Synergetic Combination of Competitive Advantage and Customer Satisfaction; Introduction of A New Strategic Decision Making Tool (*SEVO*)

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ABSTRACT

The rapid growth of competition in markets, increases the cost of implementation of a wrong strategy and so, companies, scholars and even governments, are eager to know how an appropriate strategy could be found and selected. So far, many studies have been done that cover concepts and relations of competitive advantage, customer satisfaction, organization strategy, etc. Unfortunately, there are a few points shedding light on the relation(s) between competitive advantage and customer satisfaction and almost nothing about accepting the customer satisfaction as an important part of critical success factors collection of an organization, and worse than that, top managers, strategists and consultants of organizations have an ill-defined image of customer role in organization successes so that it results to decrease the real effects of customer role in organization strategy map and heads of companies feel good about the state of relations between customer-organization, but indeed they neglect this vital gap, needs to be filled. In this study, we implement a comprehensive investigation on the ideas and theories and well-known models of customer satisfaction and competitive advantages so that finally, we summarize them and introduce a integrated organization-customer connecting model called *SEVO* that comprises all variables introduced by other models presented so far and could be used as a key tool for strategy mapping and decision making. Incredible outputs of testing this model in a sample industry show that many factors that organizations think that are important, are not and vice versa, so it could be found that there is a urgent need to reconstruction of organizations' viewpoint about customer position in the their strategy, to prevent more waste of money, waste of time, and waste of human resources' capabilities in a wrong way. We believe in *SEVO* that it can serve as a powerful managerial and strategic tool to fill the critical gap and testing results confirm that.
KEY WORDS: Customer Satisfaction, Competitive Advantage, Strategy Mapping Tools.

INTRODUCTION

Many scholars have tried to define the value of customer (Hill, et.al., 2007; Seth, et.al., 2004; Mithas, et.al., 2005; Bruhn & Grund, 2000; Hanif, et.al., 2010; Bayus, 2010) but a few attempts have been done to mention the real role of customer in the Critical Success Factors basket of an organization, so that the weight of customer value as a base for decision making and strategic planning (Ankli, 1992) is not determined clearly. As a primary result of markets monitoring & organizational governance experiences, authors got the gap and study deeply about competitive advantage, customer value and the CSFs basket of a typical organization.

The results of investigation in related literatures show that some famous authors such as Michael E. Porter (1985, 2001), Kaplan & Norton (1992), Parasuraman (1994) and etc. introduce customer as a force of determining the success of organizations but there are almost nothing about determining the practical (or even theoretical range) weight of customer effects on decisions & plans mappings and also a sustained competitive advantage (Barney, 1991 & 1995).

Here, we introduce a key tool for top level organizational executives to map the role of customer in the basket of determinants of a company success that results finally to identify the patterns of customer behavior, a practical decision tool about future strategies & budgeting and resource allocation. So, we started with a problem definition for detecting the gap mentioned above in a specific industry, then data collected, sorted and codified to represent a comprehensive conceptual model, derived from deep literature review and semi-constructed interview with experts. After some

modifications & select an appropriate framework, *SEVO* model has been born that can serve all about customer satisfaction, and competitive strategy setting (Amit, 1993; De Toni & Tonchia, 2003).

In the sections below, first a summary of literatures has been presented, then the model & it's concepts has been introduced and finally, with a brief conclusion, it should be said that the field study outputs and useful advises of testing *SEVO,* for strategists and top managers will be presented in the next article. More researches are needed to develop this conceptual model such as more field studies & checking the reliability of model in different industries, that one of those, is the objective of our next article.

LITERATURE REVIEW

As a result of vast amount of literature and definitions and discussions about core concepts of this article, we just focus on key points and main principles and instead, present a rich references list below the article.

Generating and maximizing profits is not the core target of today's organizations, but customer satisfaction is (Hill, et.al., 2007). Now businesses earn profits through customer-oriented value creation and customer satisfaction (Grigoroudis & Siskos, 2003) and it could be said that the best program for customer retention, is customer satisfaction; doing right thing and doing things right up to customers delight (Aydin & Özer, 2005; Rigopoulou, et.al., 2008; Rigopoulou, et.al., 2008; Chen, 2009). So we define Customer Satisfaction as:

"Satisfied answer of customer; Customer Satisfaction is the customer judgment about satisfactory using of products and services (Krishnan, et.al., 1998). This level of satisfaction maybe higher or lower than the expected satisfactory level, so customer satisfaction is the result of comparing two levels of satisfaction, before using products or services (expected satisfaction) and after using them (actual satisfaction) (Parasuraman, et.al., 1994)". Satisfied Customers talk to others about their good experiences and feelings and this is a vantage point for organization that has extended advertising by it's customers, cost-less and high-efficient. In contrast, dissatisfied customers cut their connection with company and may be change to Anti-Advocates! It must be remembered that repeated purchasing and positive image of company in buyers face-to-face advertisement, both affect profit and eternity of businesses directly (Jamal & Naser, 2002; Zhuo, 2010).

