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Documentation and continuous development of processes for customer management: Implications for profitable growth

Jaakko Aspara *

Department of Marketing, Aalto University School of Economics (Formerly Helsinki School of Economics), P.O. Box 21230, FI-00076 Aalto/Helsinki, Finland

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ABSTRACT

This article examines how the systematic documentation and continuous development of customer management (CM) processes to be utilized by a firm's customer-facing personnel, contribute to the firm's profitable (sales) growth. The examination is based on management/organization theory on process management, as applied to CM processes. Testing their hypotheses with survey data concerning the customer acquisition and retention processes of a set of firms, the authors find that explicit process documentation contributes to profitable growth, in as much as it facilitates the daily work of the customer-facing personnel (especially sales and marketing people). In contrast, the direct effect of process documentation on profitable growth is found to be non-existent – suggesting that if the documented CM processes do not truly facilitate the daily work of customer-facing personnel, the process documentation may be counterproductive. The authors also find that continuous efforts to develop the CM processes have positive influence on profitable growth – as does sales personnel's and market-analysis personnel's participation in the process development. In conditions of high turbulence in the market environment, the continuous development of CM processes becomes even more important.

1. Introduction

In recent years, researchers in marketing (e.g., Ang et al., 2006; Bolton and Tarasi, 2006; Boulding et al., 2005; Bowman and Narayandas, 2004; Langerak and Verhoef, 2003; McColl-Kennedy et al., 2008; Payne and Frow, 2005; Peppers and Rogers, 2004; Reinartz et al., 2004; Rigby and Ledingham, 2004; Srinivasan et al., 2002; Srivastava et al.,1999; Winer, 2001) as well as sales management (e.g., Jones et al., 2005a; Landry et al., 2005; Moutot and Bascoul, 2008; Schultz and Evans, 2002; Yim et al., 2004; Zablah et al., 2004) have been increasingly interested in the processes of *customer management* (CM; interchangeably called customer relationship management, CRM). In broad, the CM paradigm advocates sales and marketing processes that go beyond single product sale transactions and concentrate on outlining how the firm should acquire, retain, and manage its customers – that is, the entire pool of its existing customer relationships as well as potential new customers (see e.g., Reinartz et al., 2004).

In terms of extant research, there has been considerable discussion of what CM means or should mean in terms of its component processes – and how exactly CM relates to concepts such as relationship marketing/selling; to customer databases or CRM technologies; or to customer-driven strategies and tactics in general (Boulding et al., 2005; Frow and Payne, 2009; Parvatiyar and Sheth, 2001; Payne and Frow, 2005; Zablah et al., 2004).[1] However, the purpose of this article is not to provide yet another review, account, or prescription of what CM processes are or should be (from a researcher's perspective). Rather, the purpose of this article is to focus on one particular CM-related phenomenon of interest that has received particularly little attention so far. That is: How does the degree to which a firm *itself* develops, specifies, and documents its CM processes – for the utilization of its personnel – influence the firm's business performance?

Hence, our focus is, on the one hand, on the degree to which a firm develops, specifies, and documents processes for CM activities in its own organizational context – rather than on the question what those activities specifically are or should be in generic terms. On the other hand, we explicitly focus on the CM processes as something that can be used as tangible facilitators of the daily work of the firm's customer-facing personnel (especially sales and marketing people). In so doing, we concentrate on tangible CM processes as tools to guide the daily work of the firm's customer-facing personnel, rather than on CM processes as some sort

* Tel.: +358 50 402 7065; fax: +358 9 470 38660.
E-mail addresses: jaakko.aspara@hse.fi, jaakko.aspara@aalto.fi

[1] There is even debate over whether CRM should be viewed, in essence, to be a process or rather a philosophy, strategy, capability, or a technological tool (Zablah et al., 2004) that just manifests as certain firm processes.

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of abstract frameworks which are of interest merely to researchers or top-level firm strategists.

Essentially, the present research contributes to and extends the emerging stream of marketing literature that looks into the fundamental organizational mechanisms that might explain how CM processes contribute to firm performance. Examination of such mechanisms has been increasingly called for in marketing research, as it has been noted that employees and organizational issues are highly critical for successful CM implementation (Boulding et al., 2005; Day, 2002; Reinartz et al., 2004; Srivastava et al., 1999; Zablah et al., 2004). Accordingly, there has been a growing amount of marketing research that takes an employee-oriented perspective to CM processes (Becker et al., 2009; Plakoyiannaki, 2005; Plakoyiannaki et al., 2008). The present research contributes to this literature by explicating the mechanisms of process management and organizational learning, in particular, which will translate the CM processes into improved firm performance. In doing so, our research extends beyond the extant studies' general discussion of "employee/organization support" to CM (cf. Becker et al., 2009; Reinartz et al., 2004) and "employee orientation" in CM implementation (cf. Plakoyiannaki et al., 2008). To achieve our contribution, we build on general management/organization theory that concerns organizational process management (e.g., Benner and Tushman, 2003; Corbett et al., 2005; Singh, 2008) and complement our theoretization with relevant findings of extant marketing and sales management research.

