

# Conceptual Framework of SCRM Capabilities and Performance Dimensions: From Dynamic Capabilities Perspective

**Viphany Sihalath**

Kobe University, Graduate School of Business Administration

**Chieko Minami**

Kobe University, Graduate School of Business Administration

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# **Conceptual Framework of SCRM Capabilities and Performance Dimensions: From Dynamic Capabilities Perspective**

## **Abstract:**

Social customer relationship management (SCRM) is new paradigm that firms use to reach new level of managing and engaging customers. While increasingly gaining attention from practitioners, SCRM contribution to business performance is still largely unexplored. This paper argues that SCRM does not affect performance directly, but through the formation of specific SCRM capabilities which can be achieved when routinely operated. This paper proposes a conceptual framework to illustrate the linkage of SCRM capabilities and performance dimension, as well as identify the measurements of each dimension. The developed framework provides theoretically grounded base for understanding how SCRM impacts firms, and serves as the fundamental for future research. The developed framework also provides practitioners with better comprehension on how SCRM might bring benefits to firms.

*Keywords: Social customer relationship management, SCRM capabilities, SCRM performance*

*Track: Relationship Marketing*

## **1. Introduction**

Customer relationship management (CRM) is an important research topic, especially when more enabling technologies are available for business (Boulding, Staelin, Ehret and Johnston, 2005). The widespread of social media has turned customers from passive actors to active participants, thus firms find it necessary to alter their approaches toward CRM and create new capabilities to assist value co-creation with customers (Trainor, 2012).

Boulding, Staelin, Ehret and Johnston (2005) proposed that preexisting processes and capabilities within firm determine the effectiveness of CRM investment. Based on this assumption, this paper argues that firm may not achieve superior competitive advantage or performance through only deploying or investing in resources, but through the development of specific capabilities over the operational routines. To confirm this assumption, Dynamic capabilities (DC) theory, which conceptualizes organizational capabilities in accordance with potential to improve business performance, is used as the fundamental in grounding framework of SCRM in this article. This paper aims to contribute to SCRM area of study by bridging the capabilities developed from the integration of CRM and social media to performance dimension, as well as clarifying how firm can gain competitive advantages over its competitor through the deployment of these resource. The identified capabilities and performance outcomes can also be served as the fundamental indicators for future empirical research aiming to test the real merits of SCRM to organizational performance satisfaction.

## **2. Theoretical Underpinnings**

### **2.1. CRM and social media**

CRM is an often studied domain, yet general accepted definition has not emerged as it holds different meanings for different people. In this paper, CRM is considered as the evolution and integration of technologies, new data, and marketing ideas (Boulding, Staelin, Ehret and Johnston, 2005). Previous definition of CRM has also implied that CRM tools, technologies, and processes allow firm to utilize customer data and information to manage customer relationship (Payne & Frow, 2005). Although traditional CRM implication also emphasizes on the concept of dual creation of value between firms and customers (Boulding, Staelin, Ehret and Johnston, 2005; Payne & Frow, 2005), efforts to engage with customers have fallen short. However, interactive nature provided by social media can make this interactivity between customers and businesses possible (Kaplan & Haenlein, 2010).

SCRM is a new concept which has emerged in response to unite of social media in CRM processes. While CRM focuses on managing key customers and customer segments to improve appropriate relationship (Payne & Frow, 2005), the core concept of SCRM is to integrate social media with customer-facing activities in order to engage customers deeper into the collaborative conversation and to maximize mutually beneficial relationship (Greenberg, 2010; Trainor, 2012). From CRM literature, the effectiveness of CRM relies on the cross-functional integration of processes, people, and marketing capabilities (Payne & Frow, 2005). This argument aligns with the concept of SCRM since strategies, processes, and technologies are the key factors that enable firm to effectively link social media with CRM processes (Reinhold & Alt, 2011). Synchronizing mass data from online conversations with other CRM channels is a complex task, thus organizational readiness is essential for these technological integrations to be effective. Thus, SCRM is not envisioned as the substitute of traditional CRM in this paper, but rather the extension that relies on CRM technology and process to be effective. The next session discusses how firm enhances traditional CRM and how new capabilities are developed through SCRM technology and how these capabilities allow firms to achieve better performance outcome.

