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## 73. Human Processes in Customer Relationship Management

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### Abstract

*Customer relationship management (CRM) is a combination of people, processes, and technology that seeks to provide understanding of customer needs, to support a business strategy, and to build long-term relationships with customers. Successful utilization of the integrated technology requires appropriate business processes and organizational culture to adequately address human behavioral elements. Because it is not simply a technology solution, success in CRM business revolves largely around people. In order to build a clearer understanding of the content and role of the human processes of CRM, this study analyzes the literature on CRM processes and people dependencies and forms propositions about the need for human processes in CRM. It emphasizes the responsibility of executives and operational staff in making critical decisions and using intimate communications to conduct relationship management with their customers. Typical CRM human processes are those that are difficult to implement or that cannot be carried on using technology solutions alone, including such activities as planning customer strategy, designing CRM processes, coping with customer problems, understanding customer needs, handling intimate communications, and integrating customer responses. Factors that affect the dependency of human processes in CRM are related to customer factors, the content of information, employee capabilities, and the organizational environment. Propositions formed in this study are that the dependency on human processes in CRM is affected by (1) customer emotional needs; (2) the need for tacit customer information; (3) employees' experience; and (4) the organizational culture.*

**Keywords:** Customer relationship management, Human processes, People-driven CRM

### Introduction

Customer relationship management (CRM) is a combination of people, processes, and technology (Chen and Popovich, 2003) that seeks to provide understanding of customer needs (Stringfellow et al., 2004), to support a business strategy (Ling and Yen, 2001; Bull, 2003), and to build long-term relationships with customers (Wayland and Cole, 1997). Although enabled by information systems, CRM is not a technology solution (Rigby et al., 2002; Chen and Popovich, 2003). The key processes are performed by people and require clear understanding of the goals of key decisions and system-people interactions.

CRM systems have been used for a long time to automate processes (Ngai, 2005). However, the system process cannot manage customer relations (Rigby et al., 2002; Chen and Popovich, 2003) because customer knowledge needs to be comprehended by business managers (Bueren et al., 2005), the face-to-face communication needs to be performed by front-line operators (Stringfellow et al., 2004), and a customer-centric culture needs to be formed by organization architects (Oldroyd, 2005). Although critical to the firm and dynamic in nature, the human side of CRM processes has gained little attention in CRM studies. To build a clearer understanding of the human processes of CRM, this research strives to provide answers to the following questions:

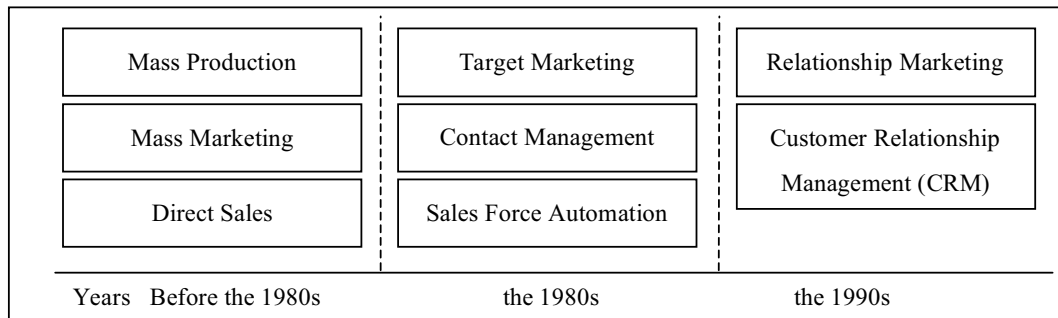
- What are the human processes of CRM?

- What are factors that affect the dependency on human processes in CRM?

This study is based on the literature on CRM, especially studies about decision making and customer interaction. It analyzes the human processes in CRM and proposes factors that affect the dependency on human processes in CRM in the areas of customer characteristics, the content of information, employee capabilities, and the organizational environment.

## Literature review

### *The development of CRM*



**Figure 1: The Evolution of CRM.**

From the 1980s to the 2000s the research of CRM have progressed tremendously (Ling and Yen, 2001; Goldenberg, 2006). As shown in Figure 1, the evolution of CRM from target marketing (Prabhaker, 2001) and sales force automation (West, 2001) to relationship marketing (Gronroos, 1994) has increased the demand for customer information management. However, as the scope of CRM grown, comprehensive emphasis on technology has become the focus. At the same time, the increased interest in CRM technology management has downplayed the importance of people issues, which are intimately responsible for successful CRM implementations (Goldenberg, 2006).

