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IMPACT OF CRM CAPABILITY DIMENSIONS ON ORGANIZATIONAL PERFORMANCE

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Abstract

This study was conducted, to examine the impact of CRM capability dimensions, on organizational performance. The study identified four customer relationship management capability dimensions, which play a significant role in an organization. Data were collected through employees of telecom sector. The sample size was 250 employees. Convenience sampling was used. The Cronbach's Alpha was applied to test the reliability of questions. The descriptive technique was used, to analyse the perception of respondents, which was gathered through the administration of survey questionnaire. This study could help companies to improve the organizational performance. Developing long term relationship with customers could help in improving financial performance of the company or an organization. The result indicated that there was no impact of customer orientation and CRM technology on organizational performance while CRM process and CRM organization reported significant impact on organizational performance.

Keywords: *Organizational Performance, Customer Relationship Management, Customer Orientation and CRM Technology*

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1. Introduction

The concept of Customer Relationship Management (CRM) became popular in the late nineties. CRM helps to retain old customers and create new customers. The understanding of customer relationship is becoming more and more important due to the emerging competitive world **(Reinartz, W., et al., (2004)**. This study defines CRM as an organizational capability, that enables a company to manage long term profitable relationships with its customers and to enhance its competitive position. The capability of CRM is based on the combination of four resources: CRM technology, CRM processes, Customer orientation, and CRM organization. Customer relationship management is a systemic managerial process for creating, maintaining, and developing relationships with customers, in every position, in order to raise organizational performance **(Richards and Jones, 2008)**. A capability is defined as the holding ability of a team of resources to bond together to perform an activity. Customer Relationship Management (CRM) is the entire process that focuses on the tie up between the organization and its customers. CRM is a system of managing interactions with old and new customers. Customer relationship management is an interesting topic in the business field **(Rashid, B. B., & Tahir, S. B. 2013)**.

2. Review of Literature

Verhoef, P. C. (2003) investigated the differential effects of customer relationship perceptions and relationship marketing instruments on customer orientation. Satisfaction and affective commitment positively influence customer orientation. Survey data were collected from a random sample of 6525 customers of the company. Regression revealed that there was relationship between customer orientation and customer satisfaction. **Reinartz, W., et al.,** **(2004)** investigated relationship between CRM and firm's performance. They collected cross country and cross industry data and concluded that CRM was a good tool for the performance of organizations. **Shaker, T. I.,** and **Basem, Y. A. (2010)** examined the theoretical foundations of relationship marketing concept. This paper revealed that there was positive relationship between marketing performance and organizational indicators. Customer relationship is the most important factor for the success of a company. **Chang (2010)** explained how CRM technology could be converted into organizational performance and how CRM could play a role in the improvement of CRM technology. CRM technology is assumed to focus on sales service and analysis support to improve organizational performance. The objective of the study was to determine the CRM technology as a facilitator of organizational performance. Data from 550 Korean companies revealed that there was relationship between CRM technology and organizational performance. **Abdullateef (2010)** explored the relationship between CRM dimensions and performance of call centers. Call center managers were interviewed and the results revealed that there was positive relationship between CRM dimensions and organizational performance. **Roberts-Lombard (2011)** investigated the relationship between CRM and customer orientation. The regression analysis of the sample of 254 customers, indicated that positive influence was exercised by customer orientation. **Mohammad A.A (2012)** investigated how CRM technology, CRM organization and customer orientation had contributed towards hotel performance. Dimension of CRM played an important role in achieving organization performance. CRM dimensions did have significant relationship with organizational performance. **Maggie Qiuzhu Mei (2012)**

investigated how the customer orientation was helpful in organizational performance. The study revealed that if there was no customer orientation, then organization would end up with unresponsiveness. Customer orientation basically refers to fulfillment of expressed and unexpressed needs of customers in order to be a successful organization. Sales growth can only be improved if there is customer orientation. Customer orientation is the best factor to increase perception of opportunity.

3. Statement of the Problem

Improving performance has become a company-wide effort as the increasing globalization of business emphasizes continuous improvement. Customer Relationship Management (CRM) is the preferred approach to achieve this end. All employees should know that satisfying customers is fundamental to the long term firm performance. But customer satisfaction can only be achieved after first defining the customer groups and developing long term customer relationship.