## 2.2. Dynamic capabilities theory

DC theory emphasizes that organizational processes need to be combined with other resources in order to build unique capabilities so that firms can differentiate themselves from others (Teece, Pisano and Shuen, 1997; Barney, 1991). From DC perspective, hardware and software investment to support CRM systems may not necessarily improve business performance. Rather, firms may realize the greater business outcome when CRM resources are combined with other organizational complementary resources in order to create specific marketing capabilities (Trainor, Andzulis, Rapp and Agnihotri, 2014).

It has been argued that benefits SCRM can bring are difficult to translate (Woodcock, Green and Starkey, 2011). This argument explains the widely use of resource-based view (RBV) as the fundamental theory in previous research since researchers attempt to test how investing on technology, such as SCRM, could facilitate firm to achieve better performance outcome. However, focusing on technological investment alone has been found insufficient in explaining how firms gain competitive advantage since technology, such as social media, can be easily accessed. DC theory, on the other hand, emphasizes on heterogeneity of resources and capabilities that are difficult to imitate over time (Teece, 2007). If the successes of CRM

investment rely on preexisting processes and capabilities (Boulding, Staelin, Ehret and Johnston, 2005), complex and inimitable capabilities is assumed to be developed through combining technologies with knowledge-based resources. This paper lines in the assumptions that DC considers continuous organizational learning as resource and treats operating capabilities such as product development and knowledge creation as organizational routines (Teece, Pisano and Shuen, 1997; Eisenhardt & Martin, 2002; Wang & Ahmed, 2007), and these sets of organizational processes are assumed to enable the differentiation and performance satisfaction that firms may achieve (Teece, 2007).

### **3. SCRM Capabilities**

#### **3.1. Competency in integrating information**

CRM activities involve sharing information between businesses and customers (Jayachandran, Sharma, Kaufman and Raman, 2005). In digital age where massive information is crucial for marketing decision making, managers need the real-time information to adjust in the high-velocity market and to capture the spotted opportunities (Eisenhardt & Martin, 2000). If the goal of CRM is to gather all information about the market and customers to establish the basis for deep analytical CRM (Payne & Frow, 2005), social media represents an additional touch point and provide further content for this database (Sigala, 2011). SCRM is classified as the customer-oriented tool for collecting customer data from various platforms in order to develop appropriate customer-oriented marketing response (Reinhold & Alt, 2011). Through interactive communication, SCRM enables the accumulation of customer insight data (Rodriguez, Ajjan and Peterson, 2014) which helps firm to customize the offerings that are suitable for each customer's tastes and to improve customer relationship (Woodcock, Green and Starkey, 2011).

#### **3.2. Competency in encouraging interaction**

SCRM was found to be adding value to customer experience through the two-way interactivity (Trainor, Andzulis, Rapp and Agnihotri, 2014). Interactivity leads to customer engagement, and evidences suggested that the degree of customer engagement is the best tool for measuring current and prospect firm's customer relationship performance (Behravan & SabbirRahman. 2012). Based on the core concept of CRM which emphasizes the importance of dual creation of value (Boulding, Staelin, Ehret and Johnston, 2005), social media applications can be applied to CRM system in order to add more interactivity to traditional counterparts (Trainor, 2012). The interactivities between firms and consumers and within consumer

themselves can be occurred both offline and online, however SCRM enables virtual environment for customer discussion which offline environment cannot replicate such opportunity (Behravan & SabbirRahman, 2012). More precisely, social media enables firms to integrate customers deeper into CRM processes by listening to them, incorporating them into collaboration to establish mutual relationships (Woodcock et al., 20 Woodcock, Green and Starkey, 2011).

### 3.3. Competency in fostering co-creation of value

Capability to foster the co-creation of value with customers can be developed through implement of SCRM. The depth of customer integration with firms determines the degree information flows which alter knowledge enabled SCRM to make customers the active partners in value co-creation process (Sigala, 2011). Although CRM allows co-creation of value to take place (Payne & Frow, 2005), the one-way monologues of traditional CRM technology limit the interactivity and inhibit the ability to engage with customers (Diffley & McCole, 2015). SCRM, on the other hand, allows firms to deeper imbibe customers in their operations through engagement. It can be addressed that the integration of social media with development processes enables the true co-creative nature to be recognized. Thus, implementing SCRM should lead to the higher value co-creation effectiveness.

