

## Surveying the Influence of Customer Relationship Management on Gaining Competitive Advantage

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### Abstract

Customer relationship management (CRM) is a combination of people, processes and technology that seeks to understand a company's customers. It is an integrated approach to managing relationships by focusing on customer retention and relationship development. In the research we tried to survey the influence of customer relationship management on gaining competitive advantage in an Iranian insurance company (Asia). The research is applicable from goal view and descriptive from data collection. To measure CRM, seven main dimensions contain knowledge management, technology, top management, personnel, personalization and system integrations were applied. A questionnaire include 45 questions was designed and distributed among 334 employees of Asia insurance as statistical sample. The results illustrated that customer relationship management and its dimensions except system integration affect significantly on gaining competitive advantage in Asia insurance. Among CRM dimensions, just personalization and system integration were placed in unfavorable levels. Also personnel, top management and personalization were selected as the most important dimensions.

**Keywords:** customer relationship management, competitive advantage, customer satisfaction

### Introduction and problem statement

The formal exploration process of the marketing strategy paradigm has been linked with the environmental scanning literature as a basis for gathering and processing the information and the information processing theory paradigm. In fact, the importance of environmental scanning has often been linked to firm performance (Daft et al., 1988). Perhaps the marriage of environmental scanning and information processing for effective strategic decision making was best summarized by Belich and Dubinsky (1999), who wrote that:

“The ability to develop adequate organizational mechanisms for information acquisition, dissemination, and effective utilization may be precursors to identifying and effectively adapting to major market shifts”.

Environmental scanning and information processing activities within marketing strategy

have been found to be moderated by the level of environmental uncertainty (Daft and Macintosh, 1981). Daft et al. (1988) posited that as uncertainty increased, information processing activities increased. Environmental uncertainty therefore leads to increasing information processing activities within firms (Culnan, 1983; Daft et al., 1988; Tushman, 1977). Regardless of the complexity and uncertainty inherent in any environment, information processing (a firm's ability to adapt to existing market conditions) is largely dependent on its ability to process relevant market information effectively (Egelhoff, 1982). Brouard (2006) linked competitive intelligence and environmental scanning in the development of an instrument to measure companies' environmental scanning capability. In summary, the rational model of strategic decision-making suggests the need for environmental scanning in order to align the

organization's strategy with its environment. This, in turn, requires the design of appropriate information processing infrastructures. The need for these infrastructures increase as environmental uncertainty and complexity increase. Competitive intelligence is a process involving the gathering, analyzing, and communicating of environmental information to assist in strategic decision-making. As such, it is the fundamental basis of the strategic decision-making process.

Despite the findings on scanning behaviors from the "upper echelon" perspective, questions remain about why managers differ in their scanning behaviors and how managerial scanning for competitive intelligence subsequently impacts their interpretation of organizational competitive advantage. These questions raise three concerns in the current research. First, little is known about the attitudinal antecedent to managerial scanning behaviors, an exploration of which might reveal rich insights into aspects of the psychological scanning process. Second, as noted by Elenkov (1997), few studies have examined the influence of managers' normative beliefs, embodied in organizational expectations and pressures, on managerial scanning behaviors. Third, with few exceptions (Thomas et al., 1993), little research has examined the effect of scanning behaviors on managerial interpretation of organizational competitive advantage. Understanding managerial sense-making through managerial scanning efforts is of strategic importance to both academicians and practitioners since managerial interpretation of organizational strategic position in the complex and dynamic market directly influences action alternatives and subsequent outcomes (Qiu, 2008).

In the current paper we are trying to survey the influence of customer relationship management in Asia insurance.