4. Need of the Study

Despite the enormous research on CRM, it is still not well understood in Asian countries, especially in Pakistan. Few studies have been conducted in Pakistan during the last decade and this study was conducted to examine the impact of CRM capability dimensions on organizational performance. The CRM capability dimensions include customer orientation, CRM technology, CRM processes and CRM organization. Interaction with customers is very important for any organization. A survey was conducted to know the impact of the customers' feedback on CRM capability dimensions and organizational performance. This study would be helpful for companies to raise organizational performance.

5. Objectives of the Study

(i) To study the impact of Customer orientation on organizational performance.

(ii) To study the impact of CRM technology on organizational performance.

(iii) To study the impact of CRM processes on organizational performance.

(iv) To study the impact of CRM organization on organizational performance.

6. Hypotheses of the Study

NH-1: Customer orientation has no impact on organizational performance.

NH-2: CRM technology has no impact on organizational performance.

NH-3: CRM processes has no impact on organizational performance.

NH-4: CRM organization has no impact on organizational performance.

7. Methodology of the Study

The purpose of this study was to see the impact of CRM capability dimensions on organizational performance. In this study, Organizational Performance was taken as the dependent variable, and the independent variables were customer orientation, CRM technology, CRM process and CRM organization.

7.1 Operationalization of Variables

Jayachandran et al., (2005) took customer orientation as the independent variable, with reference to customer retention and customer relationship. **Jayachandran et al., (2005)** and **Chang et al,. (2010)** treated CRM technologies as the independent variable and studied it with respect to sales support and analysis support to relate it to the organization performance.

Jayachandran et al., (2005) also considered CRM Process as the independent variable, along with Information Reciprocity and Information

Capture to maintain and boost the organization performance. **Yim at al., (2004)** focused on CRM organization as the independent variable through management control, employee performance and resource allocation, to increase the firm performance.

7.2 Administration of Instrument

Organizational performance was based on the scale developed by **Li et al., 2006.** The organizational performance was measured, using one dimension scale called the financial performance (5 items). The organizational performance was measured as a dependent variable in many studies. CRM technology was based on the scale developed by **Jayachandran et al.(2005)**. CRM technology was measured by using two dimension scale: Sales support (4 items) and Analysis Support (5 items). CRM process was based on the scale developed by **Jayachandran et al. (2005).** CRM process was measured by using two dimensions: Information Reciprocity (3 items) and Information Capture (5 items). Customer orientation was based on the scale, developed by **Jayachandran et al. (2005)**. Customer orientation was measured in 4 items. CRM organization was assessed by using the scale, developed by **Yim et al. (2004),** which consists of seven items.

7.3 Sample Selection

Convenience sampling technique was used in this research project. Sample size was 250 employees, identified from telecom sector.

7.4 Sources of Data

For the purpose of this study, a structured questionnaire was used to collect primary data. From the total of 250 questionnaires, 50 questionnaires were distributed each in Ufone, Warid, Mobilink, Telenor and Zong to study the impact of CRM capability dimensions on organizational performance of telecom sector.

7.5 Period of the Study

All the employees from Lahore City in five companies Ufone, Warid, Mobilink, Telenor and Zong were considered for this study and data were collected from December 2017 to May 2018.

7.6 Tools Used in the Study

Reliability analysis was used to check the validity of questions, Further, correlation matrix, regression analysis and ANOVA were used for testing the hypothesis, formulated for the study.

8. Data Analysis

8.1 Reliability Test

According to the **Table-1**, the first variable was customer orientation, which recorded 0.783 Cronbach value and the number of items was four. This value of 0.783 was reliable because it was greater than 0.7. The second variable was also reliable as it recorded 0.814 cronbach value, which was also greater than 0.7. Number of items was nine in this variable. The cronbach value of third variable, which was CRM processes, was 0.742 and hence reliable, and it had seven items. CRM organization, which was the fourth variable, recorded 0.784 Cronbach value, which was greater than 0.7. Since it was greater, it was also reliable and number of items was seven in this variable. The fifth variable was the dependent variable, called the organizational performance, whose cronbach value was 0.759. It was also reliable and it had five.

8.2 Correlation Matrix

Table-2 shows that the value ranged from 0.3 to 0.7 and hence there was moderate and positive relationship between dependent and independent variables. Customer orientation and CRM technology reported weak relationship with organizational performance while CRM process and CRM organization recorded moderate relationship with organizational performance. It is evident that only CRM process and CRM

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organization excercised significant impact on organizational performance, as they recorded values less than 0.05.