## 4. Performance Dimension

### 4.1. Customer relationship performance

The technological advances have enabled firms to capture and use customer information, which allow firms to effectively respond to customers, and should result in the better customer relationship performance (Jayachandran, Sharma, Kaufman and Raman, 2005). Similar to this finding, the overall effects on how implementing SCRM can lead to the stronger customer relationship have been testified in the prior empirical researches (Trainor, Andzulis, Rapp and Agnihotri, 2014; Rodriguez, Ajjan and Peterson, 2014). More specifically, firms that implement SCRM can experience the higher degree of customer relationship performance, which is measured by the degree of customer loyalty (Diffley & McCole, 2015; Nadeem, 2012), customer satisfaction (Diffley & McCole, 2015), and customer life-time value (Behravan & SabbirRahman, 2012). SCRM enables the capabilities to integrate knowledge from social media, such as customer personal interactions, with existing customer data from CRM system, which allows firm to better understand customer needs and preferences (Trainor, 2012). By listening to consumers' offline and online conversation, firm can enhance the brand perception and customer

loyalty, as well as respond to the potential crisis that may affect the degree of customer satisfaction (Valentin, Oana, Adriana and Elena, 2016).

#### 4.2. Customer acquisition

While CRM aims to maintain relationship with firm's profitable customers, SCRM potentially assists firm in acquiring new customers through the social-based communities. With its interactive nature, social media provides firms with the opportunities to not only receive feedback from customers (Kaplan & Haenlein, 2010), but also to turn them into product advocates (Sashi, 2012). SCRM capabilities in integrating mass information, fostering quality and quantity of interaction, and encouraging value collaboration can assist firm in acquiring prospect customers through reaching and engaging in advocacy. Previous study of SCRM confirm that the degree of customer satisfaction increases when SCRM is implemented effectively (Trainor, Andzulis, Rapp and Agnihotri, 2014), and the customer satisfaction may assist firm in acquiring new customers since satisfied customers tend to engage in positive words of mouth (Anderson, Fornell and Lehmann, 1994). Thus, SCRM allows firm to reach new customers by targeting audiences outside traditional CRM databases.

#### 4.3. New product performance

SCRM is considered as the customer oriented technology that allows firm to include customer sentiment in the product innovation process effectively. Product innovation capabilities, however, are not often viewed as the outcome of traditional CRM (Trainor, 2012). CRM technologies are rather considered as the essential tool to develop and to maintain customer relationship (Payne & Frow, 2005). SCRM, on the other hand, provides the opportunity to include the opinion from market and discussions between consumers into product development process, which is not accessible by CRM technology (Greenberg, 2010). Thus, SCRM enables firm to accumulate customer insights and customize the offering for each customer (Rodriguez, Ajjan and Peterson, 2014). As the result, product performance and quality of customer experiences can be improved if firms effectively utilize SCRM technology and processes.

### **5. The Role of SCRM Capabilities and SCRM Performance**

Although some prior studies in CRM domain that are cited in this paper do not specifically examine the role of social media technology, they provide the supporting foundation for understanding how firms can achieve desired business performance through integrating CRM with other raw resources such as social media. Boulding, Staelin, Ehret and Johnston (2005)

proposed that, holding the investment in CRM as constant, the effectiveness of CRM implementation depends largely on preexisting processes and capabilities within firms. Adopting this perspective into SCRM implementation, it can be argued that firm that has already developed effective CRM learning processes and capabilities are more likely to achieve greater outcome when integrating social media to form SCRM activities and firm should gain competitive advantage over its competitors as implementing SCRM over time when capabilities turn into organizational distinctive resources.

The above argument reflects DC perspective which emphasizes the importance of organizational ability to reconfigure existing resources with new raw materials to adapt to the changing of business environment (Teece, Pisano and Shuen, 1997), thus firms need to combine related materials (e.g. social media) with existing strategic organizational processes (e.g. CRM). Combining social media technology with CRM to form firm-level capabilities allows firm to enhance performance outcome. In addition, Trainor, Andzulis, Rapp and Agnihotri (2014) identify that, firms with more effective existing CRM implementation tend to have greater outcome in integrating social media technology into their CRM model. In other word, adding social media tools with firms' prior CRM effectiveness allows firm to develop capabilities that allow firm to better enhance business outcome (Trainor, Andzulis, Rapp and Agnihotri, 2014).

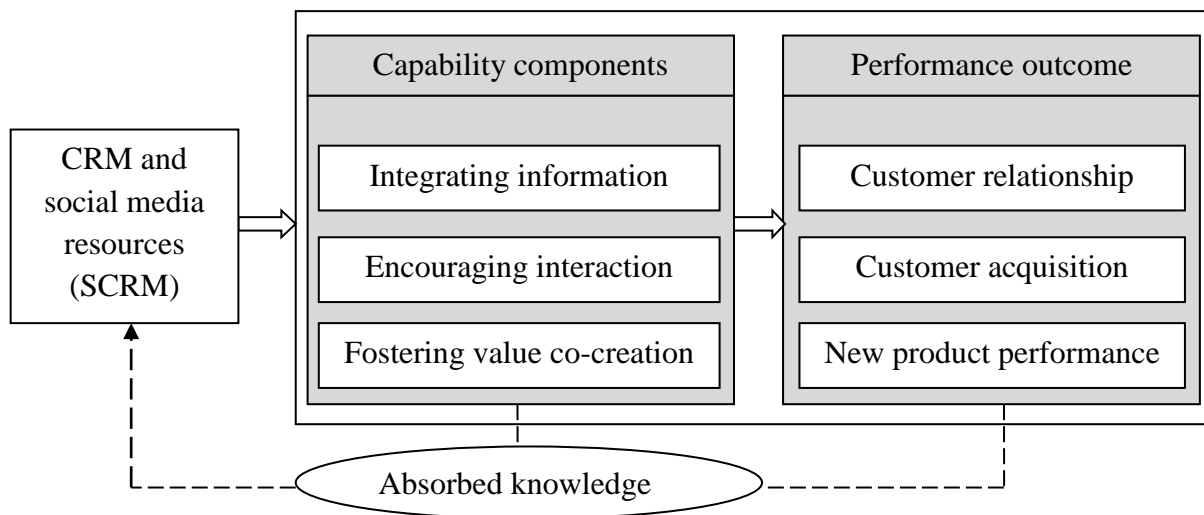


Figure 1. The relationship of SCRM on capabilities and performance outcomes

The above proposed DC-based framework illustrates how firm creates dynamic and operating capabilities from the use of SCRM. DC defines three main components including the capabilities to adapt (sensing and seizing opportunities), absorb (applying external information



for commercial use), and innovate (developing products, processes, and markets) (Wang & Ahmed, 2007; Teece, 2007). Fostering engagement with customers and gathering market information through the use of SCRM reflex DC assumptions in practices. The engagement nature of SCRM enables the continuous organizational learning that would result in enabling organizational distinctive capabilities in absorbing knowledge through these routine operations.

There is a need for firm to embrace outside-in approach to benefit through DC model (Day, 1994). SCRM facilitates knowledge-accumulations through several platforms particularly online social media, and this absorbed knowledge is especially important in turning organizational capabilities into organizational distinctive capabilities when being implemented routinely. This reflects the core concept of DC in accordance to how firms turn short-term competitive advantage when capabilities are formed to long-term competitive advantage when the formed capabilities become valuable, rare, inimitable, and non-substitutable (VRIN). SCRM capabilities allow firms to leverage accumulated customer resources for sustained competitive advantage since competitors cannot imitate routine capabilities of one organization easily.

## **6. Conclusion**

In summary, the conceptual framework proposed solution towards the calling for comprehensive SCRM model indicating how specific capabilities are developed (Trainor, 2012) and contributed to firm performance. After the initial understandings of SCRM impacts on capabilities and performance are explored, they are linked with DC assumptions to further the comprehensive framework explaining how SCRM actually provides firms with benefits. By bridging SCRM and DC literature, it can be observed that firms may realize real competitive advantage from deploying SCRM through continuous operational routines which evolve capabilities into distinctive and specific organizational capabilities, thus benefits of SCRM can be truly realized over period of time.

The developed conceptual framework of SCRM contributes to both theory and practice. Although previous researches proved the positive impacts of SCRM to overall firm performance, real merits of SCRM and how firms can gain performance satisfaction have not cleared explained. This paper contributes to practitioners' usefulness because the measurements of SCRM capabilities and performance indicated in framework should diminish the uncertainty of how deploying SCRM may actually bring benefits for firms in practice. Regarding to the contribution to theory, SCRM key capabilities provide the analytical framework that explains not

only how the use of SCRM enables firm to develop capabilities that generate performance outcome, but also how firms may sustain competitive advantage through the absorb knowledge from routine operations which lead to the VRIN of resources and distinctive capabilities that are difficult to be imitated by competitors. Although the capability and performance dimensions represent only a limited perspective of overall SCRM topics, they may contribute to future research that aims for analyzing individual aspect of SCRM capabilities, or holistic view of performance outcome such as the value of investment.

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