In our theoretization, we focus particularly on processes related to customer acquisition and customer retention – since these are the two most important domains of most firms' CM activities. We test our theoretical model and hypotheses with survey data gathered from 74 business-to-business companies, using partial least squares (PLS) path modeling. This method provides internally valid evidence of the theorized causal relationships of the factors, such as degree of documentation of customer acquisition/retention processes within a firm and continuous development of the processes; the extent to which the processes facilitate the customer-facing personnel's daily work; and firm performance in terms of profitable growth. Also the moderating effect of environmental turbulence is examined.

In sum, our research answers to the call to study the fundamental organizational or managerial mechanisms related to CM (Boulding et al., 2005; Day, 2002; Plakoyiannaki et al., 2008; Zablah et al., 2004). The closest predecessor of our research is the study of Ang et al. (2006), whose customer retention management study contains "explicit customer retention plan" and "documented customer complaint processes" as two variables among others. However, their study only addresses these two particular variables relating to customer retention, while not addressing customer acquisition processes – nor the underlying fundamental process management mechanisms, like our research. In the latter sense, our research also participates in the pursuit of integrating marketing theories and phenomena to fundamental theories of general management and organization behavior (cf. Cardador and Pratt, 2006; Ketchen and Hult, 2011; Aspara et al., 2008).

Note that throughout the article, we will use the term "customer management" (CM) instead of the other common term "customer relationship management" (CRM). This is because the term CRM is often associated with information technology solutions related to dealing with customers – while we are primarily interested in the organizational processes pertaining to managing customers and customer relationships. Thus, to avoid associations with CRM technologies, we utilize the simpler CM term.

2. Theory and hypothesis

2.1. Background: general principles of process management

As the management scholars Benner and Tushman (2003) note in their review of general process management theory and research, firms have adopted process management initiatives in a variety of management areas – ranging from manufacturing and R&D to downstream activities such as customer service and selling. The labels attached to process management initiatives in different context may vary from "process management" and "process organization" to "total quality management" (TQM), "six sigma", "ISO 9000", and "business process reengineering". Among these, TQM and ISO 9000 have been especially widely studied (see e.g., Corbett et al., 2005; Singh, 2008). However, we are not aware of any studies that would look into process management in the CM context in particular, from the organizational and managerial perspective. This is why we introduce, in the following, the general process management principles reviewed by Benner and Tushman (2003) and others (e.g., Corbett et al., 2005; Singh, 2008), and then adapt them to the context of CM.

According to Benner and Tushman (2003), the central idea of process management entails three main practices: mapping/documenting processes, improving processes, and adhering to systems of improved processes. In a similar vein, Corbett et al. (2005) note that the premise of ISO 9000, for instance, is that well-defined and documented procedures improve the consistency of organizational output, and Singh (2008) proposes that installing steady processes into the organization are at the crux of effective process management.

At the outset, an organization that engages in process management is, thus, expected to map and document its processes. In the CM context, process management would, therefore, mean mapping and documenting the organization's CM processes, such as processes for customer acquisition and retention. The term "process", in general, refers to a collection of activities that, taken together, produce outputs for customers (Benner and Tushman, 2003; Garvin, 1998; Ittner and Larcker, 1997). Note, however, that the notion of "customers" here includes not only external customers of the organization's products and services but also a series of internal customers involved in the processes (i.e., recipients of intermediate process outputs within the organization). In the case of CM activities, in particular, a good example of an internal customer could be the salesperson who receives leads and prospects from the organization's lead generation or prospecting sub-process (in marketing).

In any case, the purpose of process management is obviously not to merely map or record the current processes of the organization but to map them out in an improved or rationalized (Benner and Tushman, 2003; Ittner and Larcker, 1997; Repenning, 1999; Winter, 1994) or "re-engineered" (Hammer and Champy, 1993) form. Various techniques for this specification can be used; for instance "value stream mapping" of activities and their mutual links, as recently proposed by Barber and Tietje (2008) for the sales process context. Once mapped and documented, then, the processes hold the promise of being repeatable and replicable, allowing the organization to reap the benefits of the rationalization efforts as well as continued incremental improvements (Benner and Tushman, 2003; Hackman and Wageman, 1995; Harrington and Mathers, 1997; Mukherjee et al., 1998; Winter, 1994).

Insofar as the specified and documented processes succeed in approximating and documenting (or codifying) a firm's *best practices* concerning the process activities, they may – once utilized by the personnel – facilitate their conducting their daily routines more effectively and efficiently (e.g., Singh 2008), through