

CHAPTER 8

CONCLUSIONS AND SUGGESTIONS

This is the last chapter of the thesis and it confirms whether the aim and objectives set in Chapter 1 are achieved. It provides 1) Conclusive summary to all research questions, 2) Limitations of the study, 3) Implications for academicians, 4) Implications for practitioners and management, 5) Implications for policy makers, and 6) Implications for IT Services Firms. Further, it also provides 7) Contribution to body of knowledge, 8) Suggestions for conducting further research, and lastly summarises 9) Overall conclusions.

8.1 Research Questions and Conclusions

30 IT Services firms located in Pune city were subjected to questionnaire (close-ended) survey for this quantitative, descriptive, and analytical study. Probability Sampling – Simple random sampling (without replacement) was used to identify the sample from the NASSCOM's source list of IT Services organisations based in Pune city. The respondents chosen were the CXO, Managerial level contacts who were associated with decision making, strategy formulation, customer interaction, and in capacity to be well informed about firm's initiatives on CRM, updated about the other industry players and had a vision to evaluate organisation wide initiatives. The collected data was coded and further subjected to analysis by using SPSS tool (version 23) and AMOS. Reliability and Validity of the questionnaire was checked using Cronbach's Alpha and CFA. Normality of data was tested using both Descriptive Analysis and George and Mallery's Test. Further, Path Analysis, Friedman's Test (NP Test), Mediator Analysis (Regression Test) was used to test the conceptual framework.

The research questions which were defined in Chapter 1 are addressed in the next paragraphs based on the findings of this study.

8.1.1 Research Question 1 and Conclusion

Research Question 1: *What are the drivers of performance which are congenial for successfully percolating effects of CRM Capability on Firm Performance and what are the indicative Latent variables for measurement of CRM Capability, drivers of performance and Firm Performance?*

Conclusion: Research question 1 focuses on the identification of drivers of performance that carry forward the effects of CRM Capability on Firm Performance. Also, it is focussed on detailing the indicative Latent variables for measurement of Independent variable i.e. CRM Capability, Mediator variables i.e. drivers of performance, and Dependent variables i.e. Firm Performance.

Study reveals that five drivers of performance exist in the CRM Capability - Firm Performance linkage. They are 1) Process Performance, 2) Employee Performance, 3) Technology Performance, 4) Service Performance, and 5) Customer Performance.

Findings of the study reveals following details about the Latent variables. CRM Capability construct was proposed by Day (2002) and for the purpose of this study the same construct has been reused with some modification of scale items, tested for IT Services industry and it is found valid. Latent variables for measuring *CRM Capability* are Information, Orientation and Configuration.

Latent variables for measuring *Process Performance* are Process Standardisation and Process Innovation.

Latent variables for measuring *Employee Performance* are Employee Satisfaction, Employee Retention, Employee Innovation, Employee Productivity, and Employee Learning and Training.

Latent variables for measuring *Technology Performance* are Software Implementation and Hardware Implementation.

Latent variables for measuring *Service Performance* are Quality Leadership and Cost Leadership.

Latent variables for measuring *Customer Performance* are Customer Acquisition, Customer Satisfaction, Customer Retention, Customer Loyalty, Customer Commitment, Customer Repeat Buying, Customer Expansion or Up-sell and Cross-sell, Share per Customer or Share of Wallet, Customer Referrals, Word of Mouth, Customer Tenure, Value per Customer, and Customer Trust.

Latent Variables for measuring *Firm Performance* are a) “Financial Performance” measured as ROI, ROA, Turnover, Profit; b) “Growth” reflected through Employee Count, Sales - New Acquisitions, Sales - Existing Customers, Sales - Customer Referrals, Asset Growth; c) “Reputation and Goodwill” reflected through Firm or Brand Image.

8.1.2 Research Question 2 and Conclusion

Research Question 2: *What is the scale for measuring the CRM Capability - Firm Performance conceptual framework?*

Conclusion: Research question 2 emphasises on the conceptualisation, operationalization and testing (reliability, validity) of the measurement scale for measuring the CRM Capability - Firm Performance conceptual framework.

A Scale is formulated consisting of 7 *Constructs* (CRM Capability, Process Performance, Employee Performance, Technology Performance, Service Performance, Customer Performance, and Firm Performance) and 65 *Scale items* to measure the impact of CRM Capability on Firm Performance. Scale items are drawn using literature review and some have been newly constructed.