What is Competitive Advantage so? After decades of Absolute Advantage and Relative Advantage, now countries, macroeconomics, governments, companies and scholars have focused and introduced Competitive Advantage that means doing the best job we can, against what our rivals can not. This simple quotation will be rich if we add the view points of Porter (1985) and Prahalad & Hamel (1990). Based on Porter's view (1985) competitive advantage is achievement of the privileged position for business that enables it to do in higher performance levels than it's rivals. Also, competitive advantage is adopting a more advantageous value creating strategy among the business current and potential rivals (Bilgihan and Wang, 2011). Also it could be evaluated based on porter's five forces (Diamond Model) portfolio (for instance, power of suppliers) (Teo & Pian, 2003). Over of all mentioned above, there are so many theoretical discussion about the tools and facilitators of gaining and remaining a competitive rival (Baffour, 2008), but in the field of execution, there is a lack of useful and easy to customize strategic-level tool, that we hope *SEVO* could fill the gap.

Model Definition – *SEVO* Strategic Tool

As the regularly held process of studying and deep analyzing of other models had been completed, findings classified and the new model of customer satisfaction factors that comprised of two main part –Organizational Factors and Customer Factors- had been developed (see Fig 1.). Organizational Level factors include Supports that whether is not the main function of an organization but could not be neglected or classified as non-Value-Adding processes; in-Organization factors that are core and Value-Adding processes and Environment of industry that includes all forces affecting the organization existence and strength (Porter's 5 Forces is an important guiding model). Customer level factors that called Values, that customer feels and accepts to pay for, include all factors that a customer thinks through deciding to purchase. We called it "*SEVO*" model. Then a semi-constructed interview with about 60 experienced top-level executives of divisions of Marketing, Strategy and Policy Planning, Management Consultancy, Monitoring, etc. had been conducted to be ensured of model consistency at Organizational level and also about 300 questionnaires at Customer level. Analysis of all results, confirms the *SEVO*

Strategic Decision Making Tool (see Fig. 2) in a specific industry[1] and creates a new way of researches that need to united collaboration of world-wide scholars to finish the way honorably. As mentioned in sections above, this article introduces a model that could be possible to act as a Ontological Framework useful for all industries. Some researches are carrying on to reach the Ontology of Customer Satisfaction (OCS).

As shown in figure 1, part S of *"SEVO"* model has a direct relation to part O, that it has a link and been affected by part E. The type of relation between S and E is important but O has a moderating role so we prefer to avoid of increasing complexity, postpone the investigation about accurate relations between them. Customer level part that indicated by V, has mutual effects with three parts of Organizational level, in such a manner that nowadays, companies had to monitor the customer needs, define it, shape it or conduct it to be in market place and continue working; in the other hand, customer has a extended basket of competing companies that if one make a unwanted influence on customer, the other has been easily selected as a substitute (Leonard, 1992). Part V itself includes a variety of factors that create value for customer, range from function and durability to attractiveness and availability. It is not important for customer whether company is a high-tech one or not, has thousands of employees or engineers or managers or not, is flat-structured or not, is cash-oriented or has a debt-base financial architecture, and so on; what engages customer to pay money is Value that he/she must has a sensation about it so, the final delivered products or services are determinants of customer satisfaction. All details about items are shown in Fig. 4. As shown in Fig. 2, using this matrix needs a guide and so this is presented in Fig. 3; High, Medium and Low effect intensity is used to define the importance of a specific variable. We will present a typical filled matrix in our next article that could be used as a guideline; but here, consider that we want to define the effect of Social Responsibilities on Strategy of a typical organization. Due to the type of organization, its environment and etc, we can detect a H, M or L effect intensity and in addition, the direct or reverse effects of. So, for instance, HID means that Social Responsibility and Strategy have a high impact relation but in a in-direct manner. The quantified model than could support a accurate decision matrix, will be presented in the next article of authors. Although, N sign shows that maybe no relation between to items or is so Low that can be neglected. In this manner, *SEVO* serves as a comprehensive model of customer satisfaction measuring map, that we expect to elevate it to act in an Ontological level road-map.
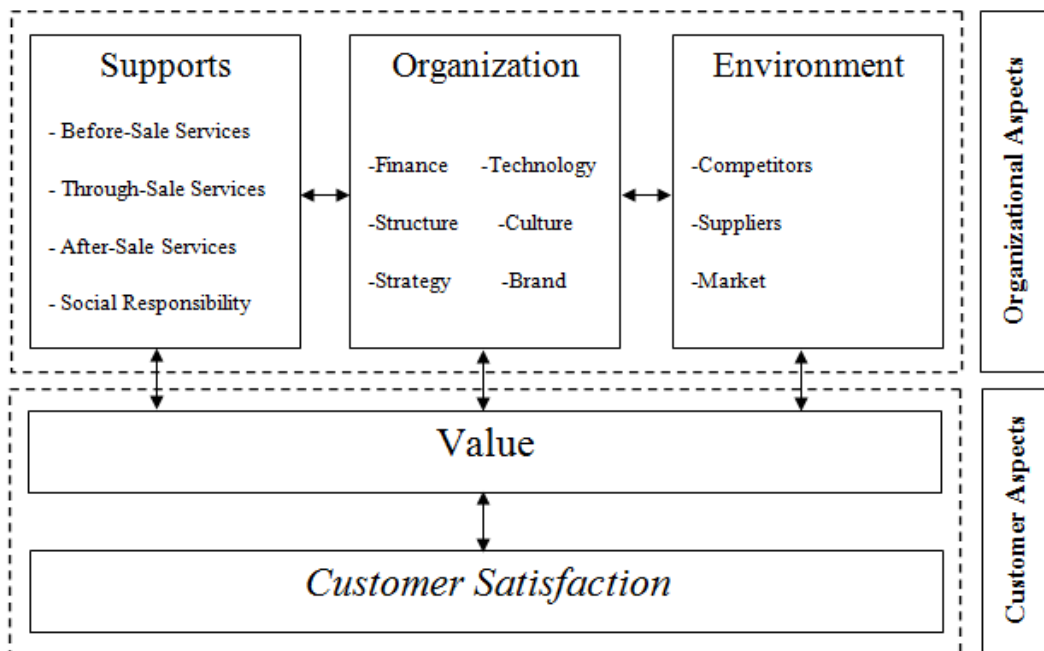

