

# Assessing the Influence of Customer Relationship Management (CRM) Dimensions on Bank Sector in Sudan

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**Abstract:** The objective of this study is to explore the relationship between CRM dimensions (customer orientation, CRM organization, knowledge management, and technology based CRM) and the organization performance (customer perspective) in Sudanese banks. This study conducted a quantitative study, the response came from the managers of 127 banks and regression analysis in pursuance of the study's stated objectives. Findings – The results of this study suggest that all dimensions of CRM (i.e. customer orientation, CRM organization, knowledge management and technology based CRM) have a positive and significant impact on different perspectives of banks performance. However, CRM technology failed to show a significant relationship with learning and growth perspective of banks performance. Practical implications – Meaningful implications are made that building an extensive and effective CRM dimensions in banks firms is crucial to face a high competition and improve performance in Sudanese banks sector. Originality/value – The paper addresses CRM dimensions issues specifically for banks in Sudan.

**Keywords:** CRM, CRM organization, Customer orientation, Bank performance, Knowledge management, Technology based CRM, balance score card (BSC), resource based view (RBV).

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## 1. INTRODUCTION

CRM is a modern orientation to classify the bank's most profitable customers, gives an extra time and attention to build strong relationships with those customers through providing an individualized marketing, and customized service-all delivered through the various sales channels that the bank uses. The customer relationship management system is one of the most important solutions that allow marketing activities, and thus gain a competitive advantage, it works in to make the customer the centre of attention, helping customer relationship management system to form an integrated database with which it can established achieve all business sales and follow-up work and opening accounts for customers and save all operations done on a daily basis, and delivering reports and Order Business preview and efficient staff in the performance of the business and keep the relationship with the client at the required level. Today, many businesses such as banks and other service providers realize the importance of Customer Relationship Management (CRM) and its potential helping in attract new customers and retain existing ones. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers. Loyalty increases repurchase behavior because loyal customers demonstrate greater resistance to counter persuasion and negative word of mouth. Loyal consumers might be less price sensitive, and decrease the risk of defection due to competitors' promotional activities (Ming et al., 2011). A direct relationship between customer loyalty and relationship quality has been anticipated by a number of authors. Webster (1994) claims that "Customer loyalty has meaning only within the context of relationship quality", the importance of Relationship Marketing is giving the firms competitive advantages. Similarly, the impact of CRM implementation on organization performance has not received

sufficient attention from academics and there is still a lack of empirical studies in this area (Krasnikov et al, 2009). Additionally, Sin et al. (2005) asserted that it will be useful to explore the complexities of the relationship between CRM dimensions and alternative perspectives of performance in future studies. Also, Zablah et al. (2004) mentioned that the mechanisms through which CRM enhances performance are not well understood, and therefore managers have little guidance on how to focus their CRM effort to improve the performance of their organization. As results, the main aim of this study is to investigate the complexities of the relationship between CRM dimensions and various performance perspectives in the bank sector. The main research questions in this study are: Q1. To what extent do CRM dimensions influence the different perspectives of bank performance? Q2. Which one of these dimensions has the most influence? The answer of these questions will be useful for both academics and practitioners, as they will fill the gap in the CRM literature identified above (Akroush et al., 2011).

**Customer-orientation:** Studies have demonstrated that stronger customer-oriented behaviours in organizations have a positive impact on the organizations' performance (Kim, 2008). This suggests that managers need to adopt a customer-centered strategy, implying a modification and adjustment of cultural norms, organizational structure, and employee performance measures and rewards (Minghetti, 2003). When employees of customer-oriented provide a superior service as a representative of the bank, the service image of the hotel will improve, and will have a direct relationship with process fit after system implementation (Fan and Ku, 2010). Due to the fluctuating market environment and rapid competition in the banks sector, banks managers spend efforts to maximize business results through growth and increasing profitability. Thus, a more customer-oriented approach may be the best possible recourse for them to improve their performance (Tajeddini, 2010). **CRM organization:** In cases where an organization lacks a culture focused on development of long term customer relationship, CRM implementation may fail as the organization is clearly not ready for it (Dutu and Halmajan, 2011). Linked to this, Mechinda and Patterson (2011) stated that for service employees to display customer-oriented behaviour, organizations must develop a climate for service in the work (e.g. providing staff with modern tools and technology, customer satisfaction tracking and complaint management systems, inspiring service leadership, and an appropriate reward system). Established on these provisions, an organization can achieve desirable employee customer-orientation behaviours. **Knowledge management:** In recent years, customer knowledge has been considered as a critical organizational resource, and that the techniques of transmission of knowledge regarding customers are core resources that allow a company to strengthen its link with the customers, and achieve sustainable competitive advantage (Croteau and Li, 2003). As a result, customers' knowledge plays a vital role in CRM. Organizations can use it to build and develop their relationship with customers (Zahay and Griffin, 2004), and it allows organizations to gain a competitive advantage in the market (Sin et al., 2005). Furthermore, successful CRM is predicated on effectively transforming customer information into customer knowledge (Plessis and Boon, 2004). **Technology-based CRM:** With advances in information communication technology (ICT), a modern system can be used to improve the power of organizations to reduce internal costs, better interact with the environment, and increase economic profit in the long term. In this regard Dutu and Halmajan (2011) opined that CRM strategy will fail to come up with the expected results if proper use of information technology is not ensured during the process. Furthermore, the use of CRM technology is expected to enhance the company's capability to sustain profitable customer relationships by the enabling information integration and sharing that influences smooth and efficient firm customer interactions, appropriate analysis of customer data and customization of response (Mukerjee and Singh, 2009).

