

RESEARCH ON THE RELATIONSHIP AMONG MARKET ORIENTATION, CUSTOMER RELATIONSHIP MANAGEMENT, CUSTOMER KNOWLEDGE MANAGEMENT AND BUSINESS PERFORMANCE

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Abstract: In the age of knowledge-based economy, business must effectively to improve its performance rely on implement customer relationship management and customer knowledge management. Market orientation is a kind of marketing logic which is focus on customers, it can help to construct the relationship and communicate knowledge with customers, in order to improve customer satisfaction, customer loyalty and gain and accumulate value for the business. This paper is intended to construct an integrated model. In this model it discusses the relationship between market orientation, customer relationship management and customer knowledge management, and their contribution to business performance.

Key words: market orientation, customer knowledge management, customer relationship management; business performance

1. INTRODUCTION

Hunt & Morgan (1995) hold the opinion that market orientation is an important resource in the creation of competitive advantages in the business. Narver & Slater (1990) figured that market orientation is an organizational culture; help the business creating exceeded values for customer⁵. Regardless of its role as an important resources or an organizational culture, what kind of influence does market orientation imposes on the promotion of the performance in a business? Different researches have different opinions. Recently, many scholars stated that market orientation is not able to influence the business performance directly, and it can only be via a medium effect and by the modification from some variables.

With the coming of the knowledge economy, knowledge and relationship have become the most

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⁵ Luo Qinjun. (2003). *Relationship between market orientation and business performance*. Doctoral Thesis. Hangzhou: Zhejiang University (in Chinese)

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essential capital in a business. The knowledge management makes an emphasis on the way that employees create, share, distribute and apply knowledge, but nearly ignore the study on customer---an important source of knowledge. Therefore, many scholars have begun to stress the necessity of learning from customers⁶. In this way, customer relationship management (CRM) and customer knowledge management (CKM) again become the topic and focus of the research.

Market orientation, CRM and CKM all take customer as the key participation. Kalwani and Narayandas (1995) make a combination of Market orientation and CRM, pointing that both of the two focus on the satisfaction of customer's needs. The point of CKM emphasizes that customer knowledge should come from customer relationship (Gibbert, Leibold and Probst, 2002)⁷. So we come to the conclusion that CRM and CKM have a relationship that can not be separated.

There are close association which is related to customer among market orientation, CRM and CKM. But in domestic country, there is rarely discussion focused on mutual association between CKM and CRM as well as their affects on business performance. Meanwhile, whether CKM and CRM can be variable between market orientation and business performance, which one has more effective affects as being a medium? What kind of exact route and influence relationship exist between them? Therefore, this paper choose CKM and CRM as axis, research in the influence on both of them which is made by market orientation, along with the association related to the promotion of business performance.

2. CURRENT RESEARCH

2.1 Relationship between market orientation and business performance

Overseas scholars defined market orientation in four points of view: 1st. Behavior of market orientation (Kohli & Jaworski, 1990, 1993; Rukert, 1992; Day, 1994); 2nd. Culture of market orientation which contains two points of view, one is culture consisting of behavioral elements (Slater & Naver, 1994), the other is proper culture (Deshpande, Farley & Webster, 1993); 3rd. Systemic base of market orientation (Becker & Homburg, 1999); 4th. Relationship base of market orientation (Helfert, Ritter & Walter, 2002)⁸.

The demonstrative study on influence of business performance which is made by market orientation showed various results, it has not been on an accordant conclusion yet. Most of the researches reported that market orientation affects the business performance positively. While according to the research worked out by many scholars, the influence of market orientation imposed on business's performance can only be exerted in a given situation. Some studies even show that there is no influence between them.

2.2 Relationship among market orientation、customer knowledge management and customer relationship management

Hult & Ketchen (2001) thought that business that under market orientation "Do their best to understand the existed and potential demands of customer, and try to develop excellent solution projects which will fulfill these demands"⁹. As we know that customer is an extraordinarily important conception of market

⁶ Michael Gibbert, Marius Leibold, Gilbert Probst. (2002). Five Styles of Customer Knowledge Management, and How Smart Companies Use Them To Create Value. *European Management Journal*, 20(5): 459-469

⁷ Michael Gibbert, Marius Leibold, Gilbert Probst. (2002). Five Styles of Customer Knowledge Management, and How Smart Companies Use Them To Create Value. *European Management Journal*, 20(5): 459-469

⁸ Zhang Xuelan. (2005). *Market Orientation, Competitive Advantage and Organizational Performance*. Doctoral Thesis. Wuhan: Wuhan University (in Chinese)

⁹ Henning Gibert, Malte Geib, Luze Kolbe, Walter Brenner. (2003). Knowledge-enabled Customer Relationship Management: Integrated Customer Relationship Management and Knowledge Management Concepts. *Journal of*

orientation.

Weixiang Fan (1995) combined the conception of CKM (which contains customer's view, behavior and satisfaction) and the idea of market orientation. Deeply discussed how to promote the business performance, the research figured that CKM has positive influence on market orientation. The disposal process concerned on market orientation, forward and reaction, towards the information of market, which is defined by Narver, Slater and MacLachlan (2004) are all related to the conception of the knowledge management flow and the obtain of potential or immediate information from customer. This is a method that transforms inside and develops the application according to the demand, even to protect them. The Taiwanese scholar Zhiyuan Xu, who is taking study object and be in charge of developing the new production of "2003 member records" of information soft association, found that market orientation has obvious positive influence on CKM¹⁰.

2.3 Relationship between customer knowledge management and customer relationship management

Table.1 The difference between CRM and CKM

	CRM	CKM
Communication manner	Unilateralism, structure data and information	Bidirectional, non-structure
Knowledge sought	Customer database	customer database, customer experience, creativity
Sort of customer knowledge	Knowledge about customers	Knowledge reside in customers
Rational	Mining knowledge about the customer in company's database	Gaining knowledge directly from the customer, as well as sharing and expanding this knowledge
Recipient of incentives	customer	Customer and employee
benefits	Customer retention	Collaboration with customers for joint value creation
valuation criteria	Customer satisfaction and customer loyalty	Ability of creation and customer satisfaction
Role of customer	Captive, tied to produce/service, by loyalty schemes	Active, partner in value-creation process
Corporate role	Building lasting relationships with customers	Emancipate customers from passive recipients of products to active co-creator of value

Gibert et al. (2003), Copulsky and Wolf (1990), Guanghua Zeng (1989), Shunqing Hong (1989), Davenport (2003), Dyer & Singh (1998) considered that the result of integrating CRM and CKM will be tending towards to CKM. the customer knowledge management (CKM) can be viewed as the extendibility and development of customer relationship management (CRM)¹¹. The CKM can be seen as the combination of customer management and knowledge management, CKM is linked with knowledge and relationship, which are two kinds of key resources in the business and current economy.

Knowledge Management, 7(5): 107-123

¹⁰ Luo Qijun. (2003). *Relationship between market orientation and business performance*. Doctoral Thesis. Hangzhou: Zhejiang University (in Chinese)

¹¹ Alexandra J. Campbell. (2003). Creating Customer Knowledge Competence: Management Customer Relationship Management Programs Strategically. *Industrial Marketing Management*, 32: 375-383

On one side, the business can build closer and more valuable symbiosis relationship with the customers; on the other hand, they poured the knowledge and professional experience which are acquired from the communication with customers into products and services to the maximum, from which can they establish stable foundation for sustainable advantage in competition.

However, there are still many differences between CKM and CRM. The results were listed in Table.1.

2.4 Deficiency in current research

1st. There is no uniform conclusion about the relationship between the market orientation and business performance.

2nd. In the study of the relationship between market orientation and business performance, the intervening variables, which are drawn into, are almost focused on the conception of innovation and organization, thus the ultimate factor in the market—customer, has been ignored, the incoming conceptions related to customer will definitely become a powerful supplement to the field.

3rd. Regarding the relationship between market orientation and business performance, resulted various conclusions by scholars in different industries, but there are rarely studies on comparing in different industries.

4th. The study of the relationship between market orientation and business performance is on the initial phase currently, no matter domestic or abroad. The topics of studying CKM show that main concern is focused on measuring certain detailed dimension and the definition of relating conceptions. Nowadays, there are few discussions concentrated on the relationship between CKM and CRM domestically.

3. RESEARCH CONTENT AND ASSUMPTIONS

3.1 Market orientation and customer relationship management

Market orientation is composed of three elements, they are customer orientation, competitor orientation and cross-functional coordination (Slater and Narver, 1995). The core concept is to enable business to fully understand the needs of new customers, the advantages and disadvantages of competitors, as well as resources by inter-departmental coordinating and organizing, so as to create outstanding value to customer (Slater and Narver, 1990; Narver and Slater, 1995)¹². CRM is a business process and information technology portfolio model which business uses to understand and distinct customers from different angles to develop the products and services adapting to individual needs of customers, it aims to manage the relationship with the old customer, and enable them to the highest loyalty, thereby improving profit contribution rates, and attracting new customers valuable selectively and efficiently at the same time (Tiwana, 2000).