The reliability and validity of the scale is also tested. Reliability Test i.e. Cronbach's Alpha shows that for all constructs the Cronbach's Alpha values are above the threshold mark of 0.7. Hence, it shows very high level of internal consistency for the measurement scale and it is concluded that measurement scale items correlate well for the construct. Test of Validity i.e. Confirmatory Factor Analysis also shows good fit between theoretical model and sample data for all the constructs. Also, all factor loadings are above 0.5 and are significant, and hence construct validity is supported.

This is a fully operationalized, reliable, and valid scale. This scale is very unique and one of the first that will measure the impact of CRM Capability on Firm Performance. It is of huge importance because a fully operationalized scale never existed before that could measure step-by-step impact of CRM Capability. Hence, the IT Services organisations will now be better equipped to measure CRM Capability impact on Firm Performance.

8.1.3 Research Question 3 and Conclusion

Research Question 3: *Would CRM Capability impact Firm Performance through drivers of performance in IT Services Firms in Pune city?*

Conclusion: Research question 3 relates to evaluating the impact of CRM Capability on Firm performance through mediating drivers of performance by using data collected from IT Services Firm located in Pune city.

Data analysed using Path Analysis, Mediator Analysis (Regression Test) and Friedman's Test (Non-Parametric Test) is helpful in evaluating the impact. These tests reveal the impact of CRM Capability, confirm if the drivers of performance act as mediator variables, and also identify those latent variables that contribute more in defining all variables of the study.

Results of Path Analysis reveals that all paths i.e. H1, H2, H3, H4, H5, H6, H7, H8, H9 and H10 are significant and supported. Here, Paths H4 and H6 are weak paths and the rest are strong paths. Hence, hypotheses H1 to H10 are proved valid. It

leads to rejection of null hypothesis (H_0) and acceptance of alternative hypothesis (H_A). Therefore, it is proved that “*CRM Capability coupled with drivers of performance (i.e. Process Performance, Employee Performance, Technology Performance, Service Performance, Customer Performance) will have positive impact on Firm Performance*”. Hence, it is concluded that CRM Capability impacts Process Performance, Employee Performance and Technology Performance. Process Performance, Technology Performance impact Employee Performance. Further, Process Performance, Employee Performance, Technology Performance impact Service Performance which in-turn impacts Customer Performance. Lastly, Customer Performance impacts Firm performance.

The existence of Mediator variables that act as drivers of performance is confirmed through Mediator Effect Testing i.e. Regression Analysis. The findings confirm that all drivers of performance (Process Performance, Employee Performance, Technology Performance, Service Performance, and Customer Performance) act as perfect mediators. Process Performance and Technology Performance which are part of two linkages exhibit a partial mediator role as well for one of the linkages. The partial mediator effect is observed when they are impacting Employee Performance. Presence of perfect mediators (and partial mediators for one linkage) confirms that CRM Capability impacts Firm performance through drivers of performance which is in-line with results of Path Analysis. Path Analysis also shows presence of two weak paths and presence of partial mediator reflects the weak effect.

Results of Non-Parametric Test i.e. Friedman’s Test reveals the Latent variables that contribute more in defining the drivers of performance and dependent variable. In defining Process Performance, latent variable Process Standardisation contributes more as compared to Process Innovation. In defining Employee Performance, all the latent variables i.e. Employee Satisfaction, Employee Retention, Employee Innovation, Employee Productivity, Employee Training and Learning contribute equally. Likewise, in defining Technology Performance both the latent variables i.e. Hardware Implementation and Software Implementation contribute equally. In defining Service Performance, latent variable Quality Leadership contributes more as compared to Cost Leadership. In defining Customer

Performance, latent variables Customer Repeat Buying, Customer Referrals, Customer Acquisition, Value per Customer, Word of Mouth, Customer Satisfaction contribute more as compared to Customer Loyalty, Share per Customer or Share of Wallet, Customer Expansion or Up-sell and Cross-sell, Customer Trust, Customer Commitment and Customer Retention. In defining Firm Performance, latent variables Turnover, Profit and Sales (from New acquisitions, Existing Customers and Customer Referrals) contribute more as compared to other indicators ROI, ROA, Employee count, Asset Growth, Firm or Brand Image.

