marketing.

H_{1a}: There is a positive relationship between new product innovation and relationship marketing.

H_{1b}: There is a positive relationship between modified product innovation and relationship marketing.

Process innovation, as per the qualitative research findings, emerges in terms of bricks and mortar banking innovation and digital marketing platform innovation. Though a lack of empirical evidence on the importance of having physical branches, practitioners accept the validity of innovating branch banking in the digital age (The financial brand, 2018). Therefore, consumers still want to interact with the branches, because of 'human factor' (The financial brand, 2018). According to a recent Accenture financial research report, 24 percent of consumers agree that they would consider a branchless bank, however, nearly 90 percent of customers believe that they will continue to use their branches, and an increasing number of consumers believe that the branch is the single most important channel. The key to success will be to create a new mission for branches - moving away from simply serving customers to adding tangible value for customers by educating them through digital tools, assisting them through problem solving and enabling them to make their own financial decisions with thoughtful and well-timed advice (The financial brand, 2018). The derived hypotheses based on qualitative findings and proxy literature, the main hypothesis and sub-hypotheses of process innovation found positive.

H₂: There is a positive relationship between process innovation and relationship marketing.

H_{2a}: There is a positive relationship between bricks and mortar banking innovation and relationship marketing.

H_{2b}: There is positive relationship between digital banking platforms innovation and relationship marketing.

Furthermore, the qualitative research findings have emerged with two antecedents of organizational innovation: organizational culture innovation and organizational learning innovation. Two emerged antecedents of organizational innovation are consistent with the existing literature where organizational culture innovation appears as an innovation-oriented culture (Szczepańska-Woszczyna, 2014), innovation culture

(Maher, 2014), organizational culture for innovation (Claver et al., 1998), innovation-supporting organizational culture (Chandler, Keller and Lyon, 2000; Gadomska-Lila, 2010) and innovative culture (Škerlavaj et al., 2010). In return, organizational learning innovation is also visible in the literature as organizational learning culture (Škerlavaj et al., 2010) and organizational learning capability (Alegre et al., 2012; Peris-Ortiz, Devece-Carañana and Navarro-Garcia, 2018). The derived hypotheses based on qualitative findings and proxy literature, the main hypothesis and sub-hypotheses of organizational innovation found positive.

H₃: There is a positive relationship between organizational innovation and relationship marketing.

H_{3a}: There is a positive relationship between organizational culture innovation and relationship marketing.

H_{3b}: There is a positive relationship between organizational learning innovation and relationship marketing.

From the perspective of relationship marketing, several researchers have studied relationship marketing from the context of customer retention which is well represented in the existing literature as; Clark (1997); Farquhar (2004); Liu and Wu (2007) and Nezhad, Jomehri and Javanshir (2011), thus, research findings and assumptions of relationship marketing are consistent with the literature. Furthermore, the relationship between innovation and SCA is well researched in the literature such as Ireland and Webb (2007); Kuncoro and Suriani (2017) and Weerawardena and Mavondo (2011). The relationship between customer retention and SCA has also well addressed by the researchers such as Hennig-Thurau and Hansen (2000); Kumar et al. (2011) and Singh (2006). However, previous researchers have emphasised the significance of innovation and relationship marketing individually, the combined approach in which directs to achieve sustainable competitive advantage is not available in the literature. Thus, this research has fulfilled the gap which is mediating role of relationship marketing between innovation and SCA.

The PIRM model meets all criterion of the measurement model and the structural model. In other words, internal consistency reliability, convergent validity and discriminant validity satisfy the measurement model criterion. The structural model confirms the predictive capabilities and relationship among latent variables (Hair et al.,

2017). VIF values of all predictor variables are less than 5, thus, PIRM model is free from collinearity issues. Path coefficients of the structural model show both weak and strong effects. A relatively weak effect was reported between new product innovation to product innovation (0.082). However, a strong effect shows between modified product innovation and product innovation (0.994). To investigate the reasons behind such a phenomenon are beyond this research, there can be potential reasons to be proposed: bankers may hesitate to introduce new products rather than updating their existing products. Moreover, bankers may not introduce new products because customers may not understand the new features attached to the products, loyalty on existing versions and cultural impacts. Nevertheless, bricks and mortar banking innovation (0.487) and digital banking platform innovation (0.756) show a strong effect on process innovation. Moreover, both organizational culture innovation (0.728) and organizational learning innovation (0.914) have a strong effect on organizational innovation.

When it comes to the total effect from product innovation to relationship marketing, it shows a negative effect (-0.161). However, process innovation (0.236) and organizational innovation (0.364) show a strong relationship with relationship marketing. The results of the total effect imply that bankers should more focus on process and organizational innovation in order to improve the notion of relationship marketing. However, the current research findings were not consistent with the findings of Nemati, Khan, and Iftikhar (2010) who prove that there is a positive relationship between product innovation and customer satisfaction. However, Achimba *et al.* (2014) claim that there is a positive relationship between process innovation and relationship in the banking sector as it was consistent with current research findings. Moreover, Dekoulou and Trivellas (2017) confirm that there is a positive interaction between organizational innovation and relationship marketing which was also consistent with the current research findings. Except the mediating effect of relationship marketing between product innovation and SCA, other two mediating effect of process innovation and organizational innovation found positive.

H4: There is a mediating effect on relationship marketing from product innovation and sustainable competitive advantage.

H_{4a}: There is a mediating effect on relationship marketing from new product innovation and sustainable competitive advantage.

H_{4b}: There is a mediating effect on relationship marketing from modified product innovation and sustainable competitive advantage.

H₅: There is a mediating effect on relationship marketing from process innovation and sustainable competitive advantage.

H_{5a}: There is a mediating effect on relationship marketing from bricks and mortar banking and sustainable competitive advantage.

H_{5b}: There is a mediating effect on relationship marketing from digital banking platforms innovation and sustainable competitive advantage.

H₆: Relationship marketing mediates between organizational innovation and sustainable competitive advantage.

H_{6a}: There is a mediating effect on relationship marketing from organizational culture innovation and sustainable competitive advantage.

H_{6b}: There is a mediating effect on relationship marketing from organizational learning innovation and sustainable competitive advantage.

Hence, it can be concluded that the aim of this research has been met during the course of the research study. Specifically, the PIRM model was built on four banking cases based on the Sri Lankan retail banking sector and subsequently tested quantitatively with a sample of 216 bankers in Sri Lanka.

6.3 The Fulfilment of the Research Objectives

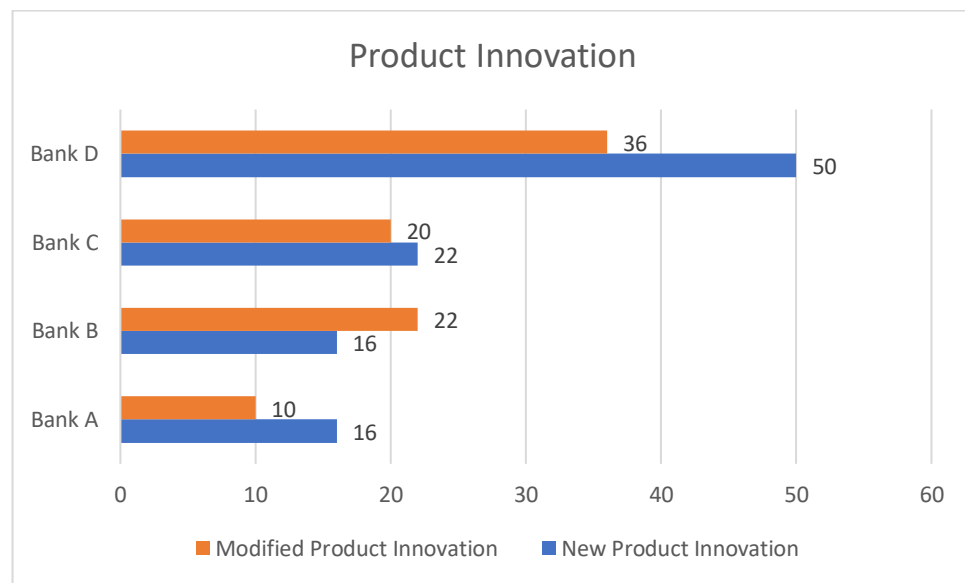
The research aim was reflected in a set of objectives which also fulfilled the course of the study. Five central research objectives were derived as follows;

Research Objective 1: To identify the bankers' perceptions of the relationship between product innovation and relationship marketing particular to the Sri Lankan retail banking sector

As indicated in the first research objective, the research has been directed to reveal the bankers' perceptions of the relationship between product innovation and relationship marketing. Sondhi, Sharma and Kalla (2017) recognise the need for innovation in the modern-day industry where many players provide more or less similar

products. Therefore, many bankers may engage with designing and implementing relationship marketing approach together with innovation (Sondhi *et al.*, 2017). As mentioned earlier, the secondary coding process identified two types of antecedents for product innovation, namely new product innovation and modified product innovation. Figure 6.6 shows the findings of product innovation in terms of coding references and the comparison among retail banks. The figure clearly shows that Bank D surpasses all other banks in product innovation.

Figure 6.6 Product Innovation - Comparison Among Banks



(Source: Interview Data)

Findings from the Bank A revealed that new product innovation was recognised in different terms such as 'a set of new products, state-of-the-art products, newly developed products, introduced first time and new financial products' (Table 4.4). In return, modified product innovation was termed by Bank A as 'modified products, customised products, improved products and modification of previous version' (Table 4.4). Findings from the Bank B show that new product innovation was accepted as 'launch new products, latest offerings and state-of-the-art products (Table 4.7). On the other hand, modified product innovation was regarded as 'reshape offerings, revised products and altered offerings (Table 4.7).

