Examining the Effect of Knowledge Management on CRM Prosperity

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INTRODUCTION

Knowledge based economy is described by factors such as increased competitiveness, technological innovation and the global nature of markets (Castells, 1998). In this society, companies should concentrate to knowledge when conducting its business as it becomes a significant factor to build a competitive advantage (Salmador & Bueno, 2007). In addition, knowledge is being measured as an important organizational resource (Alavi & Leidner, 2001). That is why KM is becoming a research preference by the academic community (Salmador & Bueno, 2007), and one of the areas that companies are allocating a greater share of spending for its implementation (Beijerse, 1999; Call, 2005). CRM literature emphasizes that companies find it more profitable to retain existing customers, by developing long-term relationships that meet their needs, than drawing new customers. These long-term relationships are based on customer knowledge and KM and CRM systems improving not only the organization's capability to interact, and build personalized relationships with customers, but also the ability to increase their knowledge about them (Xu & Walton, 2005). Examining the literature, several studies that analyze the critical role played by KM initiatives as determinants of the prosperity of CRM (Gebert, Geib, Kolbe, & Brenner, 2003). However, there is a lack of understanding about what are the impacts of those factors on CRM prosperity. In addition, several other studies show high rates of failure to achieve when performing that strategy (Rowley, 2002; Xu & Walton, 2005). So, there is still no integrated conceptual framework to direct companies to their prosperity implementation. Therefore, our research problem are the following: Is KM the main factor that determines the prosperity implementation of CRM? Are there other factors that are also related? What is their role in CRM prosperity? Therefore, we analyze in this article the relationship between KM and CRM from a literature review, suggest a conceptual framework linking KM and other factors with CRM prosperity, and we investigate whether or not it is KM the most related factor affecting CRM prosperity using original data from an empirical study.

THEORETICAL BACKGROUND

CRM Overview

As the, research on CRM has increased significantly over the past few years (Romano & Fjermestad, 2003), but there are still research needs in different areas: search for an explanation or a acknowledged conceptual framework, analysis of its important dimensions, study of CRM impact on business results, obstacle to its prosperous implementation, development of valid and dependable scales to study the degree of implementation and prosperity of empirical studies on the subject (Parvatiyar & Sheth, 2001; Sin, Tse, & Yim, 2005). After examining the literature on the concept of CRM (Plakoyiannaki & Tzokas, 2002), we can say that there is not yet a consensus about a clear conceptual framework of the concept of CRM (Zablah, Bellenger, & Johnston, 2004). Therefore, the concept of CRM, from the literature review, as follows: CRM is a business strategy that goals to found and develop value making relationships with customers based on knowledge. Using IT as an enabler, CRM needs a redesign of the organization and its procedures to direct them to the customer, so that by personalizing its products and services, the firm can satisfy customer needs and thereby create long-term, mutually beneficial, loyalty relationships. At the theoretical level CRM offers multiple advantages, but a large number of studies show a high failure rate in the implementation of this type of strategy (Xu & Walton, 2005). When examining the various causes of these

negative results, several authors (Rigby et al., 2002; Starkey & Woodcock, 2002) suggest that one of the main causes of failure is not integrating CRM into the firm's strategy. Additionally, Sin et al. (2005) argue that there is no integrative conceptual framework that translates the CRM idea into specific organizational activities and direct firms in how to perform the strategy in a prosperous manner. In view of the high failure rate in CRM implementation and of the need to improve understanding of why some initiatives are prosperous while others are not (Roh, Ahn, & Han, 2005), there is a need for an descriptive model for CRM prosperity based on knowledge, including the main variables that determine prosperous implementation of the strategy.

CRM and KM

In recent years, companies have integrated their CRM and KM efforts because they realize that KM plays an important role in CRM prosperity (Dous, Kolbe, Salomann, & Brenner, 2005). Distinguishing the high value customer is a complicated knowledge task, as is determining the range of profiles among recent customers. Technology can help but KM puts the information processing power of technology to effective use. Cooperating with customers' needs a strong understand of tacit knowledge exchange, and expecting new customer needs can be delivered capably using statistical methods with technology, but can only be done exceptionally when the dimension of tacit knowledge exchange and collaboration are also deployed (Lambe, 2008). Therefore, CRM procedures are based on large quantity of knowledge (Bueren, Schierholz, Kolbe, & Brenner, 2005). CRM is about managing customer knowledge to better understand and serve them (Beijerse, 1999). CRM is related to the discipline of KM, thus, the existence of sufficient and continually updated customer knowledge is important for an effective CRM system (Stefanou, Sarmaniotis, & Stafyla, 2003). Given the important role being played by KM systems in the recent customer of business environment, there is a lack of a simple and framework to integrate the traditional CRM functionalities with the management and implementation of the customer-related knowledge (Beijerse, 1999). Moreover, as Zablah et al. (2004), we see KM as the main sub process of CRM because, to manage CRM effectively, companies must develop abilities related to customer KM procedures. Whereas the search for competitive advantage becomes the important factor of recent strategic management, we should note that to collect information about customers in the context of a relationship, and offer those customers a superior value offer based on this knowledge, will be an important advantage. The way people capture, share and explain knowledge accumulated in organizational warehouse is very important in operational and strategic business activities aiming at retaining competitive advantage (Stefanou et al., 2003). In this sense, Swan, Newell, and Robertson (2000) found issues of people management, rather than IT development, raise central KM restriction. They state there has been an over-emphasis on IT management in KM literature and that KM requires a skilful combination of people, business procedures and IT. Therefore, the relationship of the discipline of CRM with technological abilities and KM is being recognized as an important research field at present that authorizes further research (Dous et al., 2005; Romano & Fjermestad, 2003). In addition, several authors believe that while the majority of CRM research focused on technological viewpoint, the important role of KM is beginning to be recognized in research (Lambe, 2008; Shi & Yip, 2007). As a result, we can say that the relationship between CRM and KM is an important issue in Management research (Campbell, 2003; Shi & Yip, 2007). Such is the synergy potential of both ideas that have appeared theoretical models from the integration of both ideas: the models of customer KM (CKM models) (Gebert et al., 2003; Morgan, 2007).

FACTORS AFFECTING CRM PROSPERITY

Based on a literature review of this topic, a prosperity model for CRM implementation was developed, considering KM as main prosperity factor and other four factors mentioned in the literature: organizational factors, technology, customer direction and CRM experience. These factors can have direct or indirect effects on CRM prosperity. A direct effect is measured a direct impact of the factor in the CRM prosperity. An indirect effect is measured an impact in the CRM prosperity not directly but through other factors. From the literature

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