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Bridging Organizational Learning Capability and Firm Performance through Customer Relationship Management

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Abstract

Management scholars and practitioners became increasingly concerned about the effective management of customer relationships since the recent emergence of customer relationship management (CRM) and the relevant software industry in the late 1990s. This study is driven by the urge to explore the potential mechanisms to leverage and actualize this promising approach – CRM, efficiently as a performance generator for firms following recent research directions. In the light of these arguments in this study, a unified framework where OLC is proposed as an organizational process linking CRM to performance is developed and empirically tested among 103 organizations in the banking sector in Turkey.

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1. Introduction

Management scholars and practitioners became increasingly concerned about the effective management of customer relationships since the recent emergence of customer relationship management (CRM) and the relevant software industry in the late 1990s (Rapp et al., 2010). CRM is an organizational process that integrates employees, organization, business processes, market orientation and information communication technologies, in order to establish, maintain and enhance customer relationships which allow firms to access, store and utilize customer data following its detailed analysis (Hart et al., 2004; Khodakarami and Chan, 2014; Jayachandran et al., 2005). Particularly, CRM uses information technologies as a coordinating tool to maximize customer value and relationship maintenance (Chang and Ku, 2009). However, besides the technical tools, firms need to create an infrastructure that supports and promotes learning in the firm which is suggested to be a critical factor for establishing and maintaining good relationships with customers (Stein and Smith, 2009). These relationships are mainly dependent on the creation, acquisition and integration of knowledge which improve the firm's ability to interact with customers, develop new resources and capabilities and adaptively learn to proactively serve the customers and accordingly contribute to firm performance (Garrido-Moreno and Padilla-Melendez, 2011). Literature implicitly hints that exploring new ways of achieving results, developing shared interpretations, ensuring synergistic information diffusion and timely gathering and integration of knowledge into the firm create a proactive strategy of organizational learning which is crucial for the successful implementation of CRM (Baker and Sinkula, 1999; Herhausen and Schögel, 2013).

It has long been emphasized that the shift from product or transaction based approach towards the long-term customer relationships based approach is a more profitable way of conducting business (Garrido-Moreno and Padilla-Melendez, 2011). Accordingly CRM has been established as a cost, time and resource effective business strategy in re-

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establishing connections with existing as well as new customers (Chen and Popovich, 2003). Research highlights that approximately \$13 billion was spent worldwide on CRM implementation and projects a continuing growth in demand for CRM (Raman et al., 2006). Despite the recognition that customers offer a unique economic value to the firms and the consequent substantial increase in CRM investments (Ngai, 2005), there has been limited effort to highlight the organizational outcomes of this customer centric approach (Mithas et al., 2005). Although some academic research specifically highlighted the positive relationship between CRM and performance, some studies suggested contradictory results regarding the implementation of CRM processes and firm performance. Indeed approximately 70% of CRM projects do not lead to any performance improvement and may even result in losses (Reinartz et al., 2004). These contradictory results suggest the limited empirical research investigating the influence of CRM in organizational performance (Rapp et al., 2010). The rising skepticism regarding the value of CRM for firms hints at the need to investigate the complementary firm resources, competences or processes that synergistically couple with CRM technology in order to create durable customer relationship which serve to enhance firm performance (Chang et al., 2010). Particularly, previous literature emphasize that the development of a dynamic organizational process which enables the creation, acquisition, retention, and integration of knowledge for leveraging resources and capabilities contributes to the successful management of customer knowledge as well as customer relationship (Cambra-Fierro, 2011). Since the main objective of CRM is to identify the high value customers, collaborate with them to gather and integrate information on customers, anticipate new customer needs and deliver customer value through tailored products and services, it requires a strong grasp of tacit knowledge. Therein firms need to establish an infrastructure where technology resources embedded within CRM is deployed in collaboration with complementary knowledge resources in order to develop a performance generating process (Rapp et al., 2010). These suggestions make CRM-OLC link an emerging field of inquiry (Keramati et al., 2010), which drives the primary research motivation for this study. Accordingly the predominant premise of this study is to underline that provided the necessary strategic organizational conditions which enable the acquisition, dissemination and shared interpretation of knowledge, more explicitly the dynamic organizational learning capability (OLC), CRM can be transformed to an outstanding organizational asset for the creation and retention of customer value and higher firm performance.

In light of these arguments, this research serves to a threefold purpose. Firstly, although the literature suggests that knowledge management initiatives (Garrido-Moreno and Padilla-Melendez, 2011), organizational information processes relevant to CRM (Jayachandran et al., 2005), organizational routines that guide behavior and actions (Chang, 2007), past experience (Hart et al., 2004), customer knowledge orientation (Stein and Smith, 2009), knowledge creation (Khodakarami and Chan, 2014) and shared vision (Peltier et al., 2013) promote the successful CRM applications, few studies considered all these elements under the umbrella concept OLC as a leveraging variable which promotes CRM and translate it to firm performance. Second, previous studies in the literature have not come to a consensus regarding the positive performance outcomes of CRM (King and Burgess, 2008). There is little empirical research effort to identify organizational factors and particularly OLC as an underlying ability through which CRM can translate into firm performance (Herhausen and Schögel, 2013). Hence there is an urge to determine the cause of the contradictory results regarding the success or failure of CRM (Raman et al., 2006). Specifically, there appear growing concerns regarding how to incorporate more effective approaches in the implementation of CRM applications so that it boosts firm performance (Herhausen and Schögel, 2013). Third, few studies up to date have regarded CRM as an holistic organizational process and analyzed its performance outcomes through empirical data (Khodakarami and Chan, 2014). No research has empirically tested these relationships between OLC, CRM and firm performance. Hence this study aims to fill these gaps through conceptually developing and empirically testing a model in which OLC acts as an enhancing factor for the performance improvement through CRM in the banking sector in Turkey.

2. Theoretical Framework and Hypothesis Development

Despite the abundant research on CRM the precise meaning of CRM is not yet clear nor a definite conceptual framework underpinning CRM is existent (Sin et al., 2005). Some studies consider CRM as an IT solution and a technological asset to communicate with customers (Keramati et al., 2010), some regard as a customer communication tool (Chen and Popovich, 2003), some suggest that it is an information gathering and sharing platform (Mithas et al., 2005), and some studies think of it as an organizational resource in the relationship building with customers (Ryals, 2003). However, the one-sided evaluation of CRM prevents its successful implementation and constitutes a barrier for firms to leverage CRM as a performance generating strategic integrative framework. This study argues that CRM is a

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