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Organizational learning on coopetition strategy: an exploratory research on a Turkish private banks credit card application

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Abstract

In the Turkish banking sector, competition and the banks' costs have become more important than ever due to the global financial crisis which began at 2008 and affected the world economic and financial systems. The banks, aim to increase their share in the credit card market which is one of the most profitable market in the sector, are cooperated with the other banks which have well-known credit card brand and wide POS network. This strategy is called as "coopetition".

The primary goal of the coopetition is to increase the market share in the sector. However, organizational learning in the credit card market is the other important advantage of coopetition. In this research, we explored the relationship between coopetition and organizational learning. For this purpose, two semi structured interviews were made with the manager of operation and information technology in the bank which has applied coopetition to increase its credit card market share in the Turkish banking sector since 2007. With these interviews, the effect of coopetition on organizational learning has been explored. On the other hand the importance of documentation and communication on organizational learning, the effect of coopetition on people, information system and organizational process of the bank were also explored in this study.

As a result, organizational learning on credit card market in the Turkish banking sector is affected positively by the coopetition and knowledge transfer between competitor banks allow for the development of the banks' ability.

Keywords: Coopetition, Organizational learning, Turkish credit card market

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1. Introduction

Turkish banking sector is one of the most competitive sector in Turkey. According to third quarter figures of Turkish economy, assets of the sector equal to Turkey's GDP. Turkish banking sector has been influenced significantly by 2001 Turkish financial crisis and the current global financial crisis. Thus, competition in the sector has been increased, profit margin has been reduced and the costs of the banks have been become more important for banks.

In the 2001 financial crisis, many banks were transferred to the Savings Deposits Insurance Fund (SDIF). The costs of the crisis were about 50 billion USD. After the crisis, the Turkish Government has taken various measures to prevent a similar crisis. In this context, interest rates have been reduced, regulations will increase transparency and strengthen banks' capital structures have been implemented. For instance, the Banking Regulation and Supervision Agency (BRSA) has implemented Basel regulations. According to BRSA regulations, the banks must have a capital adequacy ratio of at least twelve percent. The effect of these regulations has been changed business processes of banks and the banks have become more sensitive to the costs.

Another important factor, increases competition in the Turkish banking sector, is the current global financial crisis. With the crisis, banks have experienced a challenge of funding and the default rate of the sector increased dramatically. As a result, competition in the sector has been increased, costs have been become more important for the banks and the high profit margin markets have been become more popular. Turkish credit card market is one of the highly competitive and cost-sensitive markets because of the high profit margin.

Market share in the Turkish credit card market depends on credit card brand value and a wide POS (point of sale) network. A wide POS network is critic for special credit card functions such as bonus, cash point, installment and deferral of installment. In recent years, the banks have cooperated with their competitors in order to get rid of the POS network and high advertisement costs. In this strategy, referred to in the literature as coepetition, both banks use same POS network and credit card brand (Gee, 2000; Luo, 2007; LeTourneau, 2004; Chan, Chin and Lam, 2007; Demirel *et al*, 2011). In coepetition, competitor banks are in cooperation and competition at the same time. Benefits of this strategy can be listed as; to reduce costs, to share risk, to increase market share and to increase organizational learning (Luo, 2007; Ganguli, 2007; Chien and Peng, 2005; Galvagno and Garraffo, 2010).

In this research, the effects of coepetition on the organizational learning are explored. For this purpose, semi-structured interviews were conducted with two mid-level managers of a Turkish private bank implementing this strategy to increase its market share using a rival bank's credit card brand and POS network. The purpose of the interview with the mid-level information technology manager is to determine the contributions of coepetition on the bank's IT systems and IT learning structure. On the other hand to determine the contributions of coepetition strategy between competitor banks on the bank's credit card operations ability is aimed with the interview with the mid-level operation manager of bank.

2. Literature Review

In this section, it is discussed the theoretical framework of coepetition and organizational learning, and explained the relationship between coepetition and organizational learning.

2.1. Coepetition

Some of the factors that increase competition are capital and other factors of production moving more quickly than in the past, technological developments, new developed financial instruments, and consumers demand better quality and more various goods. Therefore, new strategies are developed to increase profit and market share of organizations. One of these strategies implemented by organizations to

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