### **Literature review**

In the past decades, the challenge for businesses was optimizing production process to reply to growing demand, and using marketing techniques to capture customers in the market (Brookes & Palmer, 2004; Gummesson, 1999; Sheth & Parvatiyar, 2002). Goods Manufacturers today are competing in a severe business environment, and transaction marketing (product, price, place, and promotion, the 4 Ps) alone is perceived to be insufficient (Denison & McDonald, 1995; Tapscott & Caston, 1993). As a result, CRM is recommended for establishing unique relationships with customers and for generating more value to goods and services than what is possible through traditional transaction marketing (Grönroos, 2000; Lindgreen & Wynstra, 2005). Customer retention is necessary and this calls for loyalty which is caused by great service, trust and, to a degree, personalization (Abbott, 2001). Then, Relationship marketing is not only about the 4Ps but also long-term relationships, proposing a transaction-relationship continuum (Webster, 1992). An early definition of relationship marketing is provided by Grönroos (1990), "The role of relationship marketing is to identify, establish, maintain and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all other parties involved are met; and that this is done by a mutual exchange and fulfillment of promises". According to Grönroos's definition, then, CRM is "the management of relationship marketing applied to (a business's) customers" (Lindgreen et al, 2004). This is in accordance with Zablah, Bellenger, and Johnston (2004) who identify the goal of CRM as "building and maintaining a profit maximizing portfolio of customer relationships"

The key issues emerging out of the body of literature relating to firms' deployment of CRM include the following:

- The reasons why firms might implement CRM (Objectives)

- The functions that are possible via CRM
- Evaluation of the effectiveness of such tasks
- Critical Success factors for CRM implementation
- Factors for evaluating CRM effectiveness

The literature about the factors driving to CRM success is not reach, although there are some papers proposing holistic models for factors driving to CRM success. In this research we focus on the three systematic models published in 2006. Lindgreen et al. (2006) have proposed a model to assess the management of relationships containing critical aspects of management of customer relationship between an organization and its business customers. In another research, furthermore, Mendoza et al. (2006) have proposed, justified, and validated a model based on critical success factors (CSFs) for implementation and diagnosis of CRM strategy. Their model is confirmed by a set of 13 CSFs with their 55 corresponding metrics, which will serve as a guide for organizations wishing to apply CRM strategy. These factors cover the three key aspects of every CRM strategy; human factor, processes and technology. Bohling et al. (2006) propose a framework for a CRM

implementation. Making CRM a business case together with the measuring the implementation continuously and setting clear business objectives for the project are necessary parts of their model.

In the second part of literature, the current literature about effects of CRM on the performance of organizations has been examined. To the best of our knowledge we are not aware of any study that has rigorously analyzed the effect of CRM systems on performance (Kevin et al, 2006). It is believed that CRM performance should be measured ultimately in terms of business performance outcomes like customer behaviors and financial performance (Kevin et al, 2006). In this research we focus on the frameworks proposed by Kim, Suh & Hwang (2003), Bohling et al. (2006), Kevin et al. (2006), Wang and Lo (2004) and Izquierdo et al. (2005).

**Conceptual framework and hypotheses**

The figure below illustrates the influence of customer relationship management in gaining competitive advantage. In the figure, customer relationship management and its dimensions include knowledge management, technology, top management, personnel, personalization and system integrations are independent variables