Findings from bank C, new product innovation was articulated by 'state-of-the-art financial products, newly launch products and latest to the market (Table 4.10). On the other hand, modified product innovation was found as 'improved products, customised

product and revised products' (Table 4.10). Findings from the bank D, new product innovation was emerged as 'newly introduced, state-of-the-art financial products, innovative augmented products, new to the market and new financial products' (Table 4.13). Additionally, modified product innovation was expressed as product modification, customised products, modifying existing products and improved products (Table 4.13). Hence, the qualitative research phase initially supported product innovation as a direct driver for improving the capabilities of relationship marketing, regardless of introducing new or modified products. However, the priority of product innovation was slightly different with each bank (Figure 4.10). Bank D was found to be the innovative bank for product innovation that surpassed other competitors of banks A, B and C (Figure 4.10). Bank A, not surprisingly, was the least innovative among the other competitors as it is one of the government's own banks (Figure 4.10).

From a competitive perspective, product innovation can be seen as a tool for achieving competitive advantage (Angelmar, 1990). Initially, the competitive advantage created by a product innovation manifests itself in the speed and magnitude of market acceptance. In the longer term, the sustainability of the competitive advantage is reflected by the market share which the innovative product is able to maintain against follower products launched by competitors (Angelmar, 1990). It is well known that new product introduction involves a significant risk of market failure (Angelmar, 1990). However, other authors emphasize the risks of innovation. Furthermore, Levitt (1965) argues that "the trouble with being a pioneer is that the pioneers get killed by the Indians". Systematic evidence on the influence of innovation on the new product success rate comes from studies on new product success/failure, where many product and other characteristics were measured (Angelmar, 1990).

Nevertheless, the quantitative research phase does not support the argument that product innovation was as one of the direct contributors to improving the notion of relationship marketing. Both new product innovation and modified product innovation happened to accept the null hypotheses, however, research finds that there is a negative relationship between product innovation and relationship marketing in the Sri Lankan retail banking sector. This is mainly because of companies perceive that customers may show a lack of response to new products (Szczepańska-Woszczyńska, 2014). However, in order to capitalise the advantages of product innovation to

relationship marketing, the bankers may introduce new products, taking advantage of being the first to introduce the financial products, and convince customers of the robustness of their financial products. On the other hand, the bankers may promote different features of newly introduced existing products, and customisation based on market demand.

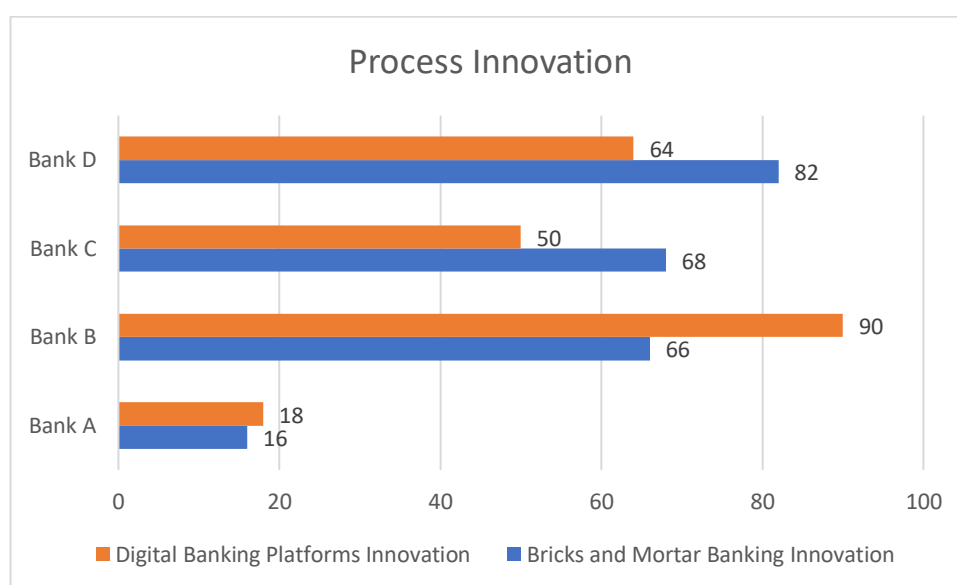
From the hypothesis table 5.43, it is clear that product innovation had a negative effect in relationship marketing ($\beta = -0.161$; $t = 2.744$; $p < 0.007$), as a result, the H_1 that posits there is a positive relationship between product innovation and relationship marketing was rejected. Referring the same table 5.43, it shows that there was a negative relationship between new product innovation and relationship marketing ($\beta = -0.013$; $t = 2.679$; $p < 0.017$), which means H_{1a} : that confirms there was a positive relationship between new product innovation and relationship marketing was also rejected. Moreover, Table 5.43 illustrates that modified product innovation has a negative effect in relationship marketing ($\beta = -0.150$; $t = 2.707$; $p < 0.006$), which result to reject the alternative hypothesis (H_{1b} : there is a positive relationship between modified product innovation and relationship marketing). However, some other research has shown positive relationship between product innovation and relationship marketing.

Research Objective 2: To identify the bankers' perceptions of the relationship between process innovation and relationship marketing that is particular to the Sri Lankan retail banking sector

As the second research objective, process innovation was expected to link with relationship marketing. As a result of analysing the qualitative data, two antecedents of process innovation have emerged: bricks and mortar banking innovation and digital banking platform innovation. Garg, Rahman and Qureshi (2014) who measure the customer experience recommend that both online and offline services are important to integrate when bankers expect to investigate customer experience. Moreover, Garg *et al.* (2014) confirm that both online and offline banking activities (servicescape), which relate to the physical environment of services, while digital banking experience should involve direct customer interaction through the online interface. Qualitative findings from the Bank A reveal that bankers term bricks and mortar banking innovation differently such as 'branch banking innovation, innovating facilities of bricks

and mortar banking and expanding traditional banking’ (Table 4.4). In return, digital banking platform innovation was termed by Bank A as ‘front office and back office innovation, innovate front office and back office operations, innovative online banking facility, Internet banking and innovative digital banking platforms’ (Table 4.4). Findings from Bank B accept that bricks and mortar innovation as ‘innovation in physical presence, front and back office process improvement and bricks and mortar banking (Table 4.7). On the other hand, bankers from bank B perceive the terms of digital banking platforms innovation as ‘innovative e-banking, online banking and Internet banking’ (Table 4.7). Figure 6.7 shows the findings of process innovation in terms of coding references and the comparison among retail banks. The figure shows that Bank D surpasses all other banks in bricks and mortar banking innovation whilst Bank B leads the digital banking platform innovation.

Figure 6.7 Process Innovation - Comparison Among Banks



Findings from bank C, bricks and mortar banking innovation was articulated by ‘front office and back office process improvement, brick and mortar banking and conventional banking’ (Table 4.10). On the other hand, digital banking platforms innovation was found as ‘innovative digital banking facilities, e-banking and digital banking’ (Table 4.10). Finally, findings from bank D, bricks and mortar innovation was emerged as ‘conventional banking, bricks and mortar banking and upgrade offline banking’ (Table 4.13). Additionally, digital banking platforms innovation was expressed as ‘e-banking, innovative online banking and 24/7 banking platforms (Table 4.13).

Mbama and Ezepue (2018) comment that digital banking has become the mainstream business strategy where innovation plays a key role in creating customer relationships. In line with Mbama and Ezepue (2018) research, Baba (2012) claims that technology-based innovation has created an environment where service providers may have a better chance to build relationships with customers.

All four qualitative case studies strongly supported the fact that process innovation is a direct driver for improving the notion of relationship marketing. However, the qualitative data showed proportionately different applications of process innovation in each bank (Figure 4.10). As the usual leader, bank D took the leading position regarding bricks and mortar banking innovation, while bank A showed the least application of process innovation to relationship marketing (Figure 4.10). However, surprisingly, bank B dominated the digital banking platform innovation by surpassing even bank D (Figure 4.10). Moreover, bank A showed again less interest in applying digital banking platform innovation to relationship marketing (Figure 4.10). Hence, the qualitative research phase initially supported process innovation as a direct driver for improving the capabilities of relationship marketing. However, the priority of process innovation was slightly different with each bank. Nedumaran and Baladevi (2018) claim that digital banking and branch-based banking have their own pros and cons, therefore, it would be advisable to provide both services for enhancing customer relationship at the highest level. Because customers may find more convenient in online banking while visiting a branch for a more personal touch (Nedumaran and Baladevi, 2018).

