

Customer Relationship Management and Performance of Small and Medium Scale Enterprises in a digital era in Nigeria: A Research Framework and Proposition

ABSTRACT

This study investigated the consequences of customer relationship management by creating empirical evidence grounded in relationship marketing theory and dynamic capability theory. The study proposed a direct as well as an indirect relationship between customer relationship management and firm performance, recognizing technological environment as the interacting variables of customer relationship management that influences the performance of small and medium scale enterprises (SMEs), suggesting that technology environment as a moderator in the customer relationship management model. The study explained the theoretical and practical contributions of the model in our understanding of customer relationship management practices and the intervening role of innovation capability. Technological environment was also discussed especially from the perspective of SMEs.

Keywords: Customer Relationship Management, Innovation Capability, Technological Turbulence, Firm Performance, SMEs

Introduction

There has been a convergence of opinion by both scholars and managers on the inconsistency in the marketing strategy employed by small firms and larger firms (Gontur, Vem, Goyit & Davireng, 2022)

Customer Relationship Management (CRM) has been noted for survival strategy for business organizations especially in today's customer-oriented business world and intensely competitive environments. According to Baran and Galka (), CRM is all about understanding customers' needs and their purchasing behaviours. It is strategy that strength the relationship between a firm and its customer; metamorphose links into friends and partners. In another study, Mandic () also

Small and medium scale enterprises operate in dynamic and competitive business environment characterized by high mortality rate, decreased ability to forecast and low technological know-how (Olannye & Eromafaru, 2016, x). The business landscape of this environment is regularly controlled by speedy changes, intricate decision, and consumer's lofty hopes, leaving the smaller business owners with inadequate options (Hills Hultman & Miles, 2008). Similarly, the present events present managers and entrepreneurs with restricted alternative following the overwhelming effect of the global COVID 19 pandemic has ravaged the global economy resulting in business losing trillions of dollars and recently Russian - Ukraine war which also affected the price of goods and services globally. These resulted in the creation of a new normal which is reshaping marketing activities globally with customers taking the lead (Miles, & Jones, 2020, & Gontur et al, 2022). In the new normal, Gross Domestic Product (GDP) was projected to decline by 2.1% and 2.5% in developed and developing countries respectively with income increasing by 1.9% (Malizewska, Muttoo & Mensubrughe, 2020). These events have brought forth new ways for firms to adopt CRM strategies in marketing the products or services to customers, employees, and other stakeholders to increase the firm's profitability and competitiveness through the use of digital marketing devices (Peter & Williams, 2016). In the contemporary business environment, with growing demand for goods and services, SMEs must adopt digital marketing platform such as virtual marketing, social media and e mail marketing to influence firms product strategies which leads to e CRM (electronic customer relationship management) (Barreda, Bilgihan, Nusair, & Okumus, 2015). Therefore, e CRM attracts consumers and enhances their purchasing intention (Xie et al., 2016)

The concept of customer relationship management has been considered by researchers and managers as an important source of superior firm performance and competitive advantage

(Barney, 1993; Okeke, 2016; Madhovi, & Dhilwayo, 2017). Though CRM has been found to improve business success regardless of size, there appears to be a consensus on its higher impact on small businesses (Jones & Rowley, 2011; Morris, et al, 2002). Mwai, (2016) and Eggers, Niemand, Kraus and Breier, (2020) underscored the importance of examining relationship marketing efforts used in small firms as opposed to predominantly researched large firms with much resources. In view of this, researchers have examined the antecedents and consequences of CRM among SMEs ().

A cursory survey of existing literature reveals that CRM has a positive impact on firms' performance (Butt, 2021, Suoniemi, Zabiah, Terho and Hannu (2021; Hanaysha & Mahmood, 2022; Edeh, 2022). Evidence also indicated that customer relationship management practices have consequences for product/service innovation capability (Gil- Gomez et al, 2020), customer loyalty, word of mouth and customer satisfaction (Kumar, & Mokla, 2022) service quality which enable firms to gain competitive advantage (Alshurideh, 2022)

Flowing from the previous findings, this study proposes a model of customer relationship management focusing on the consequences in ensuring firm performance. We found the relationship marketing theory (Hunt and Morgan, 1994) underpinning the study while the dynamic capability theory (Teece, Pisano & Shuen, 1997) played supporting role. This study departs from the current debate by exploring the consequences of customer relationship management, thus presenting a parsimonious model on its impact on firm performance. Peterson (2020) had expressed concern that CRM scholars have devoted little consideration to the link with external environmental conditions. He was not surprised that significant discussions for CRM have remained scanty as discourse on CRM as strategic marketing strategies to cope environmental changes and technological turbulences has been neglected (Peterson, 2020). Thus,

we theorize that innovation capabilities, technological environment and SMEs performance interplay as consequences of customer relationship management.