8.3 Regression Analyses

Larger the value of R square, the better for the research. According to the **Table-3,** the value of R square was 33.1%, indicating that 33.1% of variation in the dependent variable was caused by independent variables. The value of adjusted R square indicated that model possessed overall strength. Lastly, standard error of the estimates revealed the extent to which it stood for accuracy. The value of standard error was 82.732%, which indicated that representation of sample to the population was above average.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_{2+} \beta_3 X_{3+} \beta_4 X_{4+\epsilon} \quad \text{......... (1)}$$

$$Y = \alpha + 0.087 X_1 + 0.053 X_2 + 0.271$$

$$X_3 + 0.631 X_4 \quad \text{......... (2)}$$

After putting values in the above equation, from the **Table-4,** it was indicated that:

1 unit increase in (customer orientation) causes 0.087 increases in Y (Organizational performance).

1 unit increases in (CRM technology) causes 0.053 increase in Y, (Organizational performance).

1 unit increase in (CRM processes) causes 0.271 increases in Y (organizational performance).

1 unit increase in (CRM organization) causes 0.631 increases in Y (Organizational performance).

Table-5 shows that the F-value of 2.37 was less than F obtained value of 30.370 and the model fitness was good. Alternative way of comparison was done by computing the level of significance (α) with P-value. That is, if, P-value was < α, we will reject H0. Or if P-value was > α, we will not reject H0. Therefore, NH-1: Customer orientation has no impact on

organizational performance, was accepted because 0.747 was > 0.05. Alternative way of comparison was done by computing level of significance (α) with P-value. That is, If P-value was < α, we will reject H0. Or if P-value was > α, we will not reject H1. **NH-2: CRM Technology has no impact on organizational performance,** was accepted because 0.034 was < 0.50 **(Table-6)**. The null hypothesis was rejected and alternate hypothesis was accepted. Alternative way of comparison was done by computing the level of significance (α) with P-value. That is, if P-value was > α, we will reject H1 and if P-value was < α, we will not reject H1. Therefore, **NH-3: CRM Process has no impact on organizational performance,** with the equation 0.000 < 0.05, was rejected and alternate hypothesis was accepted. Alternative way of comparison was done by computing level of significance (α) with P-value. That is, if, P-value was > α, we will reject H1 and if P-value was < α, we will not reject H1. Therefore, **NH-3:. CRM organization has no impact on organizational performance,** was rejected.

9. Findings of the Study

The study was about the impact of CRM capability dimensions on organizational performance. The independent variables were customer orientation, CRM technology, CRM processes and CRM organization. In general terms, four CRM capability dimensions recorded positive link with performance. But when the impact of those variables on performance was measured, only CRM organization excercised significant impact on organizational performance. The findings of the research also declared that CRM organization did have significant impact because its significant value was 0.034, which was less than 0.05 **Hair, et al. (1998).** When the impact of CRM technology and customer orientation on performance was measured, it was proved that CRM technology and Customer

orientation had no significant impact on organizational performance .They reported a positive link with organizational performance but did not exercise any impact on performance. The reported values also revealed that CRM organization was significant predictors for performance. The findings of the research also proved that customer orientation and CRM technology were not significant predictor for performance. The study also proved that they recorded weak relationship with organizational performance**(ElKordy, M. 2014).** The research conducted by **Reinartz, W., et al., (2004)** proved that CRM processes did have significant impact on organizational performance. The findings of the research confirmed that the third variable, CRM processes, did have significant impact on organizational performance as its significant value was less than 0.05. Many other previous studies have provided evidence on the importance of CRM organization. Without CRM organization, it is very difficult to develop CRM technology, CRM processes or Customer orientation **(Barney, 1995).**

10. Suggestions

A firm should align CRM organization in order to raise organizational performance. Researcher need to add more CRM capability dimensions in order to increase the power of the predictive model. The value of CRM should be assessed in other contents such social networks or electronic market. CRM organization and CRM processes are significant predictor and hence the future studies need to investigate other dimensions of CRM. More ways should be devised to raise or increase the oganizational performance, by taking more feedbacks from employees of different organizations. More CRM processes or activities should be added to develop a profitable organization. The replication of the study should be done by taking large sample because this study was limited to only one sector.

