Can Firms Develop a Service-Dominant Organisational Culture to Improve CRM?

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ABSTRACT

CRM is more than the tactical application of technology solutions; it is a broader strategic approach to managing customer relationships (Payne and Frow, 2005) in order to create value. This article will review the challenges of creating the right organisational context to manage the value exchange, in order to create the right level of value for the customer in the application of CRM. One of the reasons CRM initiatives have failed in the past has been a focus only on the value that the firm can gain from a relationship, without consideration of the benefits in terms of customer experience and their perception of value. With recognition that the customer plays an active role in service models and subsequently the work triumphed by Lusch and Vargo (2004; 2006a; 2008) around the importance of a service-dominant logic (S-DL) for marketing, it has been increasingly recognised that the customer's perception of value-in-use is facilitated by relationships with customers. However, traditionally managers have been trained to think from a product-dominated perspective and to create value offerings for (not with) the market. If application of service-dominant logic is to lead to firms developing competitive advantage through more effective co-creation of customer-perceived value, then firms need to attempt to ‘manage’ their organisational climate in order to support delivery of effective CRM solutions with a culture that enables and encourages staff to work to develop relationships that create value with customers that encourage those customers to stay in those relationships. Relevant literature across a number of research paradigms is reviewed and an agenda for future research is discussed.

Keywords: CRM, Organisational Culture, Service-Dominant Logic

INTRODUCTION: WHAT DOES CRM INVOLVE?

Customer Relationship Management has been discussed extensively since the early 1990’s and yet consensus on what it actually is has failed to materialise (Buttle, 2009). Definitions range from inward-outward approaches that help firms to do things to customers (software solutions or at best IT capabilities for management of customers), (Buttle, 2009) to the more outward-inward strategic outlook that aims to satisfy customers and thus generate maximum profit and/or revenue through developing customer-centric behaviour (Ehrenthal, 2005) and relationships with customers (Reinartz, Krafft, & Hoyer, 2004). Payne (2006) reports that “appropriate marketing strategy, IT systems
and organizational culture” (p.353) are necessary for CRM to be ‘effective’. Verhoef and Langerak (2002) suggest that CRM involves creating a customer-orientated philosophy or culture, utilising customer orientation, relationship marketing and database marketing to create value for customers using information and communication technology as tools. Buttle (2004) and Payne and Frow (2006) offer two of the most developed models of CRM which identify ‘culture and leadership’ and ‘change management’ respectively as key for CRM implementation. The key to understanding CRM is to recognise that it not merely software or a tactical tool but the combination of a customer-focused strategy and practises, that lead to the right processes, supported by the right systems and software, which can lead to increased customer satisfaction and retention, reduced cost-to-serve, more effective use of information and increased profitability over time (Buttle, 2009; Rigby, Reicheld, & Schefter, 2002; Srivastava, Shervani, & Fahey, 1999). Fundamentally CRM is more than a single over-riding strategy; it is a combination of multiple phenomena and practises (Payne and Frow, 2006) with Zablah, Belbenger, & Johnston (2004) suggesting that it is a combination of strategy, processes, philosophy, capability and IT. The objective of this article is to review dominant organisational logic and its impact on market orientation climate/culture in order to call for research into their effects on CRM programmes. Boulding and colleagues crystallise multiple conceptualisations of CRM to deliver the following definition:

Specifically, CRM relates to strategy, the management of the dual creation of value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long term) relationships with specific customers and/or customer groups, and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value. (Boulding, Staelin, Ehret, & Johnston, 2005, p.157)

Frow and Payne (2009) offer an evolved definition which outlines the differences between CRM and relationship marketing and stresses the cross-functional nature of CRM and its focus on efficient value creation, however Boulding et al.’s (2005) definition is preferred in this work because it adopts the terminology ‘dual’ rather than ‘co-creation’ of value which allows for subsequent debate on the nature of value creation.

Gummesson (2002) calls for a re-evaluation of market management theory arguing that relationship marketing could offer the basis of a general theory for marketing, but that further development of understanding of its form and component features is required, whilst Grönroos (2006) cautions that alone it is not enough, but that relationship marketing plays a role in defining marketing combined with understanding of customer value and the need to fulfil customer promises; processes for which CRM has a significant role to play. In order to fulfill promises to customers, firms have to understand and act on their customers’ perceptions of value, which a service-dominant approach enables; to achieve this CRM must be flexible, integrative and as highlighted by Payne and Frow (2006), cross-functional, in order to utilise a firm’s competencies effectively. Buttle (2009) and Payne (2006) highlight that firm culture is a key influencer of effective CRM but traditionally CRM initiatives have made little consideration of culture. Research outlining the role culture might play is slowly beginning to emerge. If, as Vargo and Lusch (2008a) contend, senior managers demand that their organisations shift from a product- or goods-dominant to a S-DL then it is contended that a change in organisational climate will result if the shift is effectively implemented which could influence culture and lead to improved CRM effectiveness: “The sheer scale of change management needed is often not recognised by companies…this is a critically under-emphasised element which
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