A research of this nature is central in increasing the literature on customer relationship management in business world particularly in the perspective of small and medium scale enterprises. The theoretical descriptions would set a plan on customer relationship management in the context of small firms, providing propositional arguments that would give a coherent investigation on the consequences of customer relationship management. A new implication of this research is the understanding of the role of innovation capability and technological environment in the link between CRM and firm performance. While innovation capability serves as the intervening mechanism, technological environment forms the interacting boundary condition under which the relationship between the predictor and the outcomes becomes possible (Baron & Kenny, 1986). Lastly, the conceptualized model is applicable to small firms that implement customer relationship management technique rather than large business corporations, providing a more slightly different approach of the consequences of CRM with other outcomes.

A plethora of studies on CRM has been carried out by scholars from diverse fields of study in both advanced economies and developing economies [7, 8, 9, 10 11, 12, 13, 14]. However, most of the studies focused on large organizations while small size organizations have not been explored especially in Nigeria. This study intends to fill this missing gap by examining the influence of CRM, innovation capability, technological environment on the performance of SMEs in Nigeria.

The structure of this paper is as follows. First, we review previous pertinent literature on CRM, SMEs, innovation capability, firm performance and technological environment. Next, the approach and methodology are explained. Subsequently, the findings of the study are presented,

followed by a detailed discussion section. Lastly, the conclusion section summarizes the contribution of this research, and limitation (s) of the study and future directions

Literature Review

Concept of Business Environment

Environmental variable have always been adjudged as an important contingency factor in the customer orientation performance relationship (Slater & Narver, 1991; Neneh, 2017). Previous studies like Neneh (2017) have extensively studied CRM under various moderating of environmental factor as market turbulence, competitive intensity, and technological turbulence

Research Method

An all-inclusive check of literature allows the researchers to review the works of other researchers in the area of study and to avoid repeating what other scholars had done. To reconsider the literature, we looked for studies on customer relationship management on the performance of SMEs, mediating role of innovation capability and moderating role of technological environment in Nigeria and other countries. The review of the literature involved researching articles to gain in depth knowledge of customer relationship management activities in SMEs, and relationship marketing theory and dynamic capability theory that we used as the conceptual framework of the study. The studies are chosen from the work of researchers in Nigeria and other parts of the world. The literature review includes 97 peer-reviewed journals, nine books, one conference paper, and one working paper. We reviewed a total number of 108 papers with 90% of the articles published in or after 2015. The databases that we used include the Emerald Management Journal, ABI-INFORM Complete Pro Quest, Science Direct,

Directory of Open Access Journal, World Bank Publication, Institutional Based Research, and Google Scholar. A total of thirty five (35) empirical articles were identified consisting of thirty three (33) studies published in journals targeting those who explored the consequences of customer relationship management in SMEs. The database search included different combination of words such as customer relationship management, customer relationship marketing, innovation capability, innovativeness, firm performance, business environment, technological turbulence, and small and medium enterprises (SMEs), relationship marketing theory and dynamic capability theory. This was based on availability and accessibility of articles. This section captures the study methodology and in line with the study objectives, a detailed literature review was adopted which was achieved in phases. This was based on availability and accessibility of articles.

Proposed Measures

Customer Relationship Management: Though different versions of customer relationship management measures have evolved over time (Wu & Lu; 2012; Hong- Kit, Yim et al., 2004), they were used as multi – dimensional constructs. We found the scale development by Dawes (1999) was used as one- dimensional construct since our study is using CRM as a one – dimensional constructs, we decided to adapt the measurement scales to serve our purpose. The measurement scale has five items; with Crobach Alpha figure of 0.823. It was measured on a 5 point Likert typed scale of strongly agree (5), agree (4), not sure (3), disagree (2), and strongly disagree (1).

