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## Conceptualization and examination of success factors in the banking system

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### Abstract

Banking competition has intensified in recent years, largely due to globalization, technological process and economic instability. The banking system in this context is supplied with considerable challenges, with customers' characteristics, needs and desires consistent with the current environment (globalization, technological change and economic crisis). It is necessary to identify those features that contribute to the development of competitive advantage. In this sense, this paper shows the results of the analysis of success factors in the banking system. To obtain the results the following methods were used: in-depth questionnaire (for experts), questionnaire (for customers), observation of public information and experimentation by numerous visits conducted. These actions are taken in order to discover and define the characteristics of organizational behavior and clients. The results consist of capitalization and conceptualizing a framework for the features that will underpin the development strategies of the banking system in times of economic instability.

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## 1. Introduction

The lately unstable economic situation contribute to the adoption of measures and actions in organizations through which themselves to stay in the market and thus to develop competitive advantage. This approach of adopting new measures can be found in organizations in all fields, implicit in banking organizations. In this respect, given the situation in recent years, the banking system is facing two challenges: *reducing costs, and enhancing major changes in the field of digitization*. In this context, the present study aims to identify success factors that define organizational characteristics and customer behavior. Establishing a framework of characteristics answers the question: "How can the banking system be streamlined in an intelligent and effective way?". The design of a framework with characteristics contributes to an assembly of actions that help define the development of strategies to keep the banking system in the current economic market.

The purpose of this paper is to examine success factors (SF), which are relevant in the banking sector. In an industry as complicated as a financial intermediary, a simple formula is to define a set of general actions for the economic crisis. Instead assumption of factors found in the literature, the paper identifies the main factors determining the success of a bank. The methods used to identify success factors are: in-depth questionnaire, questionnaire, observation of public information and experimentation by direct business contact. Today's industry from the banking system is characterized by increased global competition and rapid progress in the liberalization of the banking market.

### 1.1. The success factor theory

Rochart, in 1979 was the first author which defined the concept of the success factor...`the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization". In studies of the literature (Mehregan et al., 2012; Mosakhani et al., 2010) there is data about the following success bank factors to be important in the development of the strategy:

- A *sustainable management* of product portfolios, covering the entire lifecycle of products and banking services. This can be considered the best way to exclude unprofitable products which are not in sight and optimize processes in an industrial way.
- The *technological ability* to combine clients' affinity to customize products with industrialization processes and banking products.
- *Information management* to meet customer wishes to benefit from quick and quality service. This factor is reflected in the transition to a digital, multi-channel banking sector which is increasingly used today.
- *Safety and security* are two ways that contribute to the launch of safe products and satisfying customers' wishes.
- The *organizational structure* is another important success factor, since it must be compatible with the organization's strategy. The organizational structure is based on the physical structure and social structure.
- *Anticipating and managing the regulations* are important directions in the development of competitive advantage.

From the client perspective (Ika et al., 2012; Cooke-Davies, 2002), factors that contribute to the development of the competitive advantage of banks are headed to:

- **Cost:** competition in the banking system leads to the development of attractive customer pricing policy so as to have a high appeal.
- **Security:** the banking products involve a high level of money supply, so customers want security.
- **Consulting and communication:** providing post purchase support for the purchased products.

These success factors relate to something that must be implemented if companies want to succeed in a banking field. These factors should be controllable, measurable and small in number (Mehregan et al., 2012; Mosakhani et al., 2010). Key Success Factors shall include the conditions, events, and the circumstances contributing to the success of the bank (Pinto et al., 1988; Jugdev et al., 2005; Ika, 2009).

## 1.2. The strategy setting and success factors

Thorough analysis of the characteristics of internal and external environment will allow banking institutions to develop and implement the best strategies in order to gain competitive advantages and repositioning after economic instability.

In his research, Porter (1985) defined three general theories on business strategies:

- **Cost leadership:** The essence of this strategy is to produce at low costs at a certain level of quality. Applying this strategy involves selling products on the market level to achieve a higher profit or price positioning under competitors to gain market share.
- **Differentiation:** uniqueness in the market is the basis for this category of strategies. This approach involves the development of a product or service that is valued by consumers as being better or different from what the competition offers.
- **Focus:** Cost Focus and Differentiation Focus - Focus on niche segments is addressed in this type of strategy. Organizations implementing such strategies focus on one niche market and try to achieve either a cost advantage or to differentiate within that segment.

In literature there are a number of approaches to these strategies, so the authors consider that Miles and Snow theory is also a reference. Miles and Snow (1985) identified four categories of business strategies that can be applied in the development of organizations depending on the extent to which it responds, they are:

- **Prospector:** a prospector always maintains a broad product line and a vast market; monitors the business environment to identify new market opportunities based macro-level vision.
- **Analyzer:** it tries to hold stable and limited products and services. An analyzer can become an initiator of a new product or new service, but will try to reduce its costs and be more efficient.
- **Defender:** provide quality products and services at a low price in order to maintain market share. It has accepted resources and a stable market.
- **Reactor:** it has no direction. He is never willing to take business risks as other competitors.

Depending on the activity organizations have at their disposal a number of potential sources for acquiring competitive advantages (Porter, 1985; Miller et al., 2002; Sadler, 2003; Dess et al., 2007; Pearce et al., 2007; O'Shannassy, 2008; David, 2009; Williams, 2009; Wang et al., 2011; Mehregan et al., 2012; Artene et al., 2013) in order to increase organizational performance and stabilize after the financial crisis.

