

# Integration of firm's resource and capability to implement enterprise CRM: A case study of a retail bank in Korea<sup>☆</sup>

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## ABSTRACT

This chronological in-depth case study describes that, although the integration of functional resources and capabilities including information resource, analytical capability, and operational capability might influence retention process, those are not sufficient to bring the desired performances of acquiring and expanding customer relationships. Fine-Equity Bank (a pseudonym) in this case validates that employee satisfaction must be a prerequisite of successful relationship acquisition and expansion processes, both which require employees to have more customer orientation relatively. Thus, this study emphasizes the significance of tripartite resource and capability consisting of technology, process, and people for the successful implementation of an enterprise-wide CRM strategy.

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## 1. Introduction

The deregulation of the financial industry, the expansion of the business area of global financial institutes, and the diversification of consumers' needs for financial services brought about intense competition in the retail bank industry [31]. Such keen competition made retail banks transform their resources and capabilities from being product- or service-centered into customer-centered. As a customer-centered IT-driven strategy, Customer Relationship Management (CRM) has been increasingly adopted by corporations [4,30,31,50], including retail banks, and the firms have started to invest heavily in CRM [31,36,37]. Like Wells Fargo and Royal Bank of Canada, which are well known for their successful CRM strategies, Fine-Equity Bank in Korea is one of the big players that have implemented their enterprise-wide CRM successfully.

In early 2003, Fine-Equity bank was concerned that decreasing the interest profit rate on deposit and loan and the infringing on the banking business by other industries were threatening its position. Moreover, dichotomized customer management processes caused by the merger and acquisition with Seoul Bank in 2002 were yielding customer dissatisfaction, consequently resulting in customer defections. Enterprise-wide CRM [36], enabling the integration of its resources

and capabilities along with its customer needs, was deemed to be a mission-critical business strategy to ensure that Fine-Equity Bank could distinguish itself from its competitors, win over new customers, and maintain the loyalty of its existing customers. By 2008, Fine-Equity Bank was the first in profitability per customer in Korea and awarded by Euromoney as the best private bank in Korea for four consecutive years. The change was the result of an ambitious effort to redesign its entire customer management process and link people with the new practice, such that customer satisfaction was significantly increased.

Fine-Equity Bank's efforts have been made up of two different phases: the phase of integration of functional resources and capabilities needed to innovate its business processes (from 2003 to 2006) and the phase of integration of human resource and capability to complete its mission of transforming itself into a CRM strategy driven organization (from 2007 to 2008). While the former consisting of integrations of information resource, analytical capability, and operational capability provided them a concrete base to run an enterprise-wide CRM strategy, the latter brought them a CRM acculturation that could hardly be accomplished only with those functional resources and capabilities, consequently accepting CRM not as a specific technology or technique but as a business paradigm in which people should involve. Fig. 1 shows the chronograph of Fine-Equity Bank's CRM implementation.

However, such two phased-implementation process was not intended from the outset. Similar with other organizations, Fine-Equity Bank also has been devoted to integrating apparent resources and capabilities to set up CRM foundations quickly. But the outcome at

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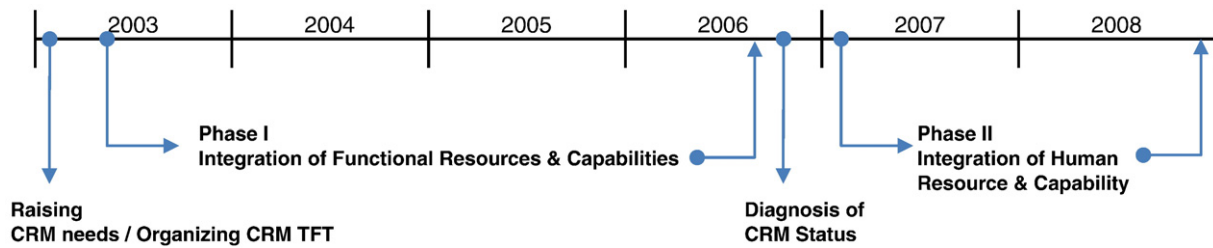


Fig. 1. Chronicle of Fine-Equity Bank's CRM implementation.

that time could not meet their original expectations; the result did not come from a fully-realized CRM strategy actually. After a corporate-wide diagnosis, they found that they have been missing another critical factor: the people. Its impacts have been reflected obviously in the performance indexes, having them put the human resource into the second subject of integration.

This case illustrates which resources and capabilities companies should consider integrating to run CRM as a corporate business strategy. We show the limitations of CRM implementation driven by the integration of physical information systems (IS) through an empirical case, implying that the consideration of human resource and capability should be involved in the process of CRM implementation. To do this, we first review several theoretical backgrounds of organizational resources and capabilities for implementing CRM strategy, then illustrate step by step the circumstances they met and their efforts to overcome. In the last section, we discuss the managerial implications and suggest a conceptual model of successful CRM implementation.

## 2. Theoretical background

### 2.1. Resource-based view

This study is grounded on the resource-based view (RBV). The theory of RBV has been considered as a fundamental framework for measuring IT performance [22,25,34,40]. In the context of IT performance measurement, three underlying assertions have been made: (1) resource heterogeneity [1,12], (2) resource immobility [1,12], and (3) resource bundling [12,34]. Resource heterogeneity means that resource factors for implementing IT-driven strategies such as CRM may differ according to territories, industries, and firms. In addition, resource immobility and bundling also seem closely related to successful CRM implementation. For example, one of your competitors may try to replicate your CRM initiative by purchasing and deploying the same set of CRM hardware and software as yours. Can they deliver the same level of CRM performance as yours? The answer will be “no” since a firm's CRM resources consist of not only tangible hardware and software but also a number of intangibles such as customer-oriented people, process, organization, and culture. These intangible CRM resources are by nature inimitable and should be bundled with the rest of the tangible resources to create sustