MAKING CUSTOMER RELATIONSHIP MANAGEMENT SYSTEMS ENTREPRENEURIAL

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ABSTRACT

Customer relationship management systems (CRMS) are designed to facilitate and pre-empt customer-centric needs and wishes. CRMS designers suggest that CRMS can provide solutions to hotel customer problems and provide for customer needs by recording guest history. Databases such as CRMS are a "systems school" (Earl, 2001), and are considered a form of knowledge management. As a result, the knowledge creation process is initially set in motion by a data, which is entered into the CRMS and retrieved requires a solution that will be to a customer need of some description. Whilst CRMS are data storage for guest history, they also have the potential to support new ideas, innovation it is suggested that can be sources of new knowledge leading to innovation that can potentially enhance the business. Alternatively, research evidenced in this paper argues that CRMS are used as expensive glorified filing systems and the potential for entrepreneurial innovation remains largely untapped. Conversely, what can be seen is that the system, which is supposed to enable and support innovation, can, in fact, reduce the ability of the organisations to develop new ideas. The system becomes distracting and prescriptive. In addition the CRMS can create in the minds of the users an illusion of busyness, of apparent knowledge creation when, in fact, the opposite is true. A change in the way CRMS are viewed and supported is required for organisations to manage the potential learning and knowledge creation processes from CRMS that can result in development of an innovative culture.
INTRODUCTION

Since the mid 1980s, hotel management systems have become increasingly focused upon collecting information about customers in order to be able to pre-empt their needs and wishes. These customer relationship management systems (CRMS) are designed to enable each hotel to make its customers feel special and provide more specific customer-centric solutions. This paper considers the role of CRMS in hotels and whether they support or prevent potential entrepreneurial and innovative practices.

Michael Porter (1980) notes that to remain competitive organisations need to be entrepreneurial, as there is a need to continuously innovate if they are to maintain their market share in a highly competitive environment. That such activity is entrepreneurial is based upon claims that entrepreneurship is about discovery, evaluation, and exploitation of opportunities (Shane and Venkataraman, 2000; Eckhardt and Shane, 2003). The emphasis is upon entrepreneurship as a disequilibrium activity where opportunities are defined as ‘…situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships’, (Eckhardt and Shane, 2003:4). Thus, entrepreneurial action and decision involve creativity. Entrepreneurial actions and decisions are different from decisions maximising scarce resources because entrepreneurial actions and decisions involve the creation and identification of new ends and means not currently recognised or utilised by market participants (Eckhardt and Shane, 2003).

This need for entrepreneurial innovation leads CRMS supporters to claim that their importance emerges because the knowledge that is stored within them enables the creation of new ideas and, potentially, new ends and means of customer service and delivery. These claims are based upon a general acceptance of the need for an organisation to be able to create and share ideas throughout its structure in order to be able to speed up the innovation process (Kessler and Chakrabarti, 1996). Govindarajan and Trimble state that “Strategic innovation involves exploring the unknown to create new knowledge and new possibilities” (2004, 67); they highlight the fact that the key to successful innovation is ensuring that new ideas are harnessed and implemented, arguing that for this to occur there will need to be managed processes to support innovation. Innovation is argued to be a social process and thus not only must there be learning, but such learning must, of necessity, lead to a shared understanding of the knowledge being created, (Bailey, 1973; Hitt, 1997; Hong and Kuo, 1999; Gray and Gonsalves, 2002,) and there is a view that CRMS enable the sharing of the ideas and the development of organisational mental models of customer care.

However, in this paper, we will argue that there is an over-reliance upon such systems and that, in many cases, they do not enable the provision to the customer of the individual attention that they require. The history of the customer becomes the tracking element, whereas, in fact, the history may not reflect the actual wants and needs of the customer. It may be that reactive solutions to customer wants are not tracked, and yet these would be the real foundations of individualising service. The reliance on CRMS and the structure, data and systematic information created by CRMS, which in theory enable entrepreneurship and innovation, may in fact inhibit entrepreneurial spirit and creativity and reduce the competitive edge from innovation.

In this paper, we will initially consider the role of CRMS in innovation, then how CRMS need to function, both in terms of their content and processes that enable their implementation. We will then use case data to demonstrate that it does not matter how good the system is; without an appropriate culture, new customer knowledge will not be created or shared effectively and innovation and entrepreneurship will be stifled.