Market orientation will boost up the motivation of organization to seek for the information of customers and competitors, and elevate their efficiency and ability when they deal management relationship with customers. In addition, it can help them to think of value-creation activities in a customer-oriental place, and then pay more attention to create value with customer by unite measurement (Prahalad and Ramaswamy, 2004)^[6]. Business with market orientation will know more about customer request and expectation, which will enhance efficiency of bi-directional communication and unite activity. As stated, the research proposed: Assumption 1: Market orientation will affect customer relationship management positively.

¹² Zhang Xuelan. (2005). *Market Orientation, Competitive Advantage and Organizational Performance*. Doctoral Thesis. Wuhan: Wuhan University (in Chinese)

3.2 Market orientation and customer knowledge management

Narver and Slater (1990) thought that market orientation could help organization collect information of customers and competitors, provide excellent value for customers in efficient processes and then maintain better performance. The higher the market orientation degree, the more value will be created for customer, and they will prefer to take part in interactive activities and share customer knowledge with business. Wayland & Cole (1973) believed that CKM means the sources and application of customer knowledge as well as how to build more valuable customer relationship by information technology, which plays a leverage role during acquiring, developing and maintaining profitable customer arrangement process¹³.

Market orientation emphasizes on how to acquire information from customers and competitors, and create excellent value for customers in the most efficient way, then improve performance continuously (Narver and Slater, 1990). When employees work hard to create excellent value for their customers, at the same time, customers will expect charging more value through exchanging knowledge with business, then realize co-creation for value and improve the ability of customer knowledge management. As stated, the research proposed: Assumption 2: Market orientation will affect customer knowledge management positively.

3.3 The relatedness between customer relationship management (CRM) and customer knowledge management (CKM)

The CKM emphasized on viewing customer knowledge as the most important source (Garcia-Murillo and Annabi, 2002). Business must try their best to raise the desire from customer to exchange knowledge, to bring about the expectation from customer in obtaining value through the activities. CRM pays great attention to bi-directional communication with customer, comes to understand customer's aspirations, establishes mutual trust, maintain the long-term partner relationship (Morgan & Hunt, 1994). Zhanping Wang & Qing Ke (2004) figured that CKM is not only the purpose but also the essence of the CRM. Gebert et al (2003), Jun Zhu (2006), Xin Guo (2003), Yixiao Huang, Peiji Shao (2005) considered that CKM is the extendibility and development of the knowledge management and CRM, CKM is linked with knowledge and relationship, which are two kinds of key resources in the business and current economy, on one side, the business can build closer and more valuable symbiosis relationship with the customers, on the other hand, they poured the knowledge and professional experience which are acquired from the communication with customers into products and services to the maximum, from which can they establish the stable foundation for sustainable advantage in competition.

Gebert et al (2003) stressed that CKM is the key successful factor of CRM, only if the business made effective integration towards the flow of relative customer knowledge management, can they conform the marketing sales and services, to achieve the purpose of fully manage customer relationship. Besides, if business want to build favorable relationship with customer, they would have carry out friendly way, by which customers are preferred, to execute mutual activities, so business have to complete wonderfully on CKM.

Swift (2001) emphasized the importance of customer knowledge in customer relationship. He figured that CRM is such kind of mutual process by which customer information can be converted into positive customer relationship. Lin (2001) also concluded that the collection of customer information and the set up of customer knowledge will play incalculable role in customer relationship. As stated, the research proposed: Assumption 3: Customer knowledge management will affect customer relationship management positively.

¹³ Lin Yichen, Su Hwan-Yann, Chien Shihen. (2006). A Knowledge-enabled Procedure for Customer Knowledge Relationship Management. *Industrial Marketing Management*, 35: 446-456

3.4 The influence made by customer knowledge management towards business performance

Peiji Shao, Yixiao Huang regarded CKM as an important factor in viewing knowledge as the success of business¹⁴. By creating, communicating and applying to the knowledge which is gained through process in dealing with customer, it can increase the business performance and the value to the full, in order to realize the process which can create value of the business and maintain advantage of the competition. The business, which will carry out CKM effectively, can take full advantage of correlative knowledge in customers, markets and rivals, so as to make more effective changes towards market than their rivals. CKM emphasize on changing customers into their intellectual partners, accordingly, make both sides benefit and win-win cooperation through the close communication between business and customer. Di Yu, Jianyu Wang(2005)¹⁵ proposed that CKM views the customer knowledge as strategic resources, regards mastering and utilizing customer knowledge to the furthest as the key point in upgrading business competition and economical benefits. The customer knowledge belonging to the business will be indispensable capital for creating competitive advantage.