Thus, this framework highlights the process of impact of CRM Capability which strengthens the relationship with customers. It is achieved through internal positional strengthening of Process Performance, Employee Performance, Technology performance that result in improved Service Performance which impacts Customer Performance leading to strengthening the ties and relationship with customers which further impacts Firm Performance. Therefore, it is confirmed that CRM Capability addresses positional advantage to achieve relational advantage resulting in competitive advantage for Firms.

Thus, this research highlights that investment in CRM is a beneficial activity as it results in enhancing the performance of the firm provided that CRM programs are strategized, implemented, measured and improved properly.

8.2 Limitations of the Study

Following are the limitations pertaining to this research study:

- Being first research study in the IT Services industry needed much convincing on the survey participation front.
- Since the scope of study is limited to Pune city, findings of the study are applicable only to Pune city and cannot be generalised to other geographical areas.
- It's a descriptive study with closed ended questionnaire and hence the potential to capture unique insight is limited.

Irrespective of the limitations mentioned above, the study is conducted complying with the ethical norms of research.

8.3 Implications for Academicians

This study provides sound basis for concluding that CRM strongly impacts Firm Performance would prove to be of valuable to the discipline. Findings of this study would enable educators to update the course content for Business Management, Marketing philosophy disciplines.

This thesis provides a methodical and systematic approach for defining and formulating CRM education curriculum. Faculty, curriculum developers, and administrators of programs can utilise this information for updating and evaluating the existing curricular program.

8.4 Implications for Practitioners and Management

Organisations are pretty diverse in running their businesses and hence there is different degree of phenomenal performance experienced by each of them. CRM is increasingly becoming the representative for better performance of the firm in many ways. Examining the trends of organizational environment indicates that Firm Performance is evident if CRM is practiced efficiently by organisations. It should also be noted that CRM very well shapes the organisation towards the goal of better serving the customers.

- From organisational and managerial standpoint, this study also determines the importance of designing, implementing, measuring and improving the articulated CRM programs for continuous organisational effectiveness. The results of this study should be briefed in the leadership meets for leadership trainings, meetings of employees, performance planning meets, and performance evaluations of the Firms. Armed with profound knowledge, this study brings notice to the areas where the organisations mainly fail and what measures are needed to improve the organisational performance.

- This study also provides detailed insight into measurement of impact of CRM and hence the organisations practicing CRM will get better insight into development, implementation, measurement or evaluation and improvement of CRM Programs for Firm Performance.
- The results of this study will influence organisational business policies.
- CRM orientation will bring a change in the sales and marketing activities of the firms as it strongly support customer selection orientation, business cycle orientation, cross-functional integration and dual value creation approach.
- CRM is a strong contributor to employee's perception and how better can they perform their assigned tasks.
- CRM orientation forms way for organisations to reconsider their existing processes, improve them and standardise them.
- Results emphasize the importance of having the right hardware and software in place.
- Due to CRM focus, management will have to relook at activities important from customer's standpoint. It will be prominent to guide organisations to consider new avenues like opening new offices, bringing quality approach in service delivery, employing fully trained or capable resources while performing tasks etc.
- Management will be more qualitative service oriented and thus with CRM they shall target more value delivery either at low or same cost.
- This research highlights that investment in CRM will be beneficial for firms for improved performance provided that CRM programs are strategized, implemented, measured and improved properly for gaining competitive advantage.

8.5 Implications for Policy Makers

Better performing IT Services Firms and the resultant efficient IT Services sector would open up new export frontiers for developing countries and would act as simulator to the government policy making, attracting more subsidies. It will guide the policy makers to formulate policies that are export oriented and would lead to employment generation.

8.6 Implications for IT Services Firms

Findings illustrate the measurement of impact of CRM which also reflects what contributes best practices of CRM. During strategic planning and implementation of CRM programs, management must follow certain guidelines for the program to be successful. Research questionnaire also reflects the exclusive areas that run into best practices. Below is the detailed summarisation of the best practices, the IT Services organisation should follow for experiencing better results from CRM programs.