CRMS AND ITS ROLE IN INNOVATION AND ENTREPRENEURSHIP

Although CRMS has become a widely recognised concept and is an important business tool, there does not appear to be a generically accepted definition of CRMS. The evidence from current literature suggests that CRMS are over relied on, poorly used, and are more theory orientated than practical.

The foundation of a CRMS is data relating to customer characteristics, (e.g., demographics; customer size, and industry for business-to-business customers), data about company-customer
contacts, data about the way the customer has responded to earlier company offers, and data about the customer’s purchase history with the company, (Glazer, 1999; Bruggen and Wierenga, 2005: 1). Customer data should be collected over time. Traditionally, customer data is collected by a variety of methods to be used in market analysis and in the design and production of new products and services. The database should contain information about transactions and a complete purchase history, customer contact details and the usage of the number and type of customer contact points from multiple phases, channels and contexts, provide descriptive information about the guest and list responses to marketing stimuli, (Winer, 2001: 5).

Much of the descriptive information in relation “…to touch points that a customer has with a firm is a customer service encounter and has the potential to gain repeat business and help CRMS or have the opposite effect” (Winer, 2001: 16). CRMS programs are designed to enhance customer service and are generally ‘have’ approaches. Firstly, a reactive service approach is the response to a problem or query and the contacting of the company to solve it. Proactive service is a different matter; this is a situation where the manager has decided not to wait for customers to contact; “…this is more a matter of good account management where the sales force or other people dealing with specific customers are trained to reach out and anticipate customers’ needs” (Winer, 2001: 16).

Swift (2001:12) defined CRMS as an “…enterprise approach to understanding and influencing customer behaviour through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability.” Kincaid (2003: 41) described a CRMS as “…the strategic use of information, processes, technology, and people to manage the customer’s relationship with your company (Marketing, Sales, Services, and Support) across the whole customers life cycle.” Parvatiyar and Sheth (2001:5), defined CRMS as “…a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply chain functions of the organisation to achieve greater efficiencies and effectiveness in delivering customer value.” These definitions emphasize the importance of viewing CRMS as a comprehensive set of strategies for managing those relationships with customers that relate to the overall process of marketing, sales, service, and support within the organisation. As a result of the knowledge integration capabilities that a CRMS is purported to have, it can be argued that new ideas in terms of exceeding customer expectations is a strategic goal leading to competitive advantage. Consequently, CRMS could be touted as sources of new knowledge leading to innovation and, potentially, extensions of the business.

In recent years, organisations have come to realise that what they ‘know’ is crucial to their competitiveness; it is argued that organisations whose people have superior knowledge, and who are able to harness that knowledge, will develop a fundamental source of competitive advantage (O’Neill and Adya, 2007; Felin and Hesterly, 2007), through the innovations that result from new knowledge. Consequently, a key output of effective knowledge creation, transfer and management will be an escalation in innovation and innovation practices, (Pérez-Bustamante, 1999; Pitt and Clarke, 1999; Johannessen et al., 1999).

According to London Innovation (2003), “Innovation is the successful exploitation of new ideas and is a vital ingredient for competitiveness, productivity and social gain within businesses and organisations.” This definition is important, as it indicates that not only must there be a creation of new knowledge, but that such knowledge must be shared and implemented in some way that occurs via social interactions (Chanal, 2004). Innovation is increasingly discussed as one of the desired outputs of knowledge, whilst the need to manage workers in order to develop the learning needed to promote knowledge and innovation is also identified (Swan et al., 2002). The argument is that by managing the learning and knowledge creation processes carefully and developing an innovative culture, optimal innovation can be achieved. This indicates that the development of knowledge will be vital for the success of innovation.

Innovative processes “…have the advantage that the existing firm can leverage its financial, experience and knowledge assets to help exploit new opportunities” (Bessant, 2005: 40). The link is made to entrepreneurship because of the links between innovation and knowledge management: the ability to develop creative ways of fulfilling customer needs because of the collection of the information enable the creation of, if not new ventures, at least the creation or identification of a new means and ends relationship exploited in an existing organisational context. This involves an
existing organisation changing competitive market conditions by introduction of new products, processes or production methods – a process often associated with the concept of “corporate venturing” (Klyver in Blackman and Hindle, 2008). It is possible that, if the ideas are really new, then there could be creation of new organisations based on creation/discovery/identification of new means and ends relationships. This is characterised by a high proportion of new ventures whose essence is to be an innovative start-up that changes the competitive conditions within an industry and thus drives the market.

