Aligning 4C Strategy with Social Network Applications for CRM Performance

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ABSTRACT

This article describes how in recent years, enterprises have increasingly adopted social technologies to support customer relationship management (CRM) practices. To increase CRM performance, enterprises have had to develop appropriate social CRM strategies in emerging social network applications. This article investigates the alignment between social network applications and the “4C strategy” as a social CRM strategy in organizations. It intends to understand how alignment influences CRM performance. A total of 225 Taiwanese companies, which have adopted Facebook to interact with customers, were surveyed. According to the results, alignment between the 4C strategy and social network applications has a positive and significant impact on CRM performance. The results also suggest that organizations require a high-level integration of social network applications with the 4C strategy to achieve high CRM performance.

KEYWORDS

4C Strategy, Alignment, CRM Performance, Customer Relationship Management (CRM), Facebook, Social CRM, Social Network Applications

INTRODUCTION

The Internet has changed the whole picture of the bonding relationship between information technology (IT) and CRM. Customers are increasingly engaged in business value chain activities by using, sharing, creating, and recreating information through social networks and applications. They demand personalized responses and instant services through a variety of social media channels and irrespective of conventional operating schedules (Pan & Lee, 2003). Facing such demands and challenges, organizations have to increasingly rely on social networks, including Facebook and Twitter, to facilitate customer engagement and promote products/services. As Web 2.0 technology continues to affect organizational technology infrastructure and architecture, two critical issues arise: (1) How can emerging social technology improve the relationship between upstream/downstream organizations and end customers? And (2) how can organizations create an alignment between emerging social technology and CRM strategy (Andriole, 2010)?

Through the integration of Web 2.0 technology, many businesses have gradually evolved to Enterprise 2.0 which refers to enterprises that use social technology platforms to facilitate internal and external communication and relationship building (McAfee, 2009). Another key feature of Enterprise 2.0 is a strong level of internal and external collaboration (Bughin, Chui, & Miller, 2009).
To achieve this collaboration, organizations deploy Web 2.0 in three dimensions of alignment: (1) within-organization alignment; (2) organization and customer relationship alignment; and (3) organization and external suppliers or partners relationship alignment (Bughin et al., 2009). In other words, to success, businesses need to not only integrate the workflow with Web 2.0 technology but also establish an enterprise network by using the technology for the alignment with upstream suppliers and downstream customers.

Recently, many organizations extended their CRM systems to include social technologies. Research has found that 77% of companies have invested in at least one social network technology to improve internal and external communication efficiency and reduce communication cost (Bughin, 2007). Ninety-two percent have used Wikis or blogs for business purposes (McAfee, 2009). However, Gartner (2013) predicted that 80% of the social efforts would fail to some extent, as organizations continue to explore social network adoption both internally and externally. Past research found that broken linkages between organizations’ CRM strategies and IT contributed to 60% to 80% of CRM project failures (Sen & Sinha, 2011). Therefore, simply adding social software to organizations’ CRM systems without appropriate CRM strategies cannot guarantee customer value creation and communication efficiency. While CRM activities are increasingly popular on social network platforms supported by Web 2.0 technology, users undergo a substantial transformation from passive viewer (who passively accepts messages) to active creator of online content. The coordination and cooperation through social platforms can create greater customer value and customer relationships. Yet, such changes require companies to adopt an appropriate business strategy to reengineer their current operating processes (De Hertogh, Viana, & Dedene, 2011).

Prior research has investigated CRM performance from various perspectives, including the information management process perspective (Payne & Frow, 2005), the resource- and capability-based perspective (Chen & Ching, 2004), and the service-profit chain perspective (Heskett, Thomas, Gary, Earl, & Leonard, 1994). Little research has explored CRM performance from the IT-business alignment perspective with some exceptions. For example, Sen and Sinha (2011) explored IT-business alignment for traditional CRM systems. Moreover, data from business practices discussed above pointed out that CRM practice changes as IT advances to Web 2.0. Thus, we argue that further research is needed to understand how the alignment between CRM business strategy and social network technology contributes to current CRM project success or failure.

Alignment between IT and business strategy has been an important research topic for researchers and a topic concern for business executives for more than two decades (Baker, Jones, Cao, & Song, 2011; Sen & Sinha, 2011). The ongoing interest in this topic is partially due to the understanding that IT-business alignment is different and challenging under various IT-business contexts and environments. Moreover, the concept of alignment is complex and difficult to understand. Consequently, extant research has studied various aspects of IT-business alignment, such as measurement of alignment (e.g., Venkatraman, 1989), dynamic alignment (e.g., Baker et al., 2011), single- and multi-dimensional alignment (Chan, Huff, Barclay, & Copeland, 1997; Chong, Ooi, Chan, & Darmawan, 2011), and antecedents of alignment (Preston & Karahanna, 2009). However, little research has examined the alignment in the context of social networks.

The 4C (customer demand, customer cost, convenience, and communication) strategy proposed by Kotler et al. (1999) is one of the most advocated CRM strategies based on customer orientation. Scholars believe that the 4C strategy could support various e-business models and enable Internet relational marketing (Krueger, Lu, & Swatman, 2003). While CRM strategies involve various aspects of an organization (i.e., people, management, and IT infrastructure), emerging social technology is customer-oriented. Thus, to align with emerging social technology, organizations need a strategy to emphasize customer insight, customer engagement, and a customer-centric environment.

Given its customer orientation, the 4C strategy has been adopted as a strategic framework for organizations to implement social CRM. However, little research has explored the alignment between the 4C strategy as a social CRM strategy and social technology, while how to use social technology to
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