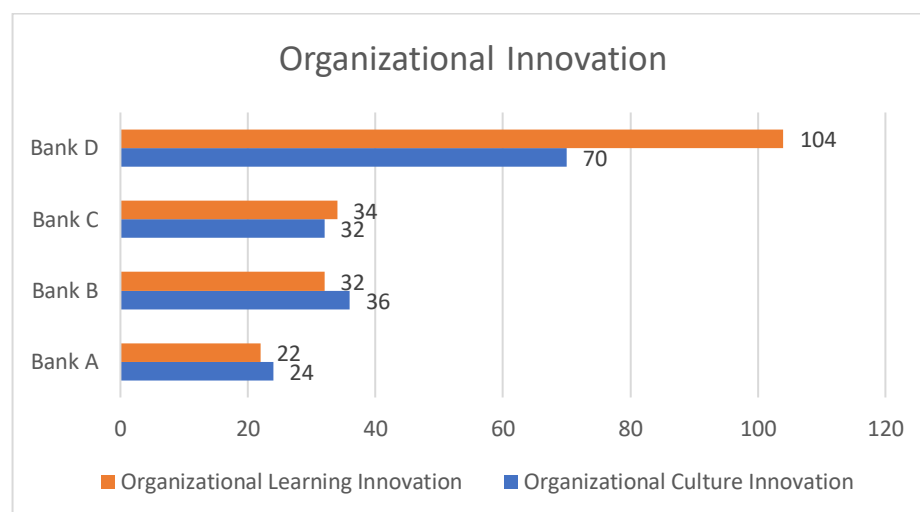
The qualitative findings were further attested by the quantitative research phase since process innovation found as one of the direct contributors to improving the notion of relationship marketing. Both bricks and mortar banking innovation and digital banking platform innovation happened to accept the alternative hypotheses by confirming that there was a positive relationship between process innovation and relationship marketing. From the hypothesis table 5.43, it is clear that process innovation had a positive effect in relationship marketing ($\beta = 0.235$; $t = 3.152$; $p < 0.002$), as a result, the H_2 that posits there is a positive relationship between process innovation and relationship marketing was accepted. Referring the same table 5.43, it shows that there is a positive relationship between bricks and mortar banking innovation and

relationship marketing ($\beta = 0.116$; $t = 2.905$; $p < 0.004$), which means H_{2a} : that confirms there is a positive relationship between bricks and mortar banking innovation and relationship marketing was accepted. Moreover, Table 5.43 illustrates that digital banking platform innovation had a positive effect in relationship marketing ($\beta = 0.177$; $t = 2.959$; $p < 0.003$), which result to accept the alternative hypothesis H_{2b} : there is a positive relationship between digital banking platform innovation and relationship marketing. Manrai and Manrai (2007) claim that innovation may represent in terms of customer-preferred dimensions such as branch environmental-related considerations (improved bricks and mortar banking) and convenience-related considerations (flexible opening hours and ATM facilities). Wilson and Daniel (2007) comment that “managers need to develop innovative channels that change the way the company operates and how it interacts with its customers, while on the other, they need to keep the organization operating as a single, coherent entity so as to create innovative channel combinations and deliver consistent service” (p. 13). Hence, two streams of bricks and mortar banking innovation and digital banking platform innovation are closely coupled with process innovation in many banks (Garg *et al.*, 2014). Mbama and Ezepue (2018) confirm that there is a positive relationship between digital banking innovation and customer experience whereby the current research findings were also attested. Hence, it can be concluded that process innovation would positively support relationship marketing in the Sri Lankan retail banking sector. However, the bankers must look for a further improvement of bricks and mortar banking innovation by empowering frontline employees to solve customers’ problems, tightly scrutinising the functional areas for better process innovation and adopting innovative designs in arranging the branches. On the other hand, digital banking platform innovation can be achieved by improving digital banking capabilities against the competitors, adding new features to the digital banking platforms and systematically implement digital banking platforms complementary to bricks and mortar banking. Some researchers argue that e-banking services facilitate good customer services, which retain customers effectively (Martins *et al.*, 2014).

Research Objective 3: To identify the relationship between organizational innovation and relationship marketing that is particular to the Sri Lankan retail banking sector

The third research objective was aimed to find the relationship between organizational innovation and relationship marketing. Through the rigorous qualitative data analysis phase, organizational culture innovation and organizational learning innovation emerged as antecedents to organizational innovation. The coding references again underpinned the fact that organizational innovation fosters relationship marketing. Bank A believes team spirit as the key to achieving organizational innovation. In addition, management support and innovative culture will support relationship marketing to be fruitful. From the perspective of organizational learning innovation, bank A thinks that individual skills, staff experience and sharing knowledge will be the key in deriving organizational innovation. Figure 6.8 shows the findings of organizational innovation in terms of coding references and the comparison among retail banks. The figure shows that Bank D surpasses all other banks in organizational culture innovation and organizational learning innovation.

Figure 6.8 Organizational Innovation - Comparison Among Banks



In bank B, committed staff, top management commitment and innovative team performance were revealed as important elements of organizational cultural innovation. In terms of organizational learning innovation, creative thinking, learning by doing and staff skills were posited. The input gains from organizational innovation, according to bank B, can support its relationship marketing efforts so that the bank maintains long-term relationships with customers. Bank C initiated organizational innovation activities, especially organizational culture innovation, by engaging strategic leadership, trusting in employees and recognising employees. Regarding

organizational learning innovation, bank C looked at organizational learning, management competency and knowledge-sharing among bankers. Through organizational learning innovation, the bank encourages its employees to enhance knowledge not only in their specialised areas but also in other general functions within the bank. According to the innovation strategy, the bank directs its efforts to building and stabilising relationships with its valued customers.

Bank D also engaged organizational innovation activities through which they can successfully satisfy customer requirements. Regarding organizational culture innovation, bank D shares innovative ideas, reinforces the teams, and promotes an innovative culture within the organization. In another look, bank D considers organizational learning innovation in terms of sharing knowledge, training and development and learning within the team. As a conclusion, investigated banks perceive different blends of application of organizational innovation into relationship marketing, bank D showed a clear difference to other competitors in both organizational culture innovation and organization learning innovation. Again, bank A indicated the least interest in either organizational culture innovation or organizational learning innovation in relationship marketing.

Scholars identify the existence of the organizational culture innovation as an innovation-supportive culture (Khazanchi, Lewis and Boyer, 2007), innovation culture (Dobni 2008; Sharifirad and Ataei, 2012) culture for innovation (Frohman, 1998) and innovation-oriented culture (De Tienne and Mallette, 2012). The emerged antecedents of organizational innovation themes are compatible with the findings of García-Morales, Matías-Reche and Hurtado-Torres (2008) who investigate the impact of leadership on organizational innovation capabilities. García-Morales *et al.*, (2008) further study the organizational learning which enhances organizational innovation capabilities. Szczepańska-Woszczyna (2014) comments that innovative culture encourages every employee to “seek and discover unconventional, non-standard ways of achieving objectives and performing tasks” (p. 223). Moreover, innovative culture provides flexibility, non-stereotypical solutions and withstanding violate conditions (Szczepańska-Woszczyna, 2014).

Interestingly, again quantitative findings proved a clear connection between organizational innovation and relationship marketing. More specifically, both alternative hypotheses for organizational culture innovation and organizational learning innovation exhibited a positive relationship between relationship marketing. In line with the organizational culture innovation outcomes, the bankers provide creative solutions for solving issues, management looking to encourage employee participation for innovation, and respecting honest contributions from employees. In parallel with organizational learning innovation, banks may consider learning as the key to further improvements, sharing knowledge among bankers and understanding the value of training and development for innovation capabilities.

From the hypothesis table 5.43, it is clear that organizational innovation had a positive effect on relationship marketing ($\beta = 0.363$; $t = 4.273$; $p < 0.000$), as a result, the H_3 that posits there is a positive relationship between organizational innovation and relationship marketing was accepted. Referring the same table 5.43, it shows that there is a positive relationship between organizational culture innovation and relationship marketing ($\beta = 0.118$; $t = 2.054$; $p < 0.040$), which means H_{3a} : that confirms there is a positive relationship between organizational culture innovation and relationship marketing was accepted. Moreover, Table 5.43 also illustrates that organizational learning innovation had a positive effect in relationship marketing ($\beta = 0.334$; $t = 3.884$; $p < 0.000$), which result to accept the alternative hypothesis H_{3b} : there is a positive relationship between organizational learning innovation and relationship marketing. Thus, it can be finally summarised that organizational innovation is directly linked to shaping relationship marketing in the Sri Lankan retail banking sector.

The current research findings which confirm the relationship between organizational innovation and relationship marketing not clearly evident in the literature. Findings of this research reveal the properties of organizational culture innovation which are well presented by Szczepańska-Woszczyna (2014) who formulates similar conclusions in the areas of stimulating innovation and triggering innovation of employees, motivating employees to be creative, proper organization of work and working conditions aimed to stimulate employees' creativity, support for new concepts and ideas, a possibility to express their opinion freely by employees and cooperation of employees from different organizational units. Therefore, organizational culture innovation can be interpreted in

terms of: “creating a climate that would be favourable to organizational changes, developing knowledge and skills and sharing knowledge, tolerance for risk, uncertainty and novelty, implementing democratic principles of decision-making and conflict solving, supporting group activities, building an atmosphere of recognition and respect for innovators, supporting creative thinking and problem solving” (Gadomska-Lila, 2010, p. 14).

In order to flourish the innovation in the organizations, they should “create an environment giving a sense of security, lack of fear, both criticism and “theft” of the idea by co-workers, and a transparent incentive system taking into account the initiative of employees and rewarding for their active participation in the innovation process, while allowing and accepting impractical solutions, mistakes and risk associated with them” (Szczepańska-Woszczyna, 2014). Szczepańska-Woszczyna (2014) claims that organizational culture embeds the values and attitudes of members of the organization where they behave and solve the issues of the organization.

In line with previous scholarly work linking the findings of this research were consistent with recommendations of Claver *et al.* (1998) who prescribe the requirements which should satisfy in order to create an effective innovative culture: “the ability of managers to take risks, encouraging creativity, participation of all employees in building innovation-oriented culture, responsibility of both managers and employees for their actions, allowing employees to develop their interests and use their unique talents, developing the company’s mission, which the employees will identify with; providing employees with a sense that their work is meaningful and has a positive impact on the achievement of objectives” (p. 60). Moreover, employees’ experience, knowledge and qualifications may inform the organizational culture to flourish (Szczepańska-Woszczyna, 2014).

