# SIGNIFICANCE OF ORGANIZATIONAL RESOURCES AND CAPABILITIES IN ENSURING CRM IMPLEMENTATION SUCCESS (EVIDENCE FROM ZIMBABWE TELECOMMUNICATION INDUSTRY)

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## ABSTRACT

The purpose of the study was to examine the effect of firm resources and capabilities on customer retention and Customer Relationship Management implementation success in Zimbabwe telecom industry. The central focus of this study was to address the following objectives (a) To investigate relationship between customer defection and CRM adoption (b) To explore influence of customer defection and company capabilities. (c)To explore relationship between customer defection and organizational resources and capabilities (d)To examine impact of organizational resources and capabilities on CRM implementation success. Recent statistics confirm that demand for CRM software worldwide is exceeding U.S $18 billion and this figure is incessantly increasing. However, empirical studies conducted in several countries confirm that CRM failure rates especially in telecom firms ranges between 30 per cent to 70 per cent. Ultimately, several firms are disappointed by poor rate of return on their CRM investments globally. Ideally, CRM initiates should have positive impact on customer satisfaction, profits, revenue, or customer retention. Data was gathered using case study design targeting Zimbabwe telecommunication customers, staff, and management. Structured questionnaires and semi-structured interviews were used to gather data. The study revealed a positive correlation between ownership of resources, capabilities, and CRM implementation success. The study revealed that customer switching is rampant in Zimbabwe mobile telecom industry, and it is a result of CRM implementation challenges. Based on research results, it can be concluded that Zimbabwe telecommunication firms do not have sufficient resources and capabilities to roll out CRM programs. Customer defection is partly a symptom of CRM implementation failure. It is recommended that Zimbabwean telecommunications operators should adopt infrastructure sharing with other operators in order to rationalize operational costs, reduce tariffs, boost network coverage and enhance efficiency.

**Keywords:** CRM, Critical Success Factors, Capabilities, Defection, Resources

## 1.0 INTRODUCTION

Since 1980 when Zimbabwe attained independence from Britain, telecommunication industry used to operate as monopoly. In order to facilitate the privatization agenda, the government established the Postal and Telecommunications Regulatory Authority of Zimbabwe. These days, the authority has several governance responsibilities including tariff regulation, registration, service standards among others. In order to improve quality of services, the government liberalized and deregulated the sector to promote competition, efficiency and effectiveness. Deregulation facilitated the entry of mobile service providers like Econet Wireless Pvt Ltd, Net One and Telecel. Tel One is the sole provider of fixed telephone services. Comparatively, Zimbabwe telecommunication is regarded as the fastest growing industry in the country despite economic challenges characterized by recession, inflation, sanctions, and unemployment. Telecom sector growth in terms of infrastructure and subscriber base have been expedited by technological dynamism, competition, and globalization. Despite such development, the industry's competitiveness is still compromised by lack of resources and rampant customer switching behavior which threaten industry margins, profitability and profits. It has since been acknowledged by extant literature that customer switching behavior in the telecommunication is a major threat. The purpose of the study is to examine whether telecom resources and capabilities influence Customer Relationship Management success. If CRM succeed in the telecom sector, hopefully the industry can retain customers and attain competitive advantage and sustainability.

## 2.0 LITERATURE REVIEW

A serious challenge facing several telecommunication firms throughout the globe is how to retain customers due to customer switching behavior which is motivated by several factors. This study is unique since it examines the role of firm resources and capabilities in controlling customer defection through ensuring CRM implementation success. Understanding organizations' sources of sustainable competitive advantage has been a lucrative area of research in strategic management for several years (Barney, 1991). The Resource Based Theory (RBT) emphasizes that organizational resources and capabilities are the fundamental determinants of firm performance and competitive edge (Bridoux, 2017). Customer Relationship Management (CRM) is a combination of practices, strategies and technologies that firms use to manage and analyse customer interactions and data throughout the customer life cycle. The goal is to enhance customer service relationships and assist in improving customer retention and drive sales growth. It can simply be defined as a combination of business strategies, software and processes that help build long-lasting relationships between firms and their customers. CRM is growing in popularity due to intense competition in several industries, technological advancement, emergence of services sector, and the realisation of the significance of total quality management. Customer awareness in the service sector is also contributing to CRM realisation. Within the service sector like the telecom sector, CRM practices were promoted by competition and technological development.