#### **Measuring hotel performance:**

Studies on firms' performance have adopted various approaches to conceptualize and measure performance. It has been argued that performance is a multi-dimensional construct that cannot be adequately reflected in a single performance item (Randolph and Dess, 1984). This argument suggests that a composite measure of performance would reflect more accurately a firm's improvements, as opposed to a single qualitative or accounting-related performance measure. Therefore, this study used the balance score card (BSC) approach to measure banks performance, since BSC not only includes financial measures (measures based on financial metrics) but also includes three other non-financial measures: customers (measures are concerned with what really matters to the customers); internal process (measures related to the critical internal processes in which the organization must excel to implement strategy); and learning and growth perspectives (measures focused on building continuous improvement in relation to products and processes, and to also creating long-term growth) (Kaplan and Norton, 1992). Using the four BSC perspectives to evaluate the performance of

banks, and based on previous the impact of CRM dimensions on organizational performance as well as resource based view (RBV) theory that advocates that all of resources (i.e. customer-orientation strategy, CRM organization, knowledge management, and technology-based CRM) leading to competitive advantage, this study proposes the following hypotheses:

- H1. CRM dimensions have an influence on the financial performance perspective.
- H2. CRM dimensions have an influence on the customer performance perspective.
- H3. CRM dimensions have an influence on the internal process performance perspective.
- H4. CRM dimensions have an influence on the learning and growth performance perspective.

## 2. METHODOLOGY

### 2.1 Research framework

The relationship between variables in this model is based on RBV theory, which proposes that organizations that have valuable resources can successfully implement a business strategy to create competitive advantage and consequently improve organizational performance (Mohammad et al., 2013).

- Dependent variables: CRM dimensions; (customer orientation, CRM organization, knowledge management, and technology based CRM).
- Independent variables: Organizational Performance; (financial performance, customer performance, internal process performance, learning and growth performance).

### 2.2 Data collection

Leedy and Ormrod (2005) mentioned that the best way to learn about the relationship among measurable variables with the intention of explaining, predicting and managing phenomena is the quantitative research method. Additionally, the quantitative approach is very useful to analyze and prove theories, discover important variables for future research and relate variables posed by questions or hypothesis, using standards of validity and reliability and statistical procedures (Creswell, 2009). As a result, the study used the survey method to test the hypotheses, with a standardized questionnaire as the main data collection tool. Structured questionnaires are distributed to total of (127 banks senior managers). The covering letter attached to the respondents explains the aims of the study and ensures the confidentiality of the information; the study used banks managers as the respondents. To increase the respondents' completion rate, this sample consists of bankers working in local and foreign banks in Sudan. A total of 80 questionnaires were returned to researcher, so only 80 questionnaires were useful for analysis.

### 2.3 Measures and scales:

The customer-orientation construct was operationalized using the measurement developed by Moreno and Melendez (2011). The CRM organization, knowledge management and technology-based CRM were operationalized using the instrument developed by Sin et al (2005) and Yim et al. (2005). For banks performance, the study used the tool suggested by Wu and Lu (2012). All of the hypotheses in this study were captured via a five-point Likert scale. Furthermore, to investigate the reliability of the questionnaire, the study used Cronbach's  $\alpha$  coefficient on all the constructs and the scores for all the variables were indicative of the questionnaire's having a high level of reliability, higher than 0.70. Reliability of the research instruments in terms of their internal consistency is within a satisfactory level. In terms of validity, since all the items included in this study were carefully chosen from previous empirical studies, it can be argued that the content of the individual constructs are valid (Sekaran and Bougie, 2010). Table I provides the reliability tests of all constructs.