Innovation Capability: A number of scales have been developed to measure innovation capability (Fombrum, Gardberg& Saver, 2000, Helm, 2015; Feldman, Behamonde&Bellido, 2013). However, our study found that the scale development by Zegarra, (2014) appropriate for

this study because it is used as uni- dimensional constructs. Measurement scale has six items and measured on five points likert scale of strongly agree (5), agree (4), not sure (3), disagree (2), and strongly disagree (1).

Technological Environment: In measuring technological environment a number of scales have been developed and validated. However, we adapt the scale developed Ayadin & Ozer, (2005) using a sample of 4 items with a Cronbach, Alpha 0.925, measured on five point likert scale ranging from strongly agree (5) to strongly disagree (1)

Firm Performance A number of measures have been developed to measure firm performance (Laihomen; Aloini, Pellegrini, Lazzarotti, & Manzini, 2015; Verbano & Crema 2016). The scale was adapted from Dawes (1999) and Zegarra (2014) used subjective measures to determine organizational performance. It is appropriate for this study because it covers financial and non financial performance. We found the scale robust with Cronbach Alpha of 0.85. It is measured on 5 point Likert typed scale.

Result and Discussion

In an attempt to understand the practice of customer relationship management in business environment, this research projected an economical model of the customer relationship management, taking into cognizance of business environment in which these SMEs operate. This study leverages on the relationship marketing theory (Hunt & Morgan 1994) and dynamic capability theory (Teece, et al, 1997) as the theoretical foundation, while innovation capability, technological turbulence, and firm performance are proposed as the mechanism boundary condition and consequence of CRM respectively. The anticipated model provides an all summarizing approach that centres on the entirety of stakeholders' interactions in the business environment. This would be beneficial to future research regarding the consequences of

customer relationship management in the future business environment which recent global trend seems to be uncertain about.

Theoretically, incorporating innovation capability and technological turbulence into the model, customer relationship management model has underscored the importance of firm innovation capability, market capability and organizational capability in the CRM, firm performance link. Understanding the managers and owners capabilities and firm's innovativeness and good marketing practices would increase likely the technological advancement of the firm in such way that SMEs marketing behavior would enhance and clarify the multifaceted characteristic of relationship marketing as it relates to different firm's performance outcomes.

The study also made contributions to the field of marketing, especially in the context of customer relationship management. Poor performance of SMEs causes serious problem for entrepreneurs; this places firms at the disadvantaged side (Sadiku-Dushi et al, 2019). Thus, understanding the consequences of the phenomenon especially in this difficult period where most businesses are facing the scourge of Covid-19 pandemic and Russian Ukraine war that has increased the price of fuel, gas and other products required by this firm for production of other items, this has affected business globally most especially SMEs. Worse occurrences of performance and collapse of these SMEs would be more and more reported if survival factors important to SMEs' achievement are ignored. A model to understand this occurrence particularly from the perspective of SMEs is relevant.

Conclusion

The main drawback of this research is that the model of customer relationship management developed in this study is conclusion based on the fact obtained from the current argument in literature. Therefore, there is need to quantitatively and qualitatively test the model using

collected data with the help of the suggested measures and responses in form of interview gotten from managers| owners of the SMEs. We recommend that researchers validate this model across a number different contexts and industries. Secondly, inclusion of articles in the review is not scientifically determined but based on the authors' discretion and limitation to most data bases. It is possible some high impact journals are unavoidably inaccessible and would have influenced the viewpoints of the researchers on the consequences of CRM as premeditated in this study. We acknowledge the addition of more results from diverse background in the future reviews, with the result capturing and stressing important variables that explain the consequences of CRM as it relates to diverse cultures and industries. Fourthly, firm characteristics (Mwai, 2017) have been found to impact organizational outcome positively. We expect that firm that are matured and stable, and have grown or increase in size and well equipped technologically performed better than a new entrance into the business. Innovation in new ways of marketing the firm's products and services, identifying new market and new process will further help exploring the role of firm characteristics in enhancing business performance.

References

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