This contemporary economy characterized by globalization, stiff competition, significant advances in communication and information technology entice firms to refrain from traditional marketing practices and embrace customer-centric philosophies through focusing on customer relationships with key customers (Santouridis & Tsachtani,2015). Telecommunication firms worldwide are experiencing a paradigm shift from transaction-orientation to customer-centric philosophy through adoption of CRM. CRM is used to develop customer profiles, identify appropriate communication channels, and analyse customer retention behaviour (Khodakarami & Chani,2014). CRM is used to develop customer profiles, identify appropriate communication channels, and analyse customer retention behaviour (Khodakarami & Chani,2014).

Due to liberalization and demonopolisation of telecommunication, the industry experienced major transformation in terms of growth, technological content, and market structure in the previous decade (Meera Arora,2016). Recently, telecommunication industry experienced fundamental transformation from a monolithic parastatal regime to a deregulated sector characterized by liberalization, privatization, competition, technological changes and unpredictable changes in consumer tastes and preferences (Haridasan & Venkatesh,2011). Over the years, the telecommunication industry worldwide experienced rapid changes in structure, applications, competition, techniques and strategies.However, the telecom industry is experiencing, higher customer churn, growing customer acquisition costs and increasing customer expectations, signifying that operators' performance and competitiveness are highly dependent on their capability to satisfy customers effectively and efficiently (Olsen & Connolly 2000, Gilmore & Pine 1997). When telecommunication firms implement CRM, they anticipate substantial payback, increased revenue, loyal customers, real-time customer information and reduced costs. High levels of competition and saturated markets force firms to scout for new strategies to successfully implement CRM in order to retain customers (Gengeswari et al.,2013). Contrastingly, global CRM projects revenue reached $13 billion in 2012 but its failure rates are nearing 80 per cent and firms lost $10.5 billion (Ang & Buttle,2013). According to Adebiyi et al. (2015), the telecommunication industry suffers churn rate of 30 per cent per annum which is relatively very high compared to other service industries. Experts forecast such loses shall continue to 22 billion in year 2017 (Li & Mao,2012). The major problem is that firms are investing substantially in CRM projects but there is no significant improvement in customer satisfaction, retention and return to investment. There is shortage of literature about the role of organizational resources and capabilities in ensuring CRM success in Zimbabwe telecom industry. The purpose of this study is to fill this gap.

## 2.1 CUSTOMER RETENTION

In several global markets, the telecom sector is getting saturated with commoditized products and services with little differentiation. Furthermore, due to intensifying competition, maturity of the industry and low switching costs, a formidable challenge facing telecom operators is how to retain valuable customers (Rajini & Sangamaheswary, 2016). The world has become more mobile and less loyal. According to De Bock and Van den Poel (2011), effective management of customer defection has positive impact on firm profitability in many ways;

(1) Identification of potential defectors permits decision makers to target marketing strategies cost-effectively.
(2) Effective customer retention reduces pressure on additional customer attraction.

Studies have confirmed that customer retention is cheaper than customer attraction (Reinartz & Kumar,2003). The capability to attract and retain customers has been recognized as a key driver to firm profitability. Research by Bain and Company suggest that a mere 5 per cent increase in company retention rate can increase profits by 25 to 95 per cent. Customer acquisition costs far outweigh those of keeping current customers. This motivates companies to implement innovative strategies to boost customer retention in the telecommunication industry. Furthermore, the longer a customer stays with an organization, the greater the lifetime value through repeated purchases (Reichheld & Sasser,1996). It should be realized that customer acquisition and retention are fundamental to all industries. Yet it assumes greater significance in telecommunication industry due to availability of several players, competition, and lack of differentiation in products and services (Adebiyi et al.,2015).

## 2.2 FIRM RESOURCES AND CAPABILITIES

The Resource Based Theory attributes a firm's enhanced financial performance to ownership of resources and capabilities (Kamboj, Goyal & Rahman,2015). The Resource Based Theory explains why CRM programs fail. Some scholars argue that organizations lack resources and capabilities to integrate CRM. However, the Resources Based Theory ascribes a firm's development of competitive advantage to the ownership and possession of valuable, rare, inimitable and non-substitutable resources (Barney, 1991). Nevertheless, Bozic and Cvelbar (2016) hypothesize that firms' competitive advantage is derived from the ability of organizations to adapt and mitigate to dynamic changes in both the internal and external environment. Cabarcos et al. (2015) posit that the sustainability of a firm depends on the creation, development and implementation of unique resources and capabilities. This may include innovation, creativity in launching new products and services in the market. Networking of the telecom sector can also be considered s superior capability. Barney (1991) suggests that organizational resources include assets, capabilities, information, knowledge, firm attributes, and organizational processes. Organizational capabilities encompass accumulated knowledge and skills that firms use to acquire, deploy, and leverage in order to attain superior performance (Wang & Feng,2012). Kamasak (2017) suggests that intangible resources are credible sources of business success since they are easy to acquire and replicate. However, Araya et al. (2007) opin that organizational resources like knowledge management, culture, firm structure and top management support and commitment positively influence the success of information systems like CRM.