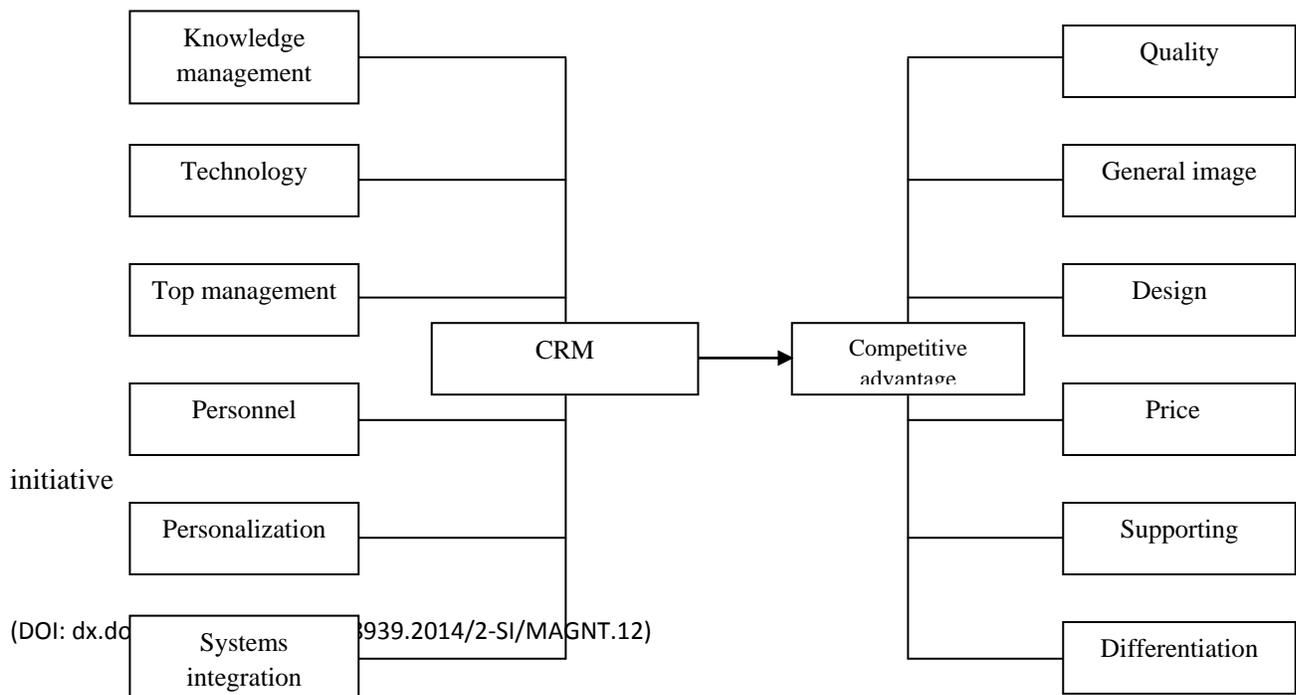


Figure 1: conceptual framework of research

and Competitive advantage is dependent one.

1- Customer relationship management has significant influence on Competitive advantage.

1-1-Knowledge management has significant influence on Competitive advantage.

1-2-Technology affects has significant influence on Competitive advantage.

1-3-Top management has significant influence on Competitive advantage.

1-4-Personnel has significant influence on Competitive advantage.

1-5-Personalization has significant influence on Competitive advantage.

1-6-Systems integration has significant influence on Competitive advantage.

### Research Methodology

The study was done in a society involving 2021 employees of Asia insurance in Tehran- Iran. Whereas this number seems to be too much, the sampling was done through an integral counting method.

$$n = \frac{NZ^2_{1-\frac{\alpha}{2}} pq}{(N-1)\varepsilon^2 + Z^2_{1-\frac{\alpha}{2}} pq} \Rightarrow \frac{2521 \times (1.96)^2 \times (0.5)^2}{2520 \times (0.05)^2 + (1.96)^2 (0.5)^2} \cong 334$$

So the sample is 334 employees. Also the sampling strategy is branch random.

Current study can be considered as a descriptive survey if to view from data collection aspect and as an applied research if to investigate the goals of the study. To collect the data library method (to refer to books, articles, libraries, etc...) and fieldworks (questionnaire) was being used. For gathering data, a questionnaire in two parts was designed with 43 questions with 5 point likert scale.

To analyze the data SPSS 19 and Spearman, Friedman, Chi-square and binomial tests and Entropy technique were utilized.

The management experts were being asked to evaluate the validity of questionnaires. For this mean, the questionnaires were given to some professors and experts in management, and after their modifications were being applied and they confirmed it, the questionnaires were given to the participants.

To determine the questionnaires' reliability, the 'Cronbach Alpha technique' was applied. For this purpose, 30 people were chosen by random (from the statistical samples) and the questionnaires were given to them. The 'Cronbach Alpha' values for all variables were calculated:

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**Table 3: the results of reliability**

Variables	Cronbach Alpha
CRM	0.821
Competitive advantage	0.795

These values support the reliability of questionnaires, because the calculated results for Cronbach's alpha are more than (0.7).