Dobni (2008) and Kraśnicka, Głód and Wronka-Pośpiech (2018) confirm that organizational orientation into innovative activities in terms of innovation propensity in which found in this research as top management commitment. Moreover, emerged theme ‘empowering employees’ was found in terms of the organizational constituency which is related to the degree to which employees are engaged in the innovation process (Dobni 2008; Kraśnicka, Głód and Wronka-Pośpiech, 2018). Romero and

Martinez-Román (2012) reveal that capable employees are preconditions for improving the innovative culture in the organization. Furthermore, top management support and higher motivation of employee direct to intensify the innovation (Romero and Martinez- Román, 2012). Urbancova (2013) confirms that not only research and development activities improve the ability of innovation, but also managers allow employees to be creative while respecting their ideas to implement. In other words, creating an innovative culture will provide the necessary motivation for innovation which confirms from the current study and Urbancova (2013). The current research findings were also consistent with Panayides (2007) who confirms that there is a positive relationship between organizational learning innovation and relationship orientation.

Research Objective 4: To assess the link between PIRM and sustainable competitive advantage that is particular to the Sri Lankan retail banking sector

The qualitative findings have shown favourable support for the argument that PIRM has an impact on SCA in the Sri Lankan retail banking sector. As in other results, each retail bank has focused differently when it comes to applying the PIRM concept to SCA. Bank D, closely followed by bank B, was the bank to apply PIRM to the SCA most prominently. However, banks A and C had similar approaches concerning the application of PIRM. Urbancova (2013) also reveals that regardless of the size of the organizations, any organization must consider innovation that drives to SCA.

Based on a cross sectional survey, Kisingu, Namusonge and Mwirigi (2016) confirm that product innovation, process innovation and organizational innovation have a direct relationship with SCA. Therefore, the current research finding was supported by the statement of Kisingu *et al.* (2016). The quantitative findings of this research showed a mixed result concerning relationship marketing not mediating between product innovation (new product innovation and modified product innovation) and SCA. However, relationship marketing was found to mediate between innovation (process and organizational innovation) and SCA. Summarising the majority findings, there was a clear indication that PIRM is linked directly with SCA.

Consistent with the current study, research conducted by Ussahawanitchakit (2012) reveals that both product innovation and process innovation contribute to improving

SCA. The research findings intensify the orientation of organizational innovation to boost SCA (Kisingu *et al.*, 2016). The current research findings are compatible with the research done by Urbancova (2013), who mentions that the innovative culture in organizations contributes to increasing their innovative potential that leads to SCA. Furthermore, existing findings of this research confirm top management support, creative teams, sharing innovative knowledge, staff experience and knowledge of employees are antecedents of organizational innovation (Urbancova, 2013).

From the hypothesis table 5.43, it is clear that relationship marketing negatively mediates between product innovation and SCA ($\beta = -0.081$; $t = 2.417$; $p < 0.016$), therefore, the alternative hypothesis H_4 : there is a mediating effect on relationship marketing from product innovation and SCA was rejected. Moreover, the alternative hypothesis H_{4a} : there is a mediating effect on relationship marketing from new product innovation and sustainable competitive advantage ($\beta = -0.007$; $t = 2.652$; $p < 0.019$) was also rejected. The alternative hypothesis which is H_{4b} : there is a mediating effect on relationship marketing from modified product innovation and sustainable competitive advantage ($\beta = -0.081$; $t = 2.454$; $p < 0.014$) also rejected. Though quantitative findings disapprove the relationship between product innovation and SCA, many scholars confirm their existence. Based on the cross-sectional evidence, Kuncoro and Suriani (2017) find that there is a positive relationship between product innovation and SCA. Furthermore, the “preparation of new products in the face of competition from rivals is one way to win competition through product innovation” (Kuncoro and Suriani, 2017, p. 1). Kuncoro and Suriani (2017) describe “sustainable competitive advantage is the value created by the company for its customers, continuously” (p. 1). Srivastava, Franklin and Martinette (2013) claim that SCA allows organizations to acquire key competencies that may not be imitated by competitors. As a result, the particular organization could serve customers better than their competitors (Srivastava *et al.*, 2013). They further mention that competencies can be built on relationship marketing and innovation (Srivastava *et al.*, 2013).

In the doctoral research, Agung (2015) finds that product innovation is utterly associated with SCA. Gandotra (2010) explains that competitive advantage increasingly depends on the pace and trajectory of talent development, rather than traditional factors; resource endowments or geographic location. Johannessen and

Olsen (2009) confirm that innovation is one of the key strategic elements in achieving SCA in the turbulent and volatile market economy. Kotler (2011, p. 135) claims that modern researchers and practitioners struggle with proposing ways to achieve SCA, "What factors lead companies to compete on the basis of sustainability? What changes in marketing practice does sustainability seem to require?". In answering the Kotler (2011) questions, PIRM will be a sustainable solution to achieve SCA in the dynamic environment. Hence, PIRM model will be acted as a source of SCA.

Findings of the current study do not conform with the Schreiber et al. (2016) who claim a positive relationship between product innovation and SCA. Moreover, Schreiber et al. (2016) find that the level of product innovation decides the existence of competitive advantage in an organization. The current finding did not support the study conducted by Urbancova (2013) in which proves the positive effect of product innovation into achieving SCA. Moreover, the current finding did not also support the study conducted by Kanagal (2015) on product innovation that can increase the value as a key component of the success to make a company has a competitive advantage through superior products and uniqueness offered. However, Cooper (1991) concludes that providing unique features or the first to be in the market do not lead to successful product innovation.

From the hypothesis table 5.43, it is clear that relationship marketing positively mediates between process innovation and SCA ($\beta = 0.119$; $t = 2.712$; $p < 0.007$), therefore, the alternative hypothesis H_5 : there is a mediating effect on relationship marketing from process innovation and SCA was accepted. Moreover, the alternative hypothesis H_{5a} : there is a mediating effect on relationship marketing from bricks and mortar banking innovation and SCA ($\beta = 0.058$; $t = 2.702$; $p < 0.007$) was also accepted. The alternative hypothesis which is H_{5b} : there is a mediating effect on relationship marketing from digital banking platform innovation and SCA ($\beta = 0.090$; $t = 2.498$; $p < 0.014$) also accepted. Namahoot and Laohavichien (2018) reveal that Internet banking provides end users with robust service together with personalised service. This will enable the banks to achieve the competitive advantage (Namahoot and Laohavichien, 2018). Moreover, the banks "they have to respond to customers' demand for convenience by making banking transactions possible through a one-stop service" (Namahoot and Laohavichien, 2018, p. 256).

Referring the same hypothesis table 5.43, it is clear that relationship marketing positively mediates between organizational innovation and SCA ($\beta = 0.184$; $t = 3.268$ $p < 0.001$), therefore, the alternative hypothesis H_6 : there is a mediating effect on relationship marketing from organizational and SCA was accepted. Moreover, the alternative hypothesis H_{6a} : there is a mediating effect on relationship marketing from organizational culture innovation and SCA ($\beta = 0.060$; $t = 2.928$; $p < 0.001$) was also accepted. The alternative hypothesis which is H_{6b} : there is a mediating effect on relationship marketing from organizational learning innovation and SCA ($\beta = 0.168$; $t = 2.992$; $p < 0.003$) also accepted. Furthermore, numerous studies support for hypothesizing a positive influence of organizational innovation on SCA including Mavondo, Chimhanzi and Stewart (2005), García-Morales *et al.* (2008) and Weerawardena (2003) who have found organizational innovation is key to achieving SCA. Commensurate with the current study, numerous studies confirm that innovative culture plays an important role in flourishing innovation in the organization (Gandotra 2010; Urbancova, 2013). Further, Ganter and Hacker (2013) validate that organizational innovation has a significant effect on SCA. The current study reconfirmed the emerged themes in organizational innovation, Steiber (2012) explores that organizational innovation comprises with the organizational method in working practices, organizing work environment and external relations which are new for the organization. It is obvious that there is a paucity of empirical research on the role of organizational innovation in SCA in the context of Sri Lankan retail banking sector. However, previous research has found that the organization innovation represents new organizational structures, new administrative systems and innovative cultures (Gebauer, Gustafsson and Witell, 2011). This research fulfilled the future research avenues prescribed by Kisingu *et al.* (2016), who recommend that organizational innovation should be looked through organizational culture and organizational learning that lead to achieving SCA.

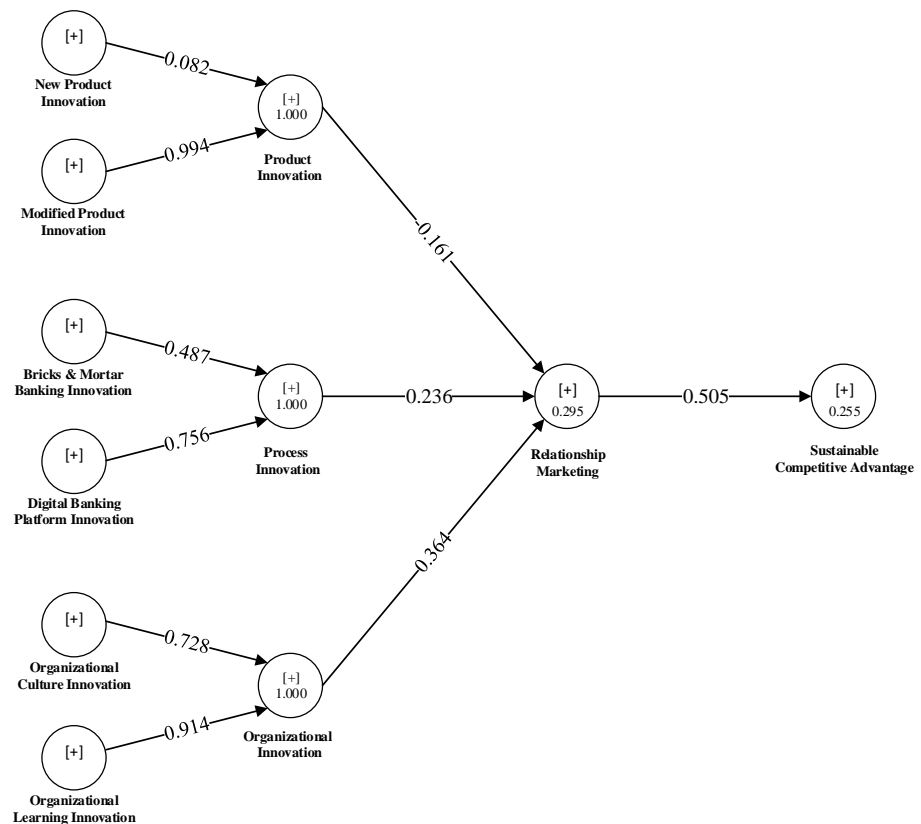
Xinchun and Wesley (2016) find that the effect of top management commitment and marketing department into the innovation process in the organization. In addition, Xinchun and Wesley (2016) “if a firm’s marketing department has a power within the firm, it can attract more resources to the innovation process and, as a boundary-spanning department, appropriately leverage the knowledge obtained from internal