**Table I. Cronbach's  $\alpha$  and reliability test**

	No. of items	Cronbach's $\alpha$
Customer orientation	7	0.80
CRM organization	6	0.71
Technology-based CRM	5	0.75

Knowledge management	4	0.81
Hotel performance: learning and growth perspective	5	0.69
Hotel performance: internal process perspective	6	0.72
Hotel performance: customer perspective	4	0.70
Hotel performance: financial perspective	4	0.73

**2.4 Results**

The explanation of the regression is based on the standardized coefficient beta ( $\beta$ ) and R 2, which provides evidence to support or not the hypotheses. In terms of financial performance, the results reveal that CRM dimensions have a positive and significant relationship with the financial perspective of banks performance. Table 2 indicates that 30 per cent of the variation in financial performance in the banks sector is explained by CRM dimensions. On one hand, the findings indicate that CRM organization was the strongest predictor of variation in financial performance of banks sector. On the other hand, the other dimensions of CRM have the same influence on financial performance. Thus, the findings provide support for H1 (i.e. CRM dimensions have an influence on the financial performance perspective). The results also show that 38 per cent of variation in customer performance in the banks sector is explained by CRM dimensions. The findings discovered that CRM organization has the strongest predictor of variation in customer performance of banks. Next, in sequence, are technology-based CRM and knowledge management. Consequently, the findings and results provide support for H2 (i.e. CRM dimensions have an influence on the customer performance perspective). Regarding the impact of CRM dimensions on internal process, CRM dimensions explained 33 per cent of variation. The findings indicate that CRM organization is the strongest predictor of variation in internal process performance of banks sector. Next, in sequence, are knowledge management, customer orientation and technology-based CRM. Consequently, the findings provide support for H3 (i.e. CRM dimensions have an influence on the internal process performance perspective). Finally, the results in Table 2 indicate that 35 per cent of variation in the learning and growth perspective of banks performance is explained by CRM dimensions. The findings reveal that CRM and customer orientation are the strongest predictors of variation in the learning and growth perspective. However, technology-based CRM failed to show a significant relationship with the learning and growth perspective of banks performance, although it maintained a positive relationship. Therefore, H4 (i.e. CRM dimensions have an influence on the learning and growth performance perspective) is supported.

**Table 2. Summary of multiple regression analysis for CRM dimension influencing banks performance.**

	<b>financial performance</b>	<b>customer performance</b>	<b>internal process</b>	<b>learning and growth performance</b>
<b>customer orientation</b>	<b>0.17</b>	<b>0.16</b>	<b>0.17</b>	<b>0.24</b>
<b>CRM organization</b>	<b>0.22**</b>	<b>0.34**</b>	<b>0.24**</b>	<b>0.29**</b>
<b>knowledge management</b>	<b>0.17</b>	<b>0.14</b>	<b>0.20</b>	<b>0.17</b>
<b>technology-based CRM</b>	<b>0.17</b>	<b>0.16</b>	<b>0.16</b>	<b>0.07ns</b>
<b>R 2</b>	<b>0.30</b>	<b>0.38</b>	<b>0.33</b>	<b>0.35</b>
<b>F</b>	<b>15.76</b>	<b>23.44</b>	<b>17.74</b>	<b>19.88</b>

**3. CONCLUSION AND FUTURE STUDIES**

CRM has speedily become one of the most important competitive business strategies in recent times, involving managerial efforts to manage business interactions with customers. The main purpose of the study was to empirically investigate the complexities of the relationship between CRM dimensions and various perspectives in the banks sector. Moreover, in the general literature there is recommendation to investigate the relationship between CRM dimensions and performance in various business sectors (Akroush et al., 2011). Hence, two of the most important findings of this exploratory work are the existence of the relationship between CRM dimension and banks performance, as well as the identification of the strong influence dimension of CRM on bank performance. These results have significant implications for practitioners in finance areas. Our findings suggest that the four CRM dimensions are important determinants of banks performance perspectives. However, technology-based CRM is not significantly related to the learning and growth perspective of banks performance. In addition, the results suggest that the dimension of CRM organization has a strong influence and is significantly related to different perspectives of banks performance. Thus, managers can pay attention to the internal resources especially of CRM organization (e.g. top management support, employee involvement,

organizational structure and Assessing the influence of CRM dimensions implementation of customer-orientation culture) to improve their performance and consequently to create a competitive advantage. No doubt, some limitations result from trade-off decisions in the research design. First, this study only examines the direct relationship between CRM dimensions and banks performance perspectives. Future research should examine other factors that may affect the relationship between CRM dimensions and banks performance, such as external environmental factors and hotel attributes.

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