## 2.3 OBJECTIVES

**(a)** To investigate relationship between customer defection and CRM adoption
**(b)** To explore influence of customer defection and company capabilities.
**(c)** To explore relationship between customer defection and organizational resources and capabilities
**(d)** To examine impact of organizational resources and capabilities on CRM implementation success.

## 2.0 METHODOLOGY

The study adopted multiple-case study design. Data was collected from Zimbabwean six telecommunication operators, namely Econet Wireless, Net One, Telecel, Africom, Tel One and Powertel. Case study research design had been adopted to investigate why and how Customer Relationship Management is adopted in Zimbabwe mobile telecommunication firms. Case study design permitted deeper investigation of the phenomenon under investigation.

## 3.1 RESULTS

### 3.2 Demographic details

Data was gathered from key informants from Zimbabwe telecommunication sector who included customers, employees and management in Harare, Gweru, Chinhoyi and other cities.

### 3.3 Population

This included Zimbabwe telecommunication subscribers, staff, and senior management. Currently the population in the industry is around 12 million subscribers.

### 3.4 Sample

A sample of 60 participants were selected using stratified and judgmental sampling techniques. Sampling had advantages of being economic, reliable, cost and time saving. Sampling was ideal in case of Zimbabwe telecommunication industry with huge subscriber base.

**Table 3.4: Age of respondents**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | <20 | 9 | 15.0 | 15.0 | 15.0 |
| | 21-30 | 49 | 81.7 | 81.7 | 96.7 |
| | 31-40 | 2 | 3.3 | 3.3 | 100.0 |
| | Total | 60 | 100.0 | 100.0 | |

### 3.5 Relationship between Customer Defection and CRM

A relationship between any two variables is measured by a Pearson's correlation coefficient. A correlation coefficient between Customer defection and CRM is shown in the table below.

**Table 3.6 Correlation between Customer defection and CRM**

**Correlations**

| | | CustDef | CRM1 |
|---|---|---|---|
| CustDef | Pearson Correlation | 1 | -.225 |
| | Sig. (2-tailed) | | .087 |
| | N | 59 | 59 |
| CRM1 | Pearson Correlation | -.225 | 1 |
| | Sig. (2-tailed) | .087 | |
| | N | 59 | 59 |

A correlation coefficient of -0.225 shows that there is no significant relationship between these two measures. However, there is a weak negative correlation that can be interpreted as that agreement that defection is a problem is related to disagreement that CRM strategies are being implemented in their company.

### 3.7 Relation between Customer defection and resources or capabilities

**Customer defection and Company resources**

The tables 3:7 below show analyses of establishing if customer defection is related to company's resources.

**Correlations**

| | | CustDef | CompRes |
|---|---|---|---|
| CustDef | Pearson Correlation | 1 | -.115 |
| | Sig. (2-tailed) | | .384 |
| | N | 59 | 59 |
| CompRes | Pearson Correlation | -.115 | 1 |
| | Sig. (2-tailed) | .384 | |
| | N | 59 | 59 |

**Model Summary**[b]

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .115[a] | .013 | -.004 | .958 |

a. Predictors: (Constant), CompRes

b. Dependent Variable: CustDef

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .706 | 1 | .706 | .770 | .384[b] |
| | Residual | 52.277 | 57 | .917 | | |
| | Total | 52.983 | 58 | | | |

a. Dependent Variable: CustDef

b. Predictors: (Constant), CompRes

A correlation analysis of the two variables shows a Pearson's correlation of -0.115 there is no correlation between company resources and customer defection. Also on trying to have a regression equation, the regression equation shows that only 1.3%, ($r^2$ value) of variation in customer defection is caused by company resources. An F-value ($F(1,57) = 0.770$, p (0.384) > 0.05) indicates that there is significantly no regression equation between the two variable, hence company resources is not a significant predictor of customer defection.

### 3.8 Customer Defection and Company Capabilities

The tables below show analyses of establishing if customer defection is related to company's capabilities.