and external sources” (p. 66). Moreover, internal communication among functional departments also intensifies the orientation of innovation (Xinchun and Wesley, 2016). Xinchun and Wesley (2016) also stress that organizational innovation provides a solid foundation for getting SCA in the marketplace. Litchfield *et al.* (2018) reveal that cross-team innovative behaviour as a source of organizational innovation activity which is consistent with current research findings. Ali Taha, Sirkova and Ferencova (2016) claim that “developing an organizational culture that stimulates and promotes creativity and innovation is imperative for organizations seeking a competitive advantage (p. 7). Moreover, Ali Taha *et al.* (2016) explain that employees are encouraged to produce new ideas and creative behaviour. Jaakkola and Hallin (2017) find that organizational structures have got a dramatic impact on new service development. The study empirically identifies new product should be based on four key organizational arrangements: customer relationships, temporary project teams, business development units and separate research and development units (Jaakkola and Hallin, 2017). Colby and Dobni (2015) explain that innovation can be hindered due to the internal organizational crisis and personal barriers. However, enthusiastic culture may flourish the “way employees think and act about innovation and doing things differently” (Colby and Dobni, 2015, p. 22). Alternatively, organizations can manage the way of think and act employees differently in the organization (Colby and Dobni, 2015). Hence, an organization can pursue the SCA through an innovation process which is consistent with the current research findings. Based on a cross sectional study, Anggia *et al.* (2017) indicate that relationship marketing is a form of achieving SCA. Anggia *et al.* (2017) recommend that relationship marketing should focus on “approaching and preparing new products that can meet the wants and needs of every customer and prospect” (pp. 79-80). Despite its significant theoretical support, Chatzoglou and Chatzoudes (2018) investigate the multi-dimensional nature of innovation which comprises with organizational culture and organizational capabilities positively influence on SCA. As per the future research agenda, Laforet (2011) proposes that there should be empirically validated research needed for addressing the relationship between organizational innovation and SCA which is addressed in this research.

Research Objective 5: To derive and test a new theoretical model for PIRM which is particular to the Sri Lankan retail banking sector.

As the final research objective, a theoretical model was derived and tested successfully based on the evidence of the Sri Lankan retail banking sector. The PIRM model focuses on how product innovation, process innovation and organizational innovation lead to improving the notion of relationship marketing. The study contributes to the existing body of relationship marketing literature by illustrating antecedents of innovation. From the banking perspective, the PIRM model can help bankers to retain customer relationships through different types of innovation. Droege, Hildebrand and Forcada (2009) recommend that future research may address the paucity of validated models and generally accepted ideas in terms of innovation in which fulfils by the PIRM model in this particular research. Figure 6.9 shows the PLS-SEM model for the PIRM model.

Figure 6.9 Structural Model Path Coefficient



As previously mentioned, the relationship between product innovation and relationship marketing shows a negative effect, CIC could be a feasible solution. Thus, CIC enables organizations to improve innovation capabilities while providing value for customers and organizations (Abramovici and Bancel-Charensol 2004; Auh *et al.*, 2007; Trischler *et al.*, 2018). On the other hand, Anning-Dorson (2019) argues that CIC improves innovation capabilities while effective usage of customer competencies. This will enhance the innovation capabilities that meet customer preferences better than competitors (Anning-Dorson, 2019). Anning-Dorson (2019) finds that there is a positive relationship between CIC and competitiveness in collectivist cultures while innovation and CIC also proves a positive relationship. The level of CIC can be customer participation in service delivery, co-design and co-production (Anning-Dorson, 2019). However, the most suitable methods for a country like Sri Lanka may be co-design and co-production in which improves the success rate of disruption in the industry.

Modern day banking is much relying on digital channels in which bankers and customers expect to achieve a win-win situation (Onay and Ozsoz, 2012). Heinonen (2014) claims that banking function is dichotomous between the personal and impersonal relationship with the advent of digital banking. Though Sri Lankan Internet penetration is slow moving, there is a tendency among customers to use internet banking and mobile banking. Even though, installation cost is high, digital channels reduce the operations bottlenecks and promote long term financial benefits (Akhisar *et al.*, 2015). Moreover, digital banking technologies are complementary to traditional banking where customers used to stay queues for doing the same transactions (Akhisar *et al.*, 2015; Karthikeyan, 2016; Onay and Ozsoz, 2012; Song *et al.*, 2019).

Mustafa and Waheed (2016) reveal that low-income, less educated and salaried individuals are the biggest users of digital banking facilities. Therefore, mobile banking is important for tapping unbanked and under banking segment of the society (Mustafa and Waheed, 2016). ATM penetration has widely accepted in developing countries (Szopiński, 2016) like Sri Lanka in which has low Internet access and mobile banking facilities. Yu (2012) studies the factors affecting the adopting mobile banking facilities where perceived credibility, performance expectancy, perceived financial cost and social influence. Moreover, Domeher *et al.* (2014) report that bankers must consider

perceived usefulness, perceived risk and level of education when they draft online banking strategies.

6.4 The Fulfilment of the Research Gaps

The research fills gaps in the current literature and knowledge regarding the relationship between innovation and relationship marketing. Initially, three distinct research gaps were identified and have been addressed successfully through qualitative and quantitative study.

Explore the gap between innovation and relationship marketing

This research builds a theoretical model that shows the relationship between relationship marketing and innovation capabilities. There is currently limited research available reflecting on how innovation connects with relationship marketing (Panditharathna and Bamber, 2017). Hence, this study could be one of the first studies conducted to investigate the phenomenon of PIRM in the Sri Lankan retail banking sector (Panditharathna and Bamber, 2017). Considering the dynamic nature of the banking sector, it has been proved that one innovation capability does not fulfil the required outcome, whereas a combination of innovation capabilities does (Panditharathna and Bamber, 2017). Thus, the model explains how product innovation, process innovation and organizational innovation relate to relationship marketing. It can be concluded that this research has closed the gap concerning the relationship between innovation and relationship marketing, which had not been addressed previously in the literature.

Explore the gap between PIRM and sustainable competitive advantage

Innovation, among a number of other corporate development factors, has become a fundamental determinant of a company's competitiveness (Koziol *et al.*, 2014). In principle, innovation is any positive change which occurs in an organization's various areas of activity and which alters the existing conditions (Koziol *et al.*, 2014). The PIRM concept is considered an unconventional way of achieving SCA. In order to capitalise on the PIRM concept for the betterment of the banking sector, bankers must focus on crafting strategies based on customers' needs, target customers when they have a chance for competitive advantage and raise awareness, throughout their organization,

the actions of their competitors in order to diagnose their own competitive actions. Additionally, the bankers should capture the areas where competitors have succeeded.

Explore the effect of PIRM on the Sri Lankan banking sector

From the banking industry's point of view, banks will be able to use this knowledge and understanding to shape their marketing strategies: the role of innovation can act as an enabler for enhancing customer relations (Panditharathna and Bamber, 2016) in the Sri Lankan retail banking sector. In order to implement the PIRM concept, the bankers should focus on setting business objectives driven by customer relations, try to maintain long-term relationships with customers and understand that customer retention is more important than customer acquisition. Moreover, bankers need to regularly deal with customers to determine their future needs. Additionally, they should develop cooperative relationships with their customers while investigating ways of familiarising customers with products that can satisfy their needs.

CHAPTER VII

7. CONCLUSION

7.1 Thesis Summary

Prior research has investigated the impact of relationship marketing on innovation, though the inverse relationship is rarely discussed (Panditharathna and Bamber, 2017). Thus, this study has sought to shed light on an understanding of the effect of PIRM in the Sri Lankan retailing banking sector (Panditharathna and Bamber, 2017). Additionally, the mediating role of relationship marketing between innovation and SCA was also investigated. A detailed literature survey was conducted to find any evidence for proving the relationship between innovation and relationship marketing. Since the lack of studies is evident in the literature, the current study was designed.

The methodology used in this research was both qualitative and quantitative data collection and data analysis. Initially, a qualitative questionnaire was designed based on the gaps in the literature. 16 bankers were extensively interviewed, data transcribed and analysed with NVivo 11. Following the qualitative study, a quantitative study was designed with existing research scales and administered with four different banks in Sri Lanka. 216 completed questionnaires received through emails were analysed with SmartPLS 3.2.7 structural equation modelling.