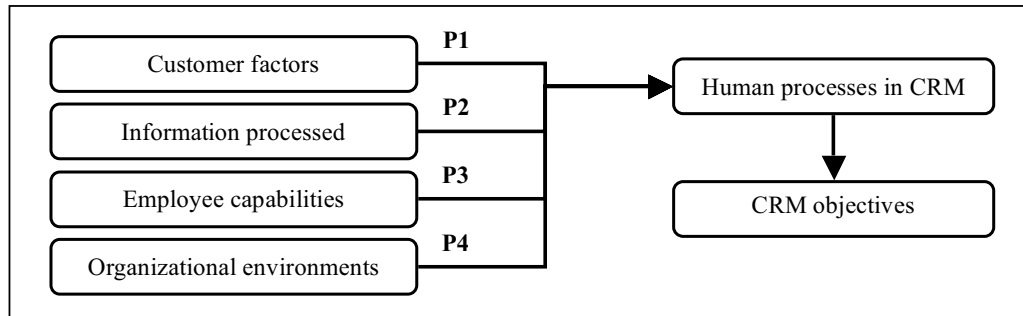
### *Human processes in CRM*

In the literature on CRM there are three kinds of interpretation of CRM: data-driven (Greenberg, 2004), process-driven (Greenberg, 2004), and people-driven CRM that this study proposes. Data-driven CRM focuses on CRM systems that integrate customer information using applications, interfaces, and automation tools (Greenberg, 2004). Process-driven CRM builds around existing practices and rules and uses data sources to enrich the processes (Greenberg, 2004). Finally, people-driven CRM emphasizes the responsibility of executives and operational staff in using nearly face-to-face communication to process relationship management. It posits that business success revolves largely around human processes in performing CRM. Because the former two kinds of CRM have gained most attention in the research, it is the aim of this paper to propose a clearer view of people-driven CRM.

The term “human processes” in our research means that executives and operational staff owning the capabilities of understanding, manipulating, and analyzing customer knowledge to face and satisfy customer needs in customer-oriented culture. These include processes that are difficult to implement or that cannot be carried out using technology solutions alone, such as planning customer strategy (Rigby et al., 2002; Bull, 2003), designing CRM processes (Chen and Popovich, 2003), coping with customer problems (Rigby and Ledingham, 2004), understanding customer needs (Stringfellow et al., 2004), and handling intimate communications and responses (Stringfellow et al., 2004).

### ***Factors affecting the dependency on human processes in CRM***

The section examines factors that affect the dependency on human processes in CRM. Factors relating to customers, information, employees, and organizations are organized, and propositions are formed, in Figure 2, and then they are described in the subsequent sections.



**Figure 2: Research Propositions**

### *Customer Factors*

**Table 1: Understanding Customer Needs**

<b>Customer Needs</b>	<b>Information Characteristics</b>	<b>Communication Requirements</b>	<b>Data Collection Methods</b>
Functional needs	Well-defined, explicit, tangible	Lean channels	Transaction records, click stream data, and survey
Emotional needs	Latent, intangible, hard to articulate, subconscious	Rich channels	Semi-structured interviews, picture drawing, archetype research, storytelling

Purchase decisions are driven by two kinds of needs, as shown in Table 1: (1) functional needs satisfied by product functions, and (2) emotional needs associated with the psychological aspects of product ownership (Stringfellow et al., 2004). Understanding customers' emotional needs is vital for predicting and influencing their purchasing behavior (Tehrani, 2002). Customer emotion is customer feelings of the quality of service transactions (Rafaeli and Sutton 1987) and affective states of the interactions with other people (Lee, 2004). By using technology to effectively deliver a fundamental task of service delivery, employees may be able to focus on reading emotional displays of the customer (Mattila and Enz, 2002). However, Stringfellow, Nie, and Bowen (2004) proposed that most CRM systems fail to recognize the emotional component of customer behavior, with the result that many are technology-rich but knowledge-poor.

Eliciting emotional needs requires the use of more complex channels and methods. By understanding and meeting such deeper emotional needs through direct observation (Johansson and Nonaka, 1987). For example, talking face-to-face can provide rich, in-depth information and allow for dealing effectively with complicated and unstructured information (Stringfellow et al., 2004). Because emotional needs are hard to articulate, the operational staffs and executives need to spend more time and energy understanding the needs of customers in the human processes of CRM. This leads to proposition 1:

The greater the customer emotional needs, the greater will be the dependency on human processes in CRM.

*Information processed*

A CRM system is a complex and sophisticated application that mines customer data, creates a comprehensive view of key customers, and predicts their purchasing patterns (Chen and Popovich, 2003). Two types of knowledge are created through CRM information processing, as summarized in Table 2 (Stringfellow et al., 2004; Davenport et al., 2004). Explicit knowledge is generated by the structural processes of the information system, while tacit knowledge is undocumented and inaccessible (Davenport et al., 2004). CRM applications take full advantage of technology innovations with their ability to collect and analyze data on customer patterns, interpret customer behavior, and virtually deliver product and service value to individual customers (Chen and Popovich, 2003). Nevertheless, the tacit knowledge can only be processed by people who comprehend and exploit personal customer information.