CRMS are a form of knowledge management system, in that they enable all those within an organisation to access information and use it to enhance the customer service delivery. Such databases are classified by Earl (2001), as a “systems school” form of knowledge management where the knowledge creation process usually begins with a problem which is entered as a solution into the system once it has been found. In the case of a CRMS the solution will be to a customer need of some description. For a CRMS to be innovative, however, two factors must be present. Firstly, an historical solution to a customer need or problem must be accurately linked and recorded in such a way that another user can find the information and apply it appropriately. Secondly, users need to be able to make novel links between different types and sources of information in order to create innovative goods and services without, necessarily, having encountered a problem.

Although the focus of innovation is, historically, economic (Nyström, 1980; Scherer, 1984), the source is social (Zaltman et al, 1973; Burns and Stalker, 1979); however many CRMS are primarily focussed as economic tools that store information which will enable efficient customer service, without considering the processes that will be needed for the user to share and create new ideas. Processes of socialisation are noted as sources of knowledge, (Nonaka and Kono, 1998), with socially and contextually produced knowledge being a source of innovation (Swan et al., 1999). Zaltman et al. (1973:14), state that, “…the distinguishing characteristic of an innovation is that instead of being an external object, it is the perception of a social unit that decides its newness”, before offering a definition of innovation as “...any idea, practice, or product that is perceived as new by the potential unit of adoption” (Zaltman et al., 1973:50). This concept of collective perception links innovation, knowledge and mental models in teams. Nonaka and Konno (1998), describe socially based knowledge generation and note that participation in a social situation defines what knowledge is and what information is. Knowledge is described as useful only at a specific time and place if it is to be of value. Knowledge that is separated from its situation becomes information, to be communicated between situations. Consequently, unless the social context of the CRMS is managed as carefully as its content, whilst customer service is maintained it is unlikely to be ameliorated in any significant way.

Given appropriate training and support in the planning and implementation of an information system within an organisation, users will be influenced by training, the design of services and organizational culture (Leonard-Barton and Deschamps, 1988). “A company considering to make a major investment in a CRM system, would do well by first examining if its internal climate is sufficiently conducive to get the expected results from a CRM system. In some instances, it might be better to first change the organizational setting before purchasing a CRM system” (Bruggen and Wierenga, 2005: 35). As such the reward system for customer centric behaviour within an organization affect, the way CRMS systems are being used. Reinartz at al., (2004), found that an organisation would benefit more if business alignment with CRMS, (including rewards for employees for building relationships with customers) had a positive effect and outcome (Bruggen and Wierenga, 2005: 15).

In the next section of this paper, we will outline the research that was undertaken in order to explore the inhibitors of effective CRMS implementation.

**METHODOLOGY**

The paper is based upon empirical data gathered from three qualitative case studies in the hospitality industry, which sought to clarify the relationship between the psychological contract, knowledge management and organisational capacity. As a part of this, the research questions explored when individuals shared information about customers and when they utilised the knowledge management systems available to them. More importantly, times when the systems appeared to work, but in fact failed to enable innovation were explored. There is a lack of current data within CRMS about these
areas, and so a qualitative approach was selected in order to develop an understanding of the phenomenon (Leedy and Ormrod, 2005; Creswell, 1994), and its implications.

The qualitative study was undertaken using in-depth semi-structured interviews and focus groups from a variety of stakeholders within and around the hospitality industry. Fourteen focus groups were held that involved 45 people in total, (this represents 40% of the total staff involved in the four case study locations). Fifteen interviews, lasting about 30 to 45 minutes each, were undertaken which reflected the same population as the focus groups. Similar questions were asked in each data collection method and a comparison was made early in the collection of set of case data to determine whether the data emerging was the same from each method. This proved to be the case, (i.e. the data was similar in each mode of collection,) and so it was not considered necessary to interview all the respondents but to continue to develop focus group responses.

The data was entered into NVIVO and coded, enabling an analysis using axial and thematic coding to be used (Pandit, 1996). This coding allowed themes to emerge which permitted a range of issues to be explored. The themes were: the impact of busy work upon creativity and innovation; the barriers to integrating new ideas; and reasons why innovation was stifled. Each of these will be explored in turn.