Results from the qualitative study show that bankers rely on three main dimensions of innovation (product, process and organizational) to support the improvement of their relationship marketing approach that leads to building the PIRM concept (Panditharathna and Bamber, 2017). The themes, patterns and categories which emerged from the multiple case studies have been integrated into a model called PIRM (Panditharathna and Bamber, 2017). The model synthesises the relationship between innovation and relationship marketing. Moreover, the relationship between PIRM and SCA presented favourable results. Furthermore, the model may provide insights for bankers to rethink their practices concerning relationship marketing (Panditharathna and Bamber, 2017).

The results from the quantitative study showed mixed results when it comes to the causal relationship between innovation and relationship marketing. The relationship

between product innovation and relationship marketing was found to be negative. However, a positive relationship was found between both process innovation and organizational innovation with relationship marketing, in particular in the Sri Lankan retail banking sector.

Findings may be generalised if the research is extended to other banking functions, such as corporate banking, investment banking and micro-financing (Panditharathna and Bamber, 2017). So far, discussion of the PIRM concept has been limited to the bankers' and the banks' perspectives. Future research should consider the customers' perspectives as well (Panditharathna and Bamber, 2017). Banks may use the PIRM model to enable better customer retention: as a new sustainable way of promoting competitive advantage (Panditharathna and Bamber, 2017). Banks have reacted to challenges posed by new operating environments by creating fresh products and services and expanding the already existing ones, which has allowed them to diversify the product mix of their portfolios (Sarkar, 2016).

The innovation connected with relationship marketing leads to a new marketing phenomenon that builds a more comprehensive body of marketing knowledge (Panditharathna and Bamber, 2017). This research study provides empirical support for the argument that innovation is a direct driver for relationship marketing (Panditharathna and Bamber, 2017). This research fills a gap in the current literature and knowledge; thus banks will be able to use this knowledge and understanding to shape their marketing strategies: the role of innovation can act as an enabler for enhancing the customer relationships (Panditharathna and Bamber, 2016) in the Sri Lankan banking sector.

7.2 Contributions to Knowledge

The current study may contribute to knowledge in three ways, in terms of theoretical, empirical and managerial perspectives, respectively. In this section, the identified research gaps and future implications of the PIRM concept are mainly highlighted.

7.2.1 Theoretical Contributions

This research mainly fosters the knowledge of relationship marketing through integrating the concept of innovation. Consequently, this study will address the

intervention of innovation into relationship marketing in a broader sense. In other words, this research focuses to build a comprehensive theoretical model on behalf of relationship marketing, based on the innovation capabilities. Thus, the theoretical contribution can be summarised as follows:

- *Contribute to building a new approach to relationship marketing from PIRM*

This research has taken an innovative approach to view relationship marketing from the perspective of innovation capabilities such as product innovation, process innovation and organizational innovation. Therefore, this research findings contribute to the knowledge by deriving and testing a research model. As many scholars claim that relationship marketing is spending its mature level of the life cycle, however, this research enlightens to review relationship marketing in a fresh view.

- *Widen the existing literature by contributing the relationship between IRM and SCA*

No research ever conducted to reveal the relationship between IRM and SCA in which fulfilled from this research. Quantitative findings of this research claim that the mediating role of relationship marketing and product innovation is negative as many bankers are not ready to take the risk of failure. However, the mediating role of relationship marketing between process innovation and organizational innovation are significant. In this vein, bankers can utilize process innovation and organizational innovation together with relationship marketing in order to achieve SCA in the retail banking sector.

- *Widen the existing literature which enhances the current knowledge of innovation and relationship marketing*

As current literature does not provide any evidence regarding the relationship between innovation and relationship marketing, this research widens the existing knowledge by fulfilling the gaps in the literature. Moreover, innovation has been analysed multi-dimensionally as a result of qualitative research

findings. On the other hand, quantitative research has tested the PIRM model comprehensively.

- *Develop a theoretical model which is empirically validated by qualitative and quantitative methods based on PIRM.*

In the qualitative research phase, theory building multiple case study supports to reveal the main constructs of the PIRM model in which tests with PLS-SEM in the quantitative study.

- *Introduce a validated scale to measure PIRM*

Even though qualitative research aids to find out the constructs of the PIRM model, the quantitative study enables to validate a scale in which has tested empirically in the Sri Lankan retail banking sector. Therefore, the PIRM scale can be used for future research in different contexts and different countries to check the validity and authenticity.

7.2.2 Empirical Contributions

The current study is the first to emphasize the intervention of innovation in relationship marketing. Therefore, empirical evidence of this research informs academics and practice alike. From the academic point of view, this research study provides empirical support for the argument that innovation is a direct driver for relationship marketing. The qualitative empirical findings contribute to the literature by introducing six sub-themes for innovation such as new product innovation, modified product innovation, bricks and mortar banking innovation, digital banking platform innovation, organizational culture innovation and organizational learning innovation. Subsequently, those sub-themes were transformed into a quantitative study by adopting as sub-scales.

From the practice point of view, the PIRM model has never applied for service industries such as the banking sector before. Therefore, the findings empirically link to show the relationship between PIRM and SCA within the Sri Lankan retail banking sector. Moreover, managers of retail banks can shape their strategies based on the PIRM model. Some scholars confirm that there is a positive effect of innovation on a

firm's performance (Cho and Pucik, 2005; Salomo, Talke and Strecker, 2008). Moreover, Günday *et al.* (2011) empirically prove that innovation has a positive effect on a firm's performances in terms of innovative performance, production performance, market performance and financial performance.

Considering the fact that innovation is a strong enabler of organizational activities, innovation can potentially improve the activities of relationship marketing especially in establishing, enhancing and maintaining relationships with customers. The qualitative case study mainly investigates the factors affecting innovation in relationship marketing from the aspects of product innovation, process innovation and organizational innovation. Further, the qualitative findings are generalised through the quantitative methods whereby the framework can be generally applicable to the Sri Lankan retail banking sector.

7.3.3 Managerial Contributions

In terms of managerial implications, the findings may encourage banks to take specific actions that are likely to improve their IRM efforts. From the managerial point of view, managers can novel their offerings to valued customers who are more profitable for the banks. Furthermore, the findings of this study will benefit bankers wishing to satisfy customers and maintain relationships for a long period. In addition, the PIRM concept may present opportunities for bankers to test prototypes of innovative products and ideas in the marketplace through adding, amending or eliminating features. Then, the product innovation, process innovation and organizational innovation may provide essential support for the improvement of perspectives of relationship marketing in the Sri Lankan retail banking sector. In addition, the insights of this research will help bankers to distinguish themselves from rivals by being the market leader, and adjusting changes coming from the marketplace (Shaochen and Dier, 2010).

From the product innovation point of view, managers may need to find the ideal time to disrupt the innovation. Because, Sri Lanka is booming after the civil war and people's needs are becoming diverse, therefore, managers should capitalise resources for product innovation sensibly. From the process innovation point of view, banks continuously upgrade their bricks and mortar banking and digital platforms so that customers do not need to wait for doing transactions with the banks. From the

organizational innovation point of view, banks may need to develop innovative culture and innovative learning platforms so that their relationship marketing efforts become fruitful. If managers cultivate an innovative organizational culture, employees motivate to bring new ideas and knowledge to the banks. Moreover, the empowerment of employees and employee participation for decision making provide significant results for the banks in terms of organizational culture. With an indirect contribution to staff satisfaction, employees would benefit in terms of personal satisfaction, a proprietary interest in ideas, higher morale, enhanced productivity and lower turnover rates.

7.3 Limitations of the Study

Although the present study does contribute to the continued understanding of relationship marketing in terms of the innovation perspective, it is important to note that this research has still some limitations and assumptions. The following account discusses the most significant limitations of this endeavour.

- Limited related literature in the literature review chapter and discussion chapter may not provide a precise understanding of new product innovation, modified product innovation, bricks and mortar banking innovation, digital banking platform innovation, organizational culture innovation and organizational learning innovation.
- PIRM model which has been developed based on the perceptions of bankers does not imply the actual implementation of IRM in the Sri Lankan retail banking sector.
- Limitation due to the independent variables
Even though there are many types of innovation that may potentially influence relationship marketing, only product, process and organizational innovation have emerged from this research.
- Limitation due to the dependent variable
There can be many definitions, elements and concepts related to relationship marketing; however, this research considers mainly relationship marketing as a means of customer retention.
- Findings would be more applicable if this study were concerned with other sectors of the country such as manufacturing, transportation, and other

dominant sectors. Furthermore, the study is limited to the Sri Lankan retail banking sector; the result may vary if this study is extended to cover other countries.

7.4 Future Research Avenues

- The immediate future research should focus on investigating 'why' the PIRM model consists of such elements (new product innovation, modified product innovation, bricks and mortar banking innovation, digital banking platform innovation, organizational culture innovation and organizational learning innovation).
- This research assumed that relationship marketing is customer retention; however future research must address other antecedents of relationship marketing so that relationship marketing can be reflected broadly.
- Future research should also consider applying the research questions to other functional areas of the banking (corporate banking, micro-financing, insurance) business.
- The PIRM model should be tested in a developed country, ideally in the UK, to find out the robustness of the model.
- Further research should be directed towards capturing the customers' perspectives as the current model only the providers' perspective.
- The PIRM model should not be limited to the banking sector; there is a need to find ways of applying it to other service sectors in the country.

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Appendix I - Letter from Director of Studies

Dr. David Bamber
Bolton Business School
University of Bolton
Deane Road
Bolton
BL3 5AB

27th October 2016

The Manager

Dear Sir/Madam,

*To obtain the consent to collect data for a doctoral research study:
relationship marketing within Sri Lankan Retailing Banking Sector*

I write to request permission for Mr. Roshan Panditharathna: a doctoral research candidate whom I supervise at the University of Bolton, to collect data from a small number of your bankers. In particular, permission is sought for Mr. Roshan Panditharathna, to interview at least two groups of six and elicit information concerning "Innovation in Relationship Marketing as a Driving Force for Sustainable Competitive Advantage: A Study of the Sri Lankan Retailing Banking Sector".