Pengbin Gao, Zhongbing He, Sanchez and Elola, Koskinen, Twiss, Dannels and so on, these scholar have proved separately from theory and practice that customer knowledge management has positive effect on exploiting performance of new products, viewing that from the perspective of business, the management concentrated on customer knowledge is valuable, further more, the transform from customer knowledge into innovation activities of products and services will definitely contribute a lot to the promotion of business performance. As stated, the research proposed: Assumption 4: The customer knowledge management will affect business performance positively.

3.5 The influence made by customer relationship management towards business performance

CRM emphasizes on maintaining long-term relationship with customers, causing customer satisfaction and then creating customer loyalty, owing to the customer satisfaction and loyalty will bring both incomes and interests, so the business-customer relationship can be viewed as an important customer capital. The business must carry through mutual communication and long-term cooperation with customers in order to build relationship capital (Edvinsson, 1997). The only important resource that can keep the competitive advantage of business is maintaining the long-term relationship with customers (Morgan and Hunt, 1999).

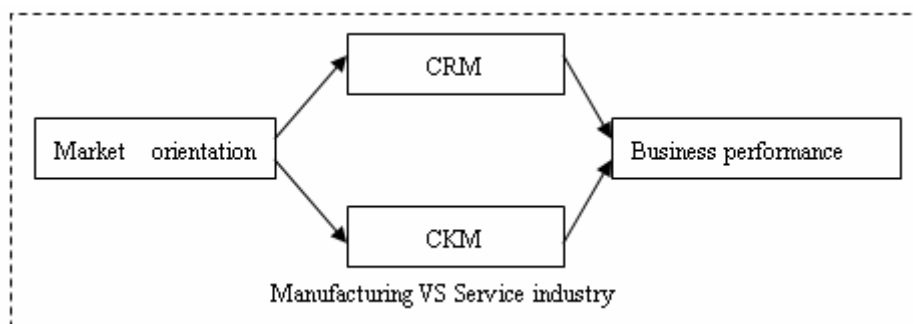


Figure.1 Research structure

¹⁴ Shao Peiji, Huang Yixiao. (2006). Review on Theoretical Research about Customer Knowledge Management. *Journal of Electronic Science and Technology of China*, 8(4):165-169 (in Chinese)

¹⁵ Yi Di, Wang Jianyu. (2005). Supply-Chain-Oriented Customer Knowledge Management. *Science & Technology Progress and Policy*. 3: 18-20 (in Chinese)

The purpose of CRM is in virtue of business process, such as marketing、after sales and customer service, along with personal sales activity to achieve bidirectional communication, can it reach customers' satisfaction and maximum value, so as to benefit new customers, to enhance outstanding achievement、to realize multi-angular growth and to control cost. Amrit Tiwana (2001) considered that under such developmental trend, intense market competition, globalization, high flow rate of customer as well as higher cost of customer, CRM can give a hand to business to reach customers' demand, improve customers' loyalty, that means the business can get more profits from the loyalty of current customer.

On the whole, CRM can bring excellent sales achievement, through the entire quality management; thereby can make a great influence on profit rates positively. The successful management of customer relationship can also improve customers' satisfaction and loyalty, as well as refine the products' quality. All of this can give positive effect on upgrading business performance. As stated, this research proposed: Assumption 5: The customer relationship management will affect business performance positively.

3.6 Take the industry as situational variable

The research made by Deshpande et al. (1993) indicated that in the market under customers' acknowledge, there is positive relationship between market orientation and business performance, but in the market which is reported by supervisors themselves, there seems no relationship exist. Meanwhile, the relationship between market orientation and business performance varies greatly in both influencing routes and magnitude degree, under different background of business. Therefore, this research take the industry as scene variable, discuss the routing under different industry as well as mutual influencing degree that each variable has made, try to choose the serving and manufacturing as cases to carry out the comparison analysis.

4. LOCALIZATION AND OUTLOOK

1st. In this research, there is no particular divide into discussion of the three concept, market orientation、customer relationship management (CRM) and customer knowledge management (CKM), it can be significant subsequent research on how to measure these variables and further develop questionnaire.

2nd. This research is just concentrated on industry, the only scene variable, ancestors' research indicated that a great deal of aspects can affect the relationship between market orientation and business achievement, such as market increase、intense degree of market competition、technical development and so on, accordingly, subsequent researches are necessary in deeply discussing alternate influence of these variables, in order to make the researches in accordance with practice.