- Customer-centric business strategy and business culture should be inculcated from top management to the operations team.
- Employees must be fully trained, skilled and must also adhere to customer-centric business culture.
- “*Yes to all*” approach needs to be fully scrapped. Do not agree to everything that customer says. Be open to listen to everything but make suggestions to the customers that are practical and achievable. “*Yes to all*” approach, false promises often lead to dead end and causes rift in the relationship.
- Emphasis should be on high quality service delivery as the satisfied customers not only give more business themselves but also give referrals that lead to more profitability.
- Customer suggestions, feedback and complaints concerning service quality and deliverables should be as important as customer acquisition.
- Deployment of right software and hardware technology is very important for improved customer interaction.
- Systematic trainings should be arranged for helping employees deal differently with High and Low-value customers. This will help employees convert the low value customers to high value customers and target getting more business from them.
- Employees should focus on the creativeness and innovativeness approach to bring effectiveness in services delivered thus improving employee productivity.

- Processes should be standardised, innovative for keeping the cost low and improve deliverables quality.
- There should be a formal system in place to evaluate and drive continuous process excellence.
- Customer needs should be considered while designing the processes.
- Cross-functional integration, Business cycle orientation, Customer selection orientation, Dual-value creation should be focussed well for creating long-term relationships.

8.7 Contribution to Body of Knowledge

This path breaking study will immensely contribute to the body of knowledge by being:

- First study on CRM in IT Services industry.
- First study that provides a theoretical model i.e. “CRM Capability- Firm Performance: Competitive Advantage Model” to reveal CRM impact on Firm Performance through drivers of performance and proves the same statistically. It resolves theoretical questions pertaining to the exact effects of CRM on Firm.
- This research confirms the relationship between Independent (CRM Capability), Mediator variables (Process Performance, Employee Performance, Technology Performance, Service Performance, Customer Performance), and Dependent variables (Firm Performance).
- First study to offer fully operationalized, reliable and valid scale to measure CRM impact.
- First study that confirms the presence of drivers of performance or mediators in defining and detailing the overall CRM concept which were not identified before.
- First study to highlight the importance of the role played by each independent variable, drivers of performance, dependent variable and listing the indicative latent variables for their effective measurement.
- First study to highlight how CRM impact brings competitive advantage to the Firms.

- First study to elaborate the Customer performance beyond the three native latent variables like customer satisfaction, retention and loyalty which were studied in previous studies while ignoring other meticulous latent variables for measurement of customer performance.
- First study on IT Services Sector and in Pune city based on primary data for understanding CRM-Firm Performance Linkage.

8.8 Suggestions for Further Research

Following are offered suggestions as potential ways or broad areas for further research.

- Given the dynamic nature of the market, it is advisable to conduct a series of longitudinal studies (based on this model) to be able to generalise the impact of CRM in the long run.
- Researchers can repeat this research in different sectors to boost the generalisation of the findings. This will help researcher gain insight into the notions and perceptions of other sector organisations towards managing customers.
- While the current sphere of “CRM Capability- Firm Performance: Competitive Advantage Model” considers the drivers of performance immensely pivotal from global organisational viewpoint, it might be advantageous to carry out research that considers the other extrinsic demand and supply market factors that in collaboration with CRM, control Firms performance in long run and understand contribution of each of them.
- Examine the applicability of this model to other services industries (such as hospitality, healthcare, transportation and logistics, banking and finance etc.) as well as conduct a longitudinal study. This would reveal the industry specific attributes of customer behaviour and relationship handling.
- Examine the applicability of this model to product industries and improvise the model to fit, be competent for product industry.
- Expanding the frame of investigation i.e. conduct research in different regions.

- Conduct Cross-cultural study to evaluate the role of culture in managing customer relations.
- Test this model using new investigation methods such as Structural Equation Modeling for large samples.
- The research instrument can be used for other Services industries and if needed can be modified to fit industry specific attributes, also it can be modified to fit for product industries too.

8.9 Overall Conclusions

CRM is a crucial and indispensable element of marketing discipline. CRM brings in both strategic and operational orientation for shaping interaction between organisation and its valuable clients.

This study is a representative of Pune city based IT firms. It is the first research study that examines the impact of CRM in IT Services Industry. This study is first to reveal the relationship between CRM Capability and Firm Performance through presence of drivers of performance in the IT Service Industry, disclose the intermittent mediator variables and latent variables, and finally provides a scale to measure the CRM-Firm Performance linkage. Analysis of the field data and resultant findings support that CRM Capability coupled with drivers of performance has a positive impact on Firm Performance. Hence, Firm Performance is a collective result of CRM efforts followed by organisations.

