The Impact of E-CRM on Organisational and Individual Behavior: The Effect of the Remuneration and Reward System

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ABSTRACT

This article examines how electronic customer relationship management (e-CRM) has affected both organizational and individual behavior in a leading Canadian bank. The innovative and customer-driven culture of this bank pushed it toward early adoption of e-CRM technology. The findings emphasize the role played by many strategic and organizational dimensions in the success of e-CRM implementation. In fact, to make e-CRM efforts pay off, new business processes are required to achieve more effective and closer interactions with customers. The shift toward customer orientation needs to be supported by a shift in organizational objectives and processes. The results indicate that employees’ individual behavior successfully changed from a transactional to a relational perspective and that training and coaching ensured a successful integration of e-CRM technology. Nevertheless, the employee reward and evaluation system, which should have been changed to leverage CRM impact, has surprisingly been forgotten. This deficiency is addressed by proposing a new framework for enhancing e-CRM effectiveness.

Keywords: customer; behavior; e-CRM; relationship; remuneration

THE CRM SHIFT

Since the 1980s, researchers have been talking more and more about an era of focusing on customer retention (Sheth, 2002). Relational marketing, in fact, was born of the premise that keeping a customer is more profitable than attracting a new one (Perrien, Filiatrault, & Ricard, 1993) and emerged following the abandonment, by some, of the logic of customer acquisition for a new logic of customer retention (Sheth, 2002). This logic also brought certain concepts to the fore, including customer management, better known as customer relationship management or e-CRM (Mitussis & O’Malley, 2004; Sheth, 2002).

Ten years after the concept of a relational approach began to be studied, Perrien, Filiatrault, and Ricard (1993) noted, more specifically for the banking sector, problems and constraints linked to implementation of such
an approach. Among these were the need for a customer-oriented culture and better knowledge of customers; a change in the evaluation process for personnel in contact with customers; and decreased rotation of personnel. More than 20 years later, after much research on the subject, the development of a number of e-CRM tools, and many changes in firms following re-engineering, the questions being asked are, What picture can be painted and diagnosis be made of implementation of a relational approach? Have financial institutions made the necessary changes to effectively implement e-CRM?

The objective of this article is to examine organizational strategies implemented by banks to make a successful migration to a relational approach. The research, conducted at a well-known Canadian bank, addresses the following points:

1. To understand the early experiences of pioneering banks with operationalizing e-CRM
2. To identify the current weaknesses or deficits in the implementation of e-CRM
3. To offer recommendations and a new conceptual framework for greater success with integration of e-CRM

**Conceptual Framework**

The need to focus on the customer has entailed much investment in information technologies (IT), and so the first large firms to install IT systems have benefited from an enormous competitive advantage. While mass communications and advertising have lost effectiveness, customized, target-specific communications are emerging as the means of attracting and retaining customers. The implementation of a market-oriented strategy requires knowledge, relationship management, and technical skills. Focus on the customer, marketing segmentation, targeting, and positioning, supported by information technologies, form an essential asset in meeting the new marketing challenges, whence the trend toward implementing CRM over the last decade.

First, the banks hoped to optimize their costs: ERP was the integrated software package that met this need by acting, in effect, on expenditures. Because cost reduction was not open ended, firms then sought to act on the second parameter of the equation by attempting to influence revenue generation; CRM met this need by improving management of sales, marketing, and customer service.

To implement such a customer-oriented strategy, the banks acquired various technologies that helped them to gather, cross tabulate, and analyze customer databases (Franke, 1988). CRM improves service and encourages customer retention through the bank’s different access points, including e-mail, the call center, the branches, and the contact personnel, to provide better support for subsequent, increasingly multi-channel interactions with customers. In fact, another reason for the increasing popularity of CRM is the proliferation of marketing and communications channels that target customer retention (Mitussis & O’Malley, 2004; Sheth, 2002; Zikmund, McLeod, & Gilbert, 2002).

However, bank personnel often resist use of these databases. Studies show that there is a problem with the use of this information (Association of Customer Relationship Management of Canada, 2002; Dyché, 2001; Ricard & Perrien, 1994; Rigby, Reicheld, & Schefter, 2002). In this paper, we attempt to verify the level of use of IT tools and the impact of e-CRM on organizational and individual behavior.

CRM, increasingly called e-CRM because of the growing importance of electronic mobility, is a business strategy derived from relational marketing, which uses information technologies to provide the firm with a reliable, complete, and clear vision of its customer base so that processes and customer interactions can be used to maintain and develop mutual relationship benefits (Mitussis & O’Malley, 2004). A number of researchers have explored how firms could exploit the potential of a CRM strategy to attain a competitive edge by offering more value to customers (Campbell, 2003). However, implementation of technology alone does not