11. Conclusion

This study provides a clear model of CRM capability dimensions. The model depicts how the CRM capability dimensions are interrelated to one another. The proposed dimensions can be used by decision makers in helping companies to achieve organizational performance .The proposed model of CRM capability dimension is anchored in marketing and management literature. A firm should develop CRM organization in order to develop all other dimensions of CRM. The study has proved that CRM organization and CRM processes did have significant impact on organizational performance. The study also assured tha telecom sector that CRM organization and CRM processes could be used in order to improve organizational performance.

12. Limitations of the Study

The sampling collection for this study focused only on Punjab in Pakistan. The sample size was also not large enough, though sufficient for the type of analysis carried out. The sample size could have been extended to ensure that each network carrier's service provider was moderately represented by respondents.

13. Scope for Further Research

The future research should investigate other developing countries and add more number of respondents because in other developing countries, the service must be diverse compared with Pakistan. The number of respondents should be higher because if the number of respondents is enlarged, the result must be precise. Furthermore, this study aggregated responses across all telecom service providers. This may not disclose the true performance of individual players. Future studies may benefit from examining each telecom service provider, by combination of responses according to customers' network subscription and, possibly, contrast them along with

study variables, to establish how their market share compared with crucial marketing attributes. Large data set may be essential to provide strong results, conclusions and recommendations.

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Table-1: Reliability Test

Customer Orientation	0.783	4
CRM Technology	0.814	9
CRM Processes	0.742	7
CRM Organization	0.784	7
Organizational Performance	0.759	5

Source: Data compiled by Authors

Table-2: Correlation Matrix for CRM Capability on Organizational Performance

Variables		C.O	CRM.T	CRM.P	CRM.O	O.P
Customer Orientation	Pearson Correlation	1	0.258**	0.157*	0.382**	0.092
	Sig. (2-tailed)		0.000	0.013	0.000	0.149
	N	250	250	250	250	250
CRM Technology	Pearson Correlation	0.258**	1	0.362**	0.169**	0.154*
	Sig. (2-tailed)	0.000		0.000	0.007	0.061
	N	250	250	250	250	250
CRM Process	Pearson Correlation	0.157*	0.362**	1	0.457**	0.328**
	Sig. (2-tailed)	0.013	0.000		0.000	0.000
	N	250	250	250	250	250
CRM Organization	Pearson Correlation	0.382**	0.169**	0.457**	1	0.376**
	Sig. (2-tailed)	0.000	0.007	0.000		0.000
	N	250	250	250	250	250
Organizational Performance	Pearson Correlation	0.092	0.154*	0.328**	0.376**	1
	Sig. (2-tailed)	0.149	0.061	0.000	0.000	
	N	250	250	250	250	250

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Data compiled by Authors

Table-3: Modal Summary for CRM Capability on Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	0.576[a]	0.331	0.321	0.82732	1.679

Source: Data compiled by Authors

Table-4: Coefficients for CRM Capability on Organizational Performance

Model		Unstandardized Coefficients		Standardized Coefficients	t-value	Sig.	Co-linearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.737	0.432		4.022	0.000		
	Customer Orientation	-0.090	0.083	-0.070	-1.083	0.280	0.808	1.238
	CRM Technology	0.068	0.079	0.055	0.859	0.391	0.822	1.216
	CRM Process	0.225	0.088	0.177	2.553	0.011	0.701	1.426
	CRM Organization	0.381	0.085	0.313	4.476	0.000	0.689	1.452

a. Dependent Variable: Organizational Performance

Source: Data compiled by Authors

Table-5: ANOVA Analysis for CRM Capability on Organizational Performance

	Model	Sum of Squares	Df	Mean Square	F-value	Sig.
1	Regression	83.148	4	20.787	30.370	0.000[a]
	Residual	167.694	245	0.684		
	Total	250.841	249			

a. Predictors: (Constant), CRM Organization, Customer Orientation, CRM Process, CRM Technology
b. Dependent Variable: Organizational Performance
Source: Data compiled by Authors

Table-6: Coefficients for CRM Capability on Organizational Performance

	Model	t-value	Sig.
1	(Constant)	-0.348	0.728
	Customer Orientation	0.675	0.500
	CRM Technology	0.323	0.747
	CRM Process	2.127	0.034
	CRM Organization	5.487	0.000

Source: Data compiled by Authors