## 2. Research results and success factors of Romanian banks

The purpose of this research is to identify banks' internal factors (characterizing and leading to competitiveness of banks) and external factors (by taking them from customers' behavior). For this study the following methods were used: in-depth questionnaire (for experts) questionnaire (for customers), observation of public information and experimentation by direct business contact (visits).

The methodology used in developing the characteristics associated to the banking system is described in Fig.1. This methodology is the basis of intensive and complex research whose preliminary results are presented in this paper.

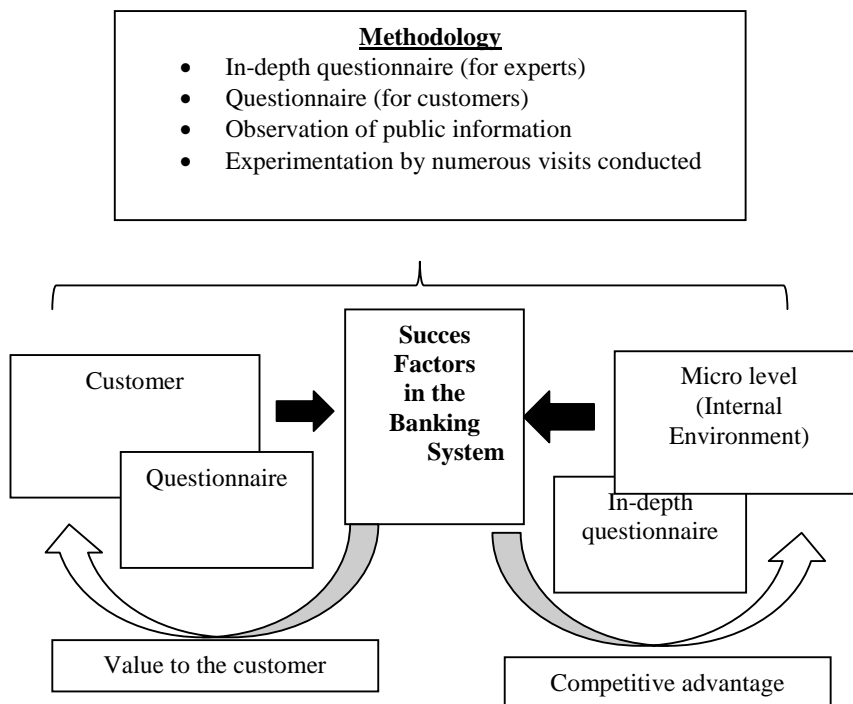


Fig. 1. The methodology research

The methodology described in Fig.1. has as results the conclusions of the experts in banking, bank consumer desires (population), assessments of public information found in online, and the banking environment experience. The contribution of each method is described in Table 1.

Table 1. The dimensions of the research

Method	Sample size
In-depth questionnaire	15 experts (top managers)
Questionnaire	150 customers
Observation of the public information	30 web sites
Experimentation	Practical experience

Data were collected in accordance with Table 1. The experts included 15 top experts from the banking sector. The second stage of this research, based on an online questionnaire administered from the findings of the first stage of research, the necessary data were collected. Data were corrected and supplemented by the information contained in the public websites of various banks which have different statistics and relevant information. Finally, the first author’s experience with over 10 years in top position materialized under the features contributing to the development strategy for overcoming the financial-economic crisis.

The preliminary assessment of qualitative factors that contribute to successful development of banks are shown in Table 2. These factors are divided into three categories: Administrative, Technical, Regulatory, and Human Resources. Administrative factors refer to those directions that contribute to the smooth conduct of bank business. Technical factors are technical and technological support from the banking system. Regulatory factors category

includes NBR (National Bank of Romania) rules and various procedures. The last category, Human Resources, includes all relevant factors contributing to customer needs and desires.

<b>Banking system</b>			
<b><u>Administrative</u></b>	<b><u>Technical</u></b>	<b><u>Regulatory</u></b>	<b><u>Human Resources</u></b>
Efficiency of Information System Administrative Structure and Processes Strategic Approach Software and Techniques Organizational culture Transparency Bank reputation and good image Quality Size of the bank Ability of computerization	Risk Management Liquidity Management Security Functional Safety Production Innovation Trust to information system CRM (Customer relationship management) Bank safety Soundness of bank system Speed of business handling	Monitoring Mechanisms and Management Conformity with Romanian law Compatibility with economy's sectors Government deregulation policy Number of bank branches Procedures and internal regulations the level of taxes	Top Management Education and Training Specialist Human Resources Staff professional knowledge Communication Availability

Fig. 2. The conceptual framework of the success factors of the Romanian banking system

Identifying success factors for the banking system contributes to achieving the objectives set and shaping the strategy for development of competitive advantage. Most banks have realized that the future of banking revolves around information technology and have invested significantly in this direction. This is proven by the success factors of Fig. 2. Such behavior is promising in terms of stability in the current economy and the future of Romanian banking system.

**3. Conclusions and future research**

The financial system is considered as the heart of any economy. In a fair and efficient financial system, it is expected that targets at the micro and macro level can be fulfilled in the best conditions. In Romania's national economy, the banking system plays an important role, helping to balance the financial system and, consequently, leading to prosperity of the Romanian economy. Consequently, the implementation of a banking system in a fair and complete way can help solve many of the financial and economic problems in Romania.

The present research highlights the preliminary results of the proposed methodology following in the future to analyze in detail each success factor and its weight with which it contributes to a development strategy.

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