Fig 1. *SEVO* Conceptual Model

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[1] The industry type was not said due to multiple reasons for instance research strategy and it's continuation and the importance of results to that specified industry masters.

Fig 2. *SEVO* Strategic Decision Matrix

	Direction	
	Direct (D)	In-Direct (ID)
High (H)	HD	HID
Medium (M)	MD	MID
Low (L)	LD	LID
N	No Effects	

Intensity

Fig 3. Guiding Signs

Field	Item	Refer	Description
S	S1	Before Sale Services	Ads, Inform About New Products Coming Soon And Make Life Easier, Promotion Awareness, Channels of Distribution (Brand Shops, e-Shops, etc), Channels of Relationship With Customer (Voice of Customer, Welcome Customer New Ideas, etc.)
	S2	Through-Sale Services	Ads, Sympathy With Customer, Give Honest And Accurate Information, Facilitate The Process of Choosing By Customer, Promotion Awareness, Channels of Distribution, Channels of Relationship With Customer
	S3	After-Sale Services	Guarantee & Warranty, Delivery, Channels of Relationship With Customers, Product Updates Inform
	S4	Social Responsibilities	Job Creation, Help to Science Advancement Via Giving Funds to Academics, Public Area Improvement, Help to Keep Environment Green and Clean
E	E1	Competitors	Frequency, SWOT (Technology Analysis, Brand Power, Financial Analysis, etc.), Market Share & Growth, Repute, Background, Ability to Introduce Substitute Product
	E2	Suppliers	Frequency, Technology, Supplemental Power, SWOT, Repute, Background
	E3	Market	Mechanisms of Transactions, Transaction Costs, Wholesalers & Channels Pressures, Market Attractiveness & Size, Balance of Supply-Demand, Rate of Technology Change
V	CV	Product Value	Product Quality (Function, Durability, Safety, Visual Attractiveness, User Friendliness), Availability, Supports, Brand, Price, Energy Savings Aspects
O	O1	Finance	Capital Adequacy, Financial Structure (Cash Flow Availability, Liquidity of Assets, Credits, etc.)
	O2	Technology	Newness, Investment and Level of Dependency, Rate of Change, Complexity, IT Structure, Time to Market
	O3	Organizational Structure	Height of Hierarchy, Genuine Deployment, Management Style
	O4	Organizational Culture	Innovation Acceptance, Talents Foster, Synergy, Change Resistance, Team Working Level, Customer Orientation
	O5	Strategy & Commitment	Applicability, Clarifying and Accurate, Motivating and Honorable, Comprehensive and Realistic
	O6	Brand Power	Share of Mind, Share of Heart, Brand Value

Note: Some Other Fields Could Be Added Or Extension of Might Be Possible, But The Results of Research Team's Deep Analysis Shows The Best Fit of The Fields Presented Above

Fig 4. Items Definitions

Conclusion

In this article, after studying the common patterns of evaluating the organizations' Critical Success Factors portfolio and pointing the absence of customer satisfaction real effects, we propose a comprehensive strategic tool for organizations' strategists and chairmen called SEVO, that connect the customer's and organization's point of view and enables the sense of customer real behavior pattern for organization.

Deriving from a deep industry based results; *SEVO* can be a trusty strategic mapping tool for decision and policy making.

This article had been focused on introducing the model and explaining it's constructions. Next upcoming article of authors, that is closely related to current article conceptual model, will present the field results of *SEVO* implemented in a ordered large-scale industry with fast changing technology that has close relationships with many customers. Results confirmed *SEVO* but we like firstly to extend it through other industries and finally present *SEVO*-industry-oriented models that needs a world-wide scholars and industry-aided collaboration to go further.

There is no end to improvements and advancements of sciences and we welcome everybody join us, to foster the concepts and any other contributions.

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