**Table 2: CRM Knowledge Requirements**

Types	Information Characteristics	Information Requirements
Explicit knowledge	Explicit knowledge, which records what customers do during sales and service interactions (Davenport et al., 2004), can be documented and made accessible.	<ul style="list-style-type: none"> <li>• External data</li> <li>• Survey information</li> <li>• Transaction history data</li> <li>• Personal information</li> <li>• Profitability information</li> </ul>
Tacit knowledge	Explicit knowledge that can be understood but that is undocumented and inaccessible. Important customer knowledge sometimes remains largely tacit (Davenport et al., 2004).	<ul style="list-style-type: none"> <li>• Customer needs</li> <li>• Human data or human knowledge</li> <li>• Employee experience</li> </ul>

Davenport and et al. (2004) point out those companies can better understand and predict customers' behaviors by examining this "human" data, and that they can thus rely less on technologies to collect, distribute, and use transaction-driven knowledge. Nonaka and Takeuchi (1995) proposed that tacit knowledge is highly personal and hard to formalize, making it difficult to communicate or share with others. The information knowledge based on conversations and interactions among managers and with customers is a firm's most important knowledge (Mintzberg, 1994). This implies the need to mix transaction and human data to achieve the best results (Davenport et al., 2004). Therefore, the company must make use of the tacit knowledge from human processes to overcome the gaps in technology-driven information. This leads to proposition 2:

The greater the need for tacit customer information, the greater will be the dependency on human processes in CRM.

*Employee capabilities*

Employees who deal closely with customers are the building blocks of customer relationships (Chen and Popovich, 2003), and these employees need to be trained to enhance skills and knowledge and to collect rich information while serving customers (Stringfellow et al., 2004). As described in the previous section, tacit knowledge is not easily explicated or articulated, so the tendency is to identify someone who might be a source of knowledge within the enterprise through contact and conversation rather than to access a knowledge base that not only may contain inadequate information but also may provide answers to rather too-precise questions (Saint-Onge, 1996). For example, at the immediate problem-solving level, the representative of a service department uses both explicit and tacit information, which can be illustrated by the ability to relate his experience base to the customer's current problem

(Wayland and Cole, 1997). The representative's experience and customer knowledge are improved processes in CRM (Stringfellow et al., 2004). This leads to proposition 3: The greater the employee experience and knowledge about customers, the greater will be the dependency on human processes in CRM.

### *Organizational environment*

CRM requires a customer-centric business environment to support effective marketing, sales, and service processes (Oldroyd, 2005; Bolton, 2004). Many firms have switched from a product-centric to a customer-centric culture, which emphasizes the whole customer experience (Davenport et al., 2004). Technology that affects customers must be aligned with an overarching strategy, organizational structure, and customer-oriented culture if it is to work (Rigby et al., 2002; Oldroyd, 2005).

Customer-oriented culture requires people and business units to coordinate in progressively more sophisticated ways (Oldroyd, 2005). Customer orientation culture is the pattern of shared customer-centric values and beliefs that give each individual in the organizations' norms for their behavior (Deshpande and Webster, 1989; Bentum and Stone, 2005). Success in customer orientation depends on limiting interdepartmental conflicts, exploiting information dissemination across functions, decentralizing governance structures, orchestrating inter-functional resources and rewarding management on market-based factors, such as customer satisfaction (Bentum and Stone, 2005).

Without realignment and culture change (Shang and Lin, 2005), the impacts of CRM may be limited to a few sales and marketing processes. Alternately, the goals of a customer-centric model require customer-focused staffs and executives in developing products and services to fit customer needs, promote strategies to retain customer loyalty, and improve operations to reduce the costs of sales and service (Chen and Popovich, 2003). This leads to proposition 4: The stronger the customer-oriented culture, the greater will be the dependency on human processes in CRM.

### **Conclusion**

This study focuses on leveraging the value of people-oriented activities (Barber and Strack, 2005) to build intellectual capital in CRM processes. The objectives of CRM are to provide understanding of customer needs (Stringfellow et al., 2004), to gather customer data (Davenport et al., 2004), to identify valuable customers (Bueren et al., 2005), and to improve value chain processes (Chen and Popovich, 2003) so as to maintain long-term customer relationships (Wayland and Cole, 1997).

Based on literature and deeper case study, this study proposes the human processes in CRM that emphasizes the responsibility of executives and operational staff in making critical decisions and intimate communications to process relationship management with their customers. Typical human CRM processes cannot be carried out with technology solutions alone, such as planning strategy, designing processes, coping with customer problems, understanding customer needs, and handling intimate communications. Factors that affect the dependence upon human processes are related to customer characteristics, the contents of customer information, employee capabilities, and the organizational environment.

Though the propositions are to be further tested, the proposed framework and propositions

regarding the importance of human processes in CRM provide a reference for planning effective management of customer relationships and supplement existing studies on data-driven and process-driven CRM.

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