**Correlations**

| | | CustDef | CompCapability |
|---|---|---|---|
| CustDef | Pearson Correlation | 1 | -.166 |
| | Sig. (2-tailed) | | .208 |
| | N | 59 | 59 |
| CompCapability | Pearson Correlation | -.166 | 1 |
| | Sig. (2-tailed) | .208 | |
| | N | 59 | 59 |

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .166[a] | .028 | .011 | .951 |

a. Predictors: (Constant), CompCapability

b. Dependent Variable: CustDef

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1.465 | 1 | 1.465 | 1.621 | .208[b] |
| | Residual | 51.518 | 57 | .904 | | |
| | Total | 52.983 | 58 | | | |

a. Dependent Variable: CustDef

b. Predictors: (Constant), CompCapability

A Pearson's correlation coefficient -0.166indicates a very low correlation between customer defection and company capability. A fitted model on the two variables shows that 1.1% (adjusted r-squared) of the customer defection variance is explained by company capabilities, which is very low. Also an ANOVA test of whether a model exists, shows an F-value ($F(1,57) = 1.621$, $p = 0.208 > 0.05$) of 1.621 which is significant and shows that a model does not exist. This indicates that a company capability is not a significant predictor of customer defection.

### 3.9 Relationship between ownership of resources and capabilities AND Success of CRM

A Pearson's correlation coefficient will measure the correlations between the company resources and capabilities and CRM.

**Table 3.9 Correlation between capabilities and resources AND CRM Success**

**Correlations**

| | | RateCRM | CompRes | CompCapability |
|---|---|---|---|---|
| RateCRM | Pearson Correlation | 1 | .650** | .529** |
| | Sig. (2-tailed) | | .000 | .000 |
| | N | 59 | 59 | 59 |
| CompRes | Pearson Correlation | .650** | 1 | .664** |
| | Sig. (2-tailed) | .000 | | .000 |
| | N | 59 | 59 | 59 |
| CompCapability | Pearson Correlation | .529** | .664** | 1 |
| | Sig. (2-tailed) | .000 | .000 | |
| | N | 59 | 59 | 59 |

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3.9 above shows that there is a strong positive correlation between both capabilities ($r = 0.529$, $p < 0.005$) and resources ($r = 0.650$, $p < 0.005$) and success of CRM. This is in agreement to the fact that if a firm has resources and capabilities, that will result in a successful CRM.

## 4.0 DISCUSSION

The study revealed that customer defection is a serious problem in Zimbabwe telecommunication industry. The research also revealed that customer switching behavior which is common in the industry is a symptom of CRM implementation failure. Meera Arora (2016) asserts that telecommunication industry is showing saturated growth, nearing maturity and a scientific strategy is required since customer churn is high due low switching costs and availability of close subsctitutes. Furthermore, the study uncovered that Zimbabwe telecommunication firms are not implementing CRM strategies holistically in order to improve profits, revenue and customer retention. Major findings from the study indicate the following: (a) There was a weak relationship between customer defection and Customer relationship management. (b) There was weak relationship between customer defection and firm resources together with capabilities (c) There was a strong positive relationship between firm resources, capabilities, and success of CRM projects. The study revealed that employees in Zimbabwe telecommunication industry are generally unmotivated and lack adequate resources to implement CRM systems.

Responses from semi-structured interviews administered on telecommunication employees and management confirmed that ownership of resources gives Zimbabwean telecommunication firms competitive edge. Furthermore, possession of resources and capabilities determine firm profitability and its ability to fulfil customer needs and preferences.

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From the study, males perceived the company to have adequate resources than females. Additionally, males perceived companies to have better capabilities than females. Additionally, top management considered firms to have better resources and capabilities than lower-level employees.

## 5.0 CONCLUSION

Basing on the above research findings, it can be concluded that customer churn occurs regardless of ownership of resources and capabilities. The study revealed that telecom firms with adequate resources and capabilities have a high chance of implementing CRM successfully than those without. Furthermore, success of CRM implementation is not solely influenced by ownership of resources and capabilities alone but other critical success factors like development of customer- centric culture, CRM objectives, employee motivation, knowledge management, top management, change management, among others.

## 5.1 RECOMMENDATIONS

It is recommended that Zimbabwe telecommunication firms should secure adequate resources and capabilities in order to implement CRM successfully. Furthermore, they need to benchmark their CRM systems with other global companies. Ideally, operators should enter into infrastructure sharing arrangements with other operators in the industry in order to reduce operational costs, provide affordable tariffs, improve network coverage and enhance service quality in order to retain customers. Infrastructure sharing reduces duplication of resources and is quite efficient and effective. Additionally, industry should realize that for them to control customer switching behavior, they need to implement CRM successfully. Additionally, telecommunication firms need to acknowledge that successful CRM implementation requires integration and coordination of all departments towards customer-centric philosophy. In order improve customer loyalty, operators need to understand CRM critical success factors. Finally, Zimbabwe telecommunication firms are advised to regularly undertake market research in order to be abreast with customer needs and wants. This enables them to address customer complaints rampant in the industry.

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