#### 4. Data Analysis

##### 4.1. Kolmogorov-Smirnov test

The test was applied to survey normality of statistical society.

**Table 2: the results of applying Kolmogorov-Smirnov test**

Variables	Sig
CRM	0.000
Competitive advantage	0.000

As table 4 illustrates that normality of normality of statistical society was rejected, so some non-parametric tests were applied.

##### 4.2. Spearman test

To investigate the relationship between customer relationship management and its indices with Competitive advantage, this test was used. The results are shown in table 3:

**Table 3: the results of using Spearman test**

Correlations	Spearman	Sig	Result
Customer relationship	0.000	0.653	Significant relationship
Knowledge management	0.000	0.681	Significant relationship
Technology	0.015	0.622	Significant relationship
Top management	0.033	0.711	Significant relationship
Personnel	0.000	0.559	Significant relationship
Personalization	0.000	0.636	Significant relationship
Systems integration	0.172	0.335	Significant relationship

As table 5 shows, there are positive and significant correlation between customer relationship management and its dimensions apart from system integration with Competitive advantage ( $\text{sig} < 0.05$ ).

##### 4.3. Friedman test

To survey the influence of customer relationship management and its dimensions on Competitive advantage, Friedman test was applied. The results are presented in table 6:

**Table 6: results of using Friedman test**

Path	Standard error	Sig	Result
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Customer relationship	0.05	0.000	Significant influence
Knowledge management	0.05	0.000	Significant influence
Technology	0.05	0.000	Significant influence
Top management	0.05	0.025	Significant influence
Personnel	0.05	0.000	Significant influence
Personalization	0.05	0.026	Significant influence

As table 6 shows customer relationship management and its remained dimensions affect significantly on competitive advantage.

#### 4.4. Entropy technique

The technique was applied to prioritize customer relationship management dimensions.

**Table 7: The results of applying Entropy technique**

Dimensions	Weight	Rank
Knowledge management	0.09	6
Technology	0.13	5
Top management	0.20	2
Personnel	0.21	1
Personalization	0.19	3
Systems integration	0.18	4

Tables 7 illustrates that “personnel”, “top management” and “personalization” is the most important dimension and humility is the last one.

#### 4.5. Binomial test

Binomial test has been applied to measure the “Competitive advantage”, “customer relationship management” and its dimensions in statistical society. The results are shown in table 8:

**Table 8: The results of applying Binomial test**

Variables	observed prop	Test prop	Sig	Result
Customer relationship management	0.60	0.5	0.000	Favorable level
Knowledge	0.51		0.000	Favorable level
Technology	0.56		0.039	Favorable level
Top management	0.43		0.000	Unfavorable level
Personnel	0.65		0.018	Favorable level
Personalization	0.37		0.000	Unfavorable level
Systems integration	0.57		0.000	Favorable level
Competitive advantage	0.75		0.000	Favorable level

As table 9 shows all variables apart from “top management” and “personalization” were placed in high levels.

### Conclusion

In the current paper we tried to survey the influence of customer relationship management on gaining competitive advantage in Asia insurance. The results show that customer relationship management and its dimensions except system integration affect significantly on gaining competitive advantage. Among CRM dimensions “personnel”, “top management” and “personalization” were selected as the most important dimensions. Meanwhile “top management” and “personalization” were placed in low levels.

As “top management” was placed in unfavorable level and from the other side was selected as the second important dimension, managers are suggested to attend it. It can be claimed that improving the factor will affect competitive advantage in Asia insurance significantly.

Attending to the results, managers are advised to:

- Considering appropriate budget to utilize newer and updated technologies like modern software
- Servicing in base of customers’ needs and desires
- designing suitable tools like knowledge management integrated system
- making educational courses to make employees more familiar with knowledge management definition and tools
- linking organizational vision and mission with the strategies and executive plans
- measuring customer satisfaction periodically
- have periodic meeting with goal customer to find their wants

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