The interview will last around 30 minutes and the anonymity and confidentiality of the bank and the interviewees are guaranteed. Once the research is complete, an executive report any further discussion will be made available to participating employers.

If you need to any further clarification, please email me in the first instance.

Thank you for your time consideration.

Yours sincerely

David Bamber

Dr. David Bamber BSc (Dunelm), PGCE, MEd (EdPsych), PhD, FColIT
Director of PhD Studies in Business and Marketing

Email: david.bamber@bolton.ac.uk

Appendix II - Participant's Consent Form

Research Participant Declaration

I consent to my information being used in the manner and for the purposes described. I understand that I may withdraw my consent to participate in this study and that I should contact the researcher if I wish to do so.

I, the undersigned, confirm that (please tick box as appropriate):

1.	I have understood the information about the research study.	<input type="checkbox"/>
2.	I have a right to ask questions about the research and my participation.	<input type="checkbox"/>
3.	I voluntarily agree to participate for this research study.	<input type="checkbox"/>
4.	I understand I can withdraw at any time without giving reasons and that I will not be penalised for withdrawing nor will I be questioned on why I have withdrawn.	<input type="checkbox"/>
5.	The procedures regarding confidentiality have been clearly explained (e.g. use of names, pseudonyms, anonymization of data, participants and company etc.) to me.	<input type="checkbox"/>
6.	The use of the data in research, publications, sharing and archiving has been explained to me.	<input type="checkbox"/>
7.	I, along with the researcher, agree to sign and date this informed consent form.	<input type="checkbox"/>

Participant:

Name of Participant

Signature

Date

Researcher:

Name of Researcher

Signature

Date

Appendix III - Open-ended Questionnaire

Qualitative Questionnaire for the In-depth Interviews

1. Product Innovation

- How might you explain the importance of introducing new financial products for satisfying diverse customers' needs?
- How might you explain the importance of modifying existing financial products for satisfying diverse customers' needs?
- How might you explain the determinant of financial product innovation?
- How might you explain customers benefit from the development and modification of financial products?

2. Process Innovation

- How might you explain the benefits of process innovation?
- How might you explain the determinant of process innovation?
- How do you employ front office process innovation for improving the performance of the bank?
- How do you employ back office process innovation for improving the performance of the bank?

3. Organizational Innovation

- How might you explain the determinant of organizational innovation?
- How might you explain the benefits of organizational innovation?
- What supports you might expect in performing on organizational innovation?
- How might you explain customers benefit from organizational innovation?

4. Relationship Marketing

- What is the importance of identifying customers' needs for your bank?
- What is the importance of maintaining relationships with clients?
- What is the importance of enhancing relationships with clients?
- What are the benefits of having loyal customers?

5. Innovation Based Relationship Marketing

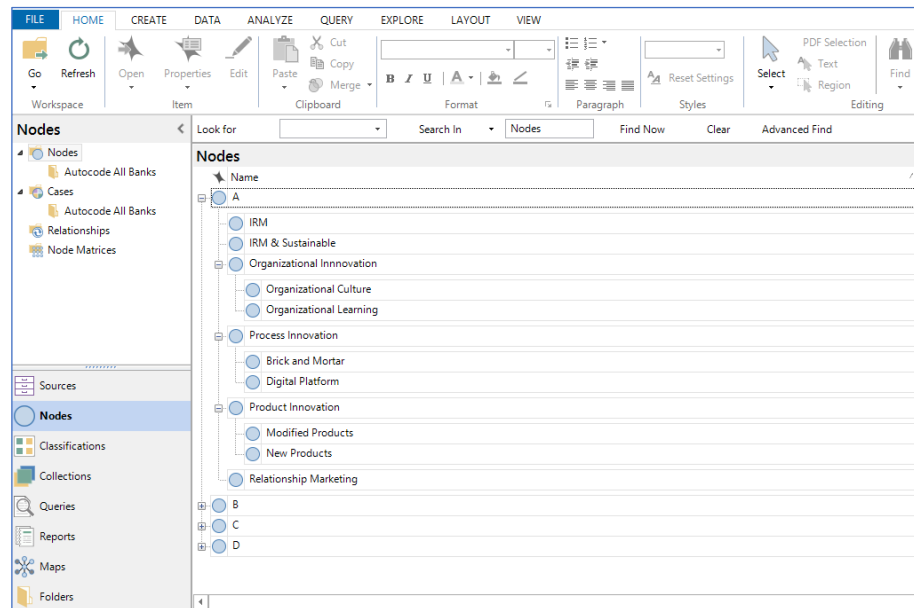
- How do you combine the concepts of product innovation and relationship marketing?
- How do you combine the concepts of process innovation and relationship marketing?
- How do you combine the concepts of organizational innovation and relationship marketing?

6. Sustainable Competitive Advantage

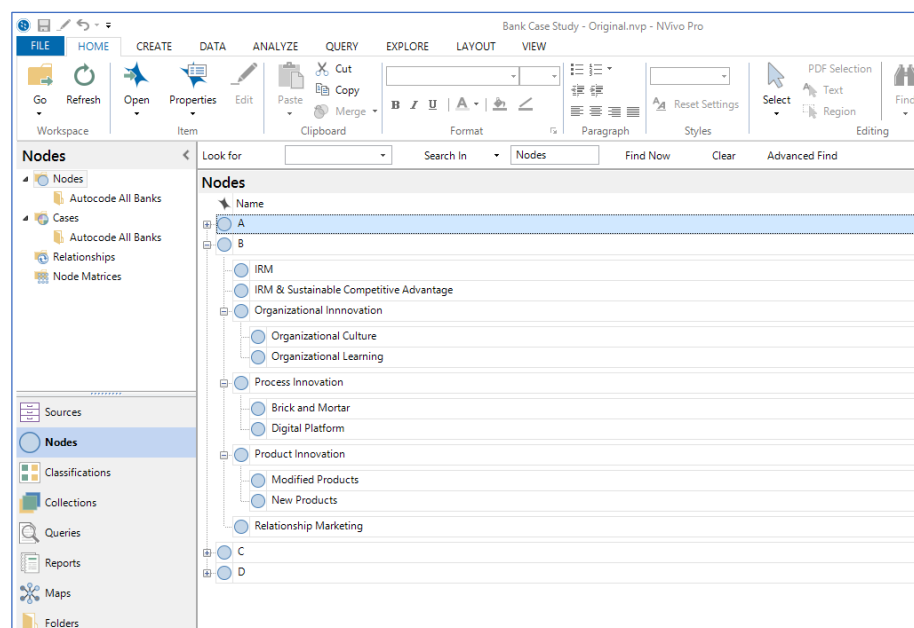
- How does your bank differentiate to others?
- Do you think relationship marketing promotes sustainable competitive advantage?
- Do you think innovation promotes sustainable competitive advantage?
- Do you think innovation-based relationship marketing promotes sustainable competitive advantage?

Appendix IV - Nodes Distribution

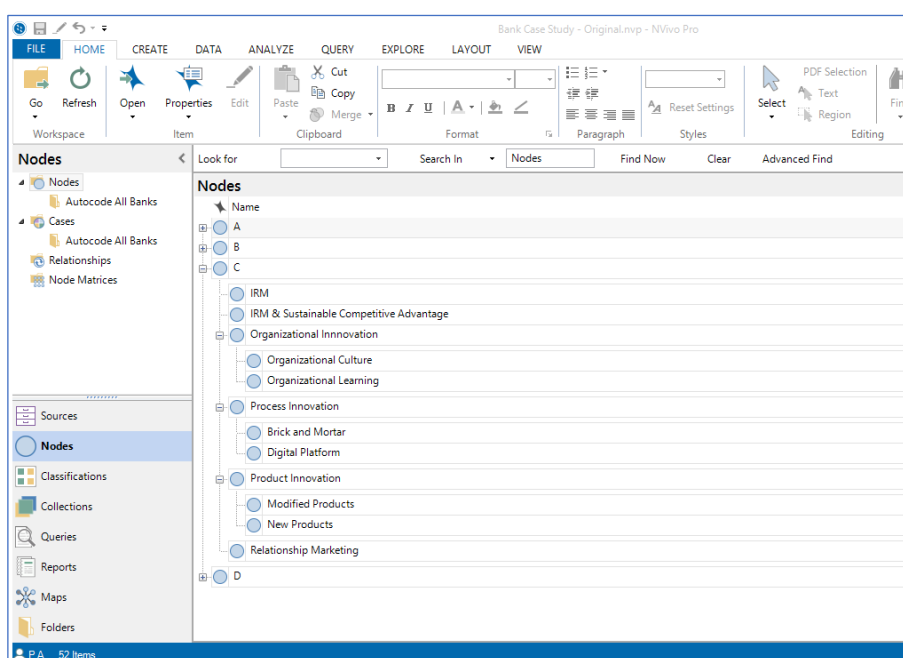
Appendix - IV(I) Nodes Distribution of Bank A