Findings mentioned in this thesis do address and resolve the research hypotheses outlined before. Research shows that drivers of performance carry forward the profound effect of CRM Capability on Firm Performance. All the paths (H1 to H10) of the research model are found to be significant and valid. All paths are strong except two paths which are found to be weak. Hence, it is concluded that CRM Capability impacts Process Performance, Employee Performance and Technology Performance. Process Performance, Technology Performance impact Employee Performance. Further, Process Performance, Employee Performance,

Technology Performance impact Service Performance which in-turn impacts Customer Performance. Lastly, Customer Performance impacts Firm performance.

The correlation between Process Performance and Technology Performance to Employee Performance was proved to be weak in the conditions of Indian organisations (Pune city based) in general and selected firms in particular. It might be possible that both Process and Technology advancement in India is not very well developed with most sophistication just like IT Services industry of developed countries like US, UK, Europe etc. Hence, it was observed weak. Barring these two linkages, all the variables showed that they strongly influence other variables in the CRM Capability - Firm Performance framework.

Organisation's work environment becomes stressful if the Firm is non-performing. CRM is definitely a precursor to Process Performance, Employee Performance, Technology Performance which then facilitate Service Performance. It should be noted that better Service Performance is key to better Customer Performance. A satisfied customer is then asset to the organisation as it guarantees more business opportunities eventually resulting in better Performance of Firm. Hence, Firms must incorporate CRM program in their growth strategy plan to ensure better performance of the Firm. This indicates that CRM is the key to bring competitive advantage to the Firms through improved Customer Performance. Hence, the research problem, research questions, aim and objectives, research hypotheses set in the beginning of the research has been well addressed and achieved.

It is also interesting to note that average revenue of all respondent organisations from International clients happens to be 85.31%. Whereas, the average revenue from Domestic clients happens to be only 14.69%. Therefore, it can be inferred that most of the Pune city based IT Services firms bring in the revenue in the form of foreign exchange which is very promising for India's BOP (Balance of Payment) positions because it strengthens the same.

The breakup of total revenue earned from clients shows that the most valuable partners for Pune city based IT Services Firms are USA and Canada, and UK.

Therefore, India will have to think about strengthening our base by approaching more organisations especially from Europe and APAC as well because it also represents substantial target market in itself and remains untapped. Thus, by widening the clientele throughout the developed world, India's IT industry will be able to multiply the revenue in multi-folds by clientele from entire developed world. This is a key insight as it can form a reference to the development of India's trade policy or foreign exchange policy or improvement in BOP position as IT Services sector's export contribution is very high.

Focus on CRM Capability will be very instrumental for the organisations to combat competition in today's highly competitive world, gain competitive advantage and differentiate themselves from other competitors. Competitive advantage is derived through better internal performance leading to better relations with customers and thus more profits. Hence, we can conclude that CRM Capability impacts Firm Performance through drivers of performance for gaining competitive advantage for IT Services firms in Pune city. Understanding how CRM Capability brings competitive advantage for Firms will provide a baseline for IT Services Firms to enhance their performance.

In a nutshell, competitive advantage for the Firm is achieved through improved Internal Performance (Process, Employee, Technology, Services) impacting External Performance (Customer Performance), strong and long term relationship with customers ensure steady stream of profits for Firm and leads to better Firm Performance, creating win-win situation for both the parties involved in the transaction. The innovation in service offerings can be imitated by competitors however breaking strong bonds with customers can't be imitated.

Management should become more cognizant and knowledgeable with respect to the CRM philosophy. Inculcating it in the organisational culture will lead to address both loss of revenue, customer base retention and improved performance. It will act as a differentiation strategy for the Firm to differentiate themselves from other players of the industry. Thus, it will help organisation in gaining leading position in global economy. This "CRM Capability- Firm Performance: Competitive Advantage Model" can be used a modus operandi not only by IT Services firms but

also by other Services sector Firms to understand the impact of CRM. Hence, this research justifies that investment in CRM is pivotal for Firm performance provided the CRM program is strategized, implemented, measured, and improved appropriately.

In today's rapidly changing business world, organisations need a source of competitiveness and CRM is that countable strategic approach and performance tailoring strategy that can bring differentiating competitive advantage to the Firms under dynamic complex forces of rival industry.