**FINDINGS**

**Busy work**

In the responses to the interviews various reason were given as to why new knowledge was not created. In particular, why groups of people did not interact and develop new ideas was questioned. What emerged was that being ‘busy’ was seen to reduce the requirements to do something different, out of the box and proactive. It also reduced the need to be communicative and create spaces that enabled new ideas. What emerged was that where there were clear, regular patterns of work to be done, such as Data entry into front office systems and CRMS, this drove the daily work pattern and established and controlled habitual behaviours. Such repetitive tasks became the reason why users did not have to think. The system becomes an excuse for not doing anything which the individual considers to be outside their role or challenging; the beauty being that they are too busy taking care of the customer. Examples of quotes include: “The focus is so much on the customers (students); [the other campus] is the same, that there is no breathing space here. No training to assist us with our systems”; “We are so busy helping them (students) get through, all the things, they need to do, the processes and they need so much help to work out the system”; “Office procedures make me so busy, it’s difficult to focus on the service and guest aspect”; “But often people get so busy that when you actually do try to share something with someone, that it’s just when you decide …if you can actually...where can you actually or that you are too flat out, or they have to shut the door, or whatever.... to have the conversation”.

The lack of time was given as a reason why systems did not change: “It depends on how busy we are... but definitely time is an issue here and it tends to be, if you do your job well, you get rewarded with more work... there is no reward structure that encourage[s] the kind of things that might [be] encouraged to do more...this is an unwritten culture in a work environment”; “Yeah, I’ve done some stuff with modelling, teaching and things like that but I really don’t get a chance – any time – to do my own stuff...”. It could be argued that such busyness would be overcome by the more efficient and effective use of information technology including CRMS. However, respondents argued that far from increasing their capability to develop new knowledge, the demands on their time that emerged as a result of the new systems actually reduced the likelihood of new knowledge creation. “What makes me busy [is the demand for]...internal and external reports...e-mails, and ...electronically based work”.

What also became apparent was that such busyness filled all the time so that there was no space for thinking and this prevented new ideas from emerging. Consequently systems [CRMS], and the processes undertaken when using these as a tool to enhance the business competitive edge, make employees too ‘busy’ to reflect and think differently. “If you’ve got a heavy workload its extremely hard to kind of rationalise it because you’ve........got to have time for family and other things”, ” CRMS “...systems that do not actually support the people...so knowledge does not increase ...creativity and innovation are left floating in the minds of individuals, as time and opportunity are not linked with the system itself”; “I don’t think it ...encourage[s] reflection really because we’ve
done a lot of things, well I guess they show compliance...it becomes such a small part of their day that they don’t put the importance on reflection”. What emerges is that employees use the system as a form of habit. The system is used the same way all the time, with no contemplation of the reasons why the processes are set up that way. This becomes a self-reflexive cycle whereby the individuals are programmed to use the system in a certain way which frames and reinforces their mental models which means that they do not challenge the way the system is set up and consequently any attempts to change the system will be actively resisted.

All three case studies had CRMS that whilst they appeared to be set up to support the people in the processes had a) to enhance the business and b) to enable the employees to have more time to think and use current data to create new knowledge. Whilst in reality they acted as a form of work creation that led to compliance but not innovation.

Barriers

In the literature it implies that the use of CRMS will enhance problem solving, thereby enhancing efficiency. However, in all three cases it was argued that far from improving problem solving, the system actually inhibited it. The reasons for this seem to be that it was expected that by entering the information into the system this would be enough to either identify problems, prevent a problem recurring or facilitate a solution: “You’ve got the information and you’ve got the knowledge you can fix the problem...I notice this in the workplace a lot of the time, if you get a problem...you fix it...but for some reason it keeps recurring...so therefore the information is not getting across and the knowledge is not getting across its getting locked in...”. What becomes apparent is that despite the utilisation of systems to support innovation, a false sense of security is in fact is created by the organisation, as there is a belief that the technology will be the answer.

In addition to the system creating an illusion of busyness it also develops a system of apparent knowledge creation when, in fact, the opposite is occurring. With reference to training on the front desk, it was posited that “sometimes... in the environment we are in...there’s not another way we know how to do it...it is just purely through each other, go on the job. I think we create...the condition for knowledge... Like just doing the same thing over and over again ...You get so used to doing thing... like, whenever you work...your time.” “...so is this just a ritual thing ...although they’ve watched how [the system] has worked, you know the knowledge factor to share but because there is no response to it, or by it, so the might not be able to make change”. Moreover, according to some employees who had tried to improve processes, including those connected to CRMS: “organisations have lots of policies...procedures and [processes] saying what they want you to do and how much they want you to be empowered and share and all of those kind of things, and the first time you try and do, they “sit on you” then you think, maybe I won’t do that anymore”.

