

# Chapter 13

## Integrating Customer Relationship Management, Performance Management, and Knowledge Management through Balanced Scorecard

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### ABSTRACT

*Customer Relationship Management (CRM), Performance Management (PM), and Knowledge Management (KM) are primary concerns in many businesses. However, there is still room for better understanding among these three major concepts particularly when one includes the other. CRM has three level of sophistication; i.e. data-based, information-based, and knowledge-based. PM includes intangible assets and intellectual capital utilization. Also, KM should not go without quintessential concepts of value creation and core competency.*

*This chapter is primarily based on literature review or secondary research and analysis. The objective of this study is to extend and amalgamate the three major business management concepts: CRM, PM, and KM.*

### INTRODUCTION

This chapter attempts to define and amalgamate the concepts of Knowledge Management, Performance Management, and Customer Relationship Management through application of Balanced Scorecard framework.

In the course of modern history, organizations have confronted all kinds of changes and increase in market expectations. Customers are seeking increasing value for money. Organizations around the world are transforming themselves for greater competitiveness that is based on information and knowledge, and the ability to create value from

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intangible and intellectual assets. Given such importance, “transformation” becomes a ubiquitous buzzword in the pursuit of ever increasing improvements. Managing tangible assets and labor may not be able to provide the sustainable competitive advantage required for current and future market dynamics. In the digital age, or knowledge economy (also known as ‘the third wave’), information and knowledge becomes the quintessential factor in managing value creation and sustainable competitive advantage.

## **CUSTOMER RELATIONSHIP MANAGEMENT**

The fundamentals of Customer Relationship Management (CRM) grew from demand on after-sales customer service. In addition, it is based on sales transactions and intensive data processing. With further influence of marketing and customer orientation principles, customer relationship management advances to adoption of value-added problem solving and customized services. However, the ultimate customer relationship management principle is to build customer loyalty and lifetime patronization. (Liew, 2008)

CRM is or should be a core competency in a customer oriented business. CRM emphasizes customer value added, customized services, customer driven products/processes, and customer relationship building. It has three levels of progress in terms of operating sophistication aligned with the concept of Knowledge Management (KM). They are:

1. Transaction-based data processing customer services
2. Informed decision based customized services, and
3. Knowledge-based customer and value driven relationship management (Liew, 2008)

Within the KM literature, the knowledge hierarchy (a.k.a. information hierarchy) has several versions; the amalgamated version is as follows: Data, Information, Knowledge, Intelligence, and Wisdom. For the purpose of this context, the first three levels should suffice. The importance of understanding the differences and interrelationships between data, information, and knowledge cannot be overemphasized. (Liew, 2007; Zins, 2007)

### **Level 1: Transaction-Based Data Processing Customer Service**

The essence of data management is accuracy, timeliness, and relevance of the data. IT removes certain inefficiencies in the analysis, decision-making and servicing of the customers. Level one requires selling skills, understanding of customer needs and wants, real-time customer data access, customer handling skills, and data processing skills.

### **Level 2: Informed Decision-Based Value-Added Customized Service**

Useful information becomes the main driver at this stage where effectiveness of decision making as well as product/service offering fuels business success. Level two requires anticipating customer needs and wants from extrapolated information, customization skills within given cost or budget, creativity, creative problem-solving skills, analytical skills, creating added value, interpersonal communication skills, customer information extraction skills etc., in addition to level one skills.

### **Level 3: Knowledge-Based Customer and Value Driven Relationship Building**

Knowledge is the primary value driver in the knowledge economy. It allows firms to create value offer to customer, customer loyalty through effective relationship building as well as firm value. Level three requires measuring and manag-

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