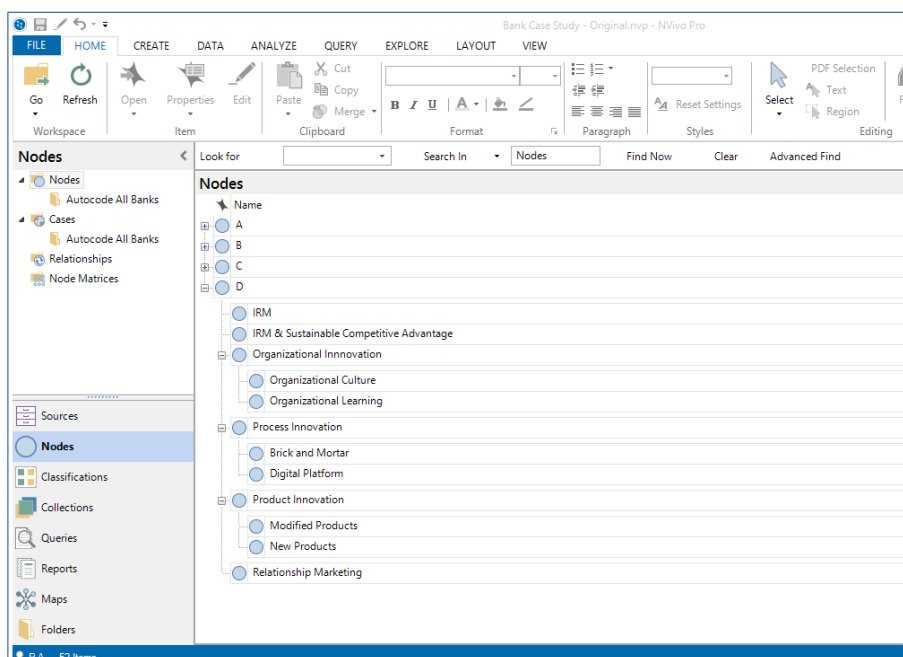
Appendix - IV(II) Nodes Distribution of Bank B



Appendix - IV(III) Nodes Distribution of Bank C



Appendix - IV(IV) Nodes Distribution of Bank D



Appendix V - Hierarchical Charts

Appendix - V(I) Relatively Importance of Innovation Capability - Bank A

Bank A		
Organizational Innovation		Product Innovation
Organizational Culture	Organizational Learning	New Products
24	22	16
Process Innovation		Modified Products
Digital Platform	Brick and Mortar	10
18	16	

Appendix - V(II) Relatively Importance of Innovation Capability - Bank B

Bank B			
Process Innovation		Organizational Innovaion	
Digital Platform	90	Organizational Culture	
		36	
		Organizational Learning	
		32	
Brick and Mortar	66	Product Innovation	
		Modified Products	New Products
		22	16

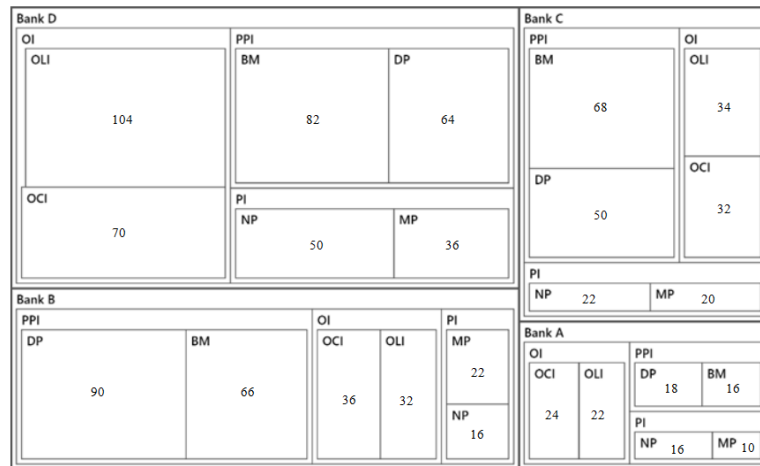
Appendix - V(III) Relatively Importance of Innovation Capability - Bank C

Bank C			
Process Innovation		Organizational Innovation	
Brick and Mortar	Digital Platform	Organizational Learning	Product Innovation New Products
68	50	34	22
		Organizational Culture	Modified Products
		32	20

Appendix - V(IV) Relatively Importance of Innovation Capability - Bank D

Bank D		
Organizational Innovation		Product Innovation
Organizational Learning	Organizational Culture	New Products
104	70	50
Process Innovation		Modified Products
Brick and Mortar	Digital Platform	
82	64	36

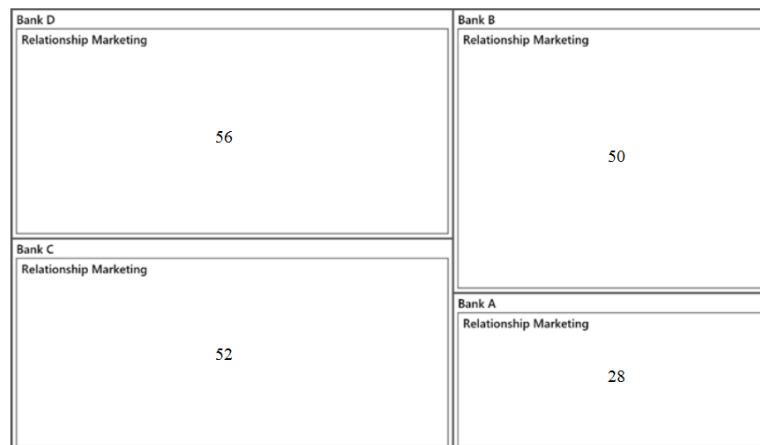
Appendix - V(V) Relatively Importance of Innovation Capabilities - Cross-case Analysis



(Source: Interview Data, 2016)

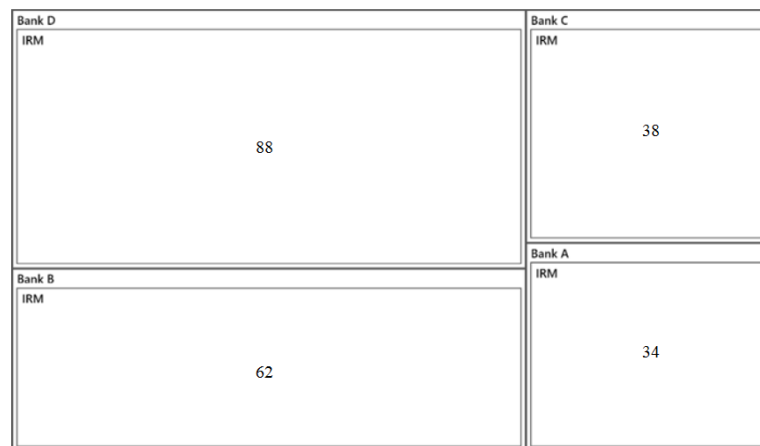
PI= Product Innovation/ PPI= Process Innovation/ OI= Organizational Innovation/ NP= New Product/ MP= Modified Products/ BM=Bricks & Mortar/ DP= Digital Platforms/ OCI= Organizational Culture Innovation/ OLI= Organizational Learning Innovation

Appendix - V(VI) Relatively Importance of Relationship Marketing - Cross-case Analysis



(Source: Interview Data, 2016)

Appendix - V(VII) Relatively Importance of PIRM Concept - Cross-case Analysis



(Source: Interview Data, 2016)

Appendix VI - Quantitative Questionnaire

QUESTIONNAIRE FOR ASSESSING THE IMPACT OF INNOVATION IN RELATIONSHIP MARKETING

Anonymity is guaranteed.

Please fill the following demographic factors.

1. Banking organization

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2. What is your gender?

Male		Female	
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3. What is your age?

18 - 24 years old		25 - 34 years old	
35 - 44 years old		45 - 54 years old	
55 - < years old			

4. What is the highest level of education you have completed?

O/L		A/L	
Diploma		Undergraduate Degree	
Postgraduate Degree			

5. What is your designation?

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6. Year of experience?

0 - 2 years		3 - 5 years	
6 - 8 years		9 - < years	

7. Please briefly state your job-related responsibilities

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For each of the following questions, please indicate the response that mostly closely describes your organization.				
Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
1	2	3	4	5

Product Innovation

Questions		1	2	3	4	5
1	Our new product introduction has increased over the last 5 years					
2	Our bank is often the first to market with new products					
3	Our new products are often perceived as very novel by customers					
4	We make innovations that fundamentally change existing products					
5	Our bank provides customized products to our customers					
6	Our bank launches customized products according to market demands					

Process Innovation

Questions		1	2	3	4	5
1	Frontline employees are empowered to solve customers' problems					
2	The activities of functional units are tightly coordinated to ensure better use of process innovation					
3	Our bank adopts innovative work designs for bricks and mortar banking					
4	Being ahead of our competitors' digital banking capabilities is a key factor for us					
5	We introduce new features to digital banking services					
6	We implement digital banking platforms to streamline business processes					

Organizational Innovation

Questions		1	2	3	4	5
1	We value creative new solutions to solve problems					
2	Our management encourages employee participation in innovation decision					
3	Our management actively seeks innovative ideas					
4	Our bank values learning as the key to improvement					
5	Bankers are encouraged to share what they learn					
6	Top managers understand the importance of training and development for success					

Relationship Marketing

Questions		1	2	3	4	5
1	Our business objective is primarily driven by customer relationships					
2	We build long-term relationships with our customers					
3	A large proportion of acquired customers remain in the long run when compared with our competitors					
4	We regularly meet with our customers in order to find out what their needs will be in the future					
5	Our marketing activities are intended to develop cooperative relationships with our customers					
6	We identify good ways of familiarising customers with products that can satisfy their needs					

Sustainable Competitive Advantage

Questions		1	2	3	4	5
1	Our strategy for competitive advantage is based on our understanding of customers' needs					
2	We target customers where we have an opportunity for competitive advantage					
3	Employees throughout the organization share information concerning competitor's activities					
4	We rapidly respond to competitors' actions that threaten us					
5	We diagnose competitors' goals					
6	We identify the areas where the key competitors have succeeded					

Appendix VII - ResearchGate Readers Figures