Consequently, the CRMS is not enabling the creation of added value. There are two problems: first, that organisations believe that by having the CRMS system they will automatically be more innovative and entrepreneurial because new ideas will emerge. Secondly, the individuals using the system lose sight of the potential for novelty creation and merely use the technology as a glorified filing system.

Why innovation does not occur

What can be seen is that the system which is supposed to enable and support innovation can, in fact, reduce the ability of the organisations to develop new ideas. The system becomes distracting and prescriptive. This is not entirely without precedent. Blackman and Henderson, (2004), argued that the way that mental models develop may prevent the acquisition of new ideas, even if they have been noticed. In Figure 1 it can be seen that a new stimulus is perceived and then a choice is made to either assimilate the new idea into the mental models or to reject the difference. The stronger the mental model the more likely it is that any difference will be rejected.
It is not inevitable that a new idea will be absorbed into the organisational knowledge bank, nor that it will be acted upon. The evidence from the three case studies implies that the busyness of individuals leads to new ideas not being noticed in the first place. The environment is not being scanned in a way that leads to the recognition of the new idea and, without that, there is unlikely to be learning (Klimecki and Lassleben, 1999). Moreover, even if a new idea is noted it is likely to be framed by the current mental models in such a way as to make it part of the current system rather than a driver for change.

**IMPLICATIONS FOR ENTREPRENEURSHIP**

Entrepreneurship and innovation are often seen to be sources of economic growth (Dew and Sarasvathy, 2007) and fundamental to the long term success and sustainability of organisations (Bhardwaj and Momaya, 2007). Consequently, anything that prevents the development of innovation and, potentially, actively inhibits entrepreneurial activities is of concern. Added value cannot be developed unless there is a creative way of putting current ideas together in creative new ways to develop new ideas and then implementing these ideas. Thus, the evidence shown that CRMS do not enable novelty or ideas creation is of concern.

It could be argued that this is not such a problem when the findings of Bhardwaj and Momaya (2007), are considered. They had proposed that for effective corporate entrepreneurship there would be eight variables: Risk Taking, Management Support, Rewards, Work Discretion, Organisational Flexible Boundary, Intelligence Generation, Intelligence Dissemination, Time Availability, New Venture Creation and Innovations. Of these only three were actually found to be relevant: Intelligence Dissemination, Management Support and Work Discretion. However, from the data all variables were in fact shown to be important and the only reason that Intelligence Creation was not in the top three was that, understandably, it did not link positively with time availability. Moreover, it is clear that dissemination alone will not be enough; there will need to be something innovative occurring either before the dissemination to be utilised throughout the organisation to add value, or emerging from what is disseminated. Overall it is clear that the variables needed for effective entrepreneurship and innovation are complex and interdependent.

This research identifies two important issues which need to be reflected upon for encouraging innovation and value adding in ways that are supported by CRMS. Firstly, a CRMS needs to be a part of a complex system; it is not enough to enable innovation on its own. What can be seen from the data is that people will need space to think if they are to innovate. There will need to be training, not only on the system but also around the system. Those wishing to encourage innovation via the linking of ideas emerging from the information within a CRMS will need to consider not just the technology involved, but also the system that surrounds it. There will need to be a positive plan that
scans for new ideas and makes space for people to consider the inputs and outputs of the systems. There will need to be reflection built into the system (Preskill and Torres, 1999), in order to support the entrepreneurial activities.

The second issue is, potentially, more complex to fix. The system itself may reduce innovation through the focus upon entry and compliance. Any systems for developing creativity need to be about change for the future, not just satisfying current problems. There is a tendency, in hospitality in particular, to focus on current satisfaction, not longer term change. Installing a CRMS will not change this, only developing positive systems to utilise the information within it and not being driven by the system and short term needs will overcome this.

CONCLUSIONS

This paper set out to consider the role of CRMS in developing innovation and entrepreneurship. It was posited that proponents of CRMS argue that they will enable the adding of value to organisations, but do not fully consider the other elements of the system that need to be developed at the same time. Case data has been used to demonstrate that the perception of busyness, (which is augmented by the work involved in supporting the CRMS), leads to a lack of criticality in terms of utilising the stored information. Moreover, it is shown that, not only may innovation not occur, the systems around the CRMS may actively prevent innovation. In terms of learning for those wishing to develop entrepreneurial activities supported by CRMS, we argue that the system itself is a very small part of the investment. The will to innovate and a system will not be enough. There must be enabling systems developed around the CRMS that support managed reflection and enable evaluation and learning to emerge from both the content, and the processes around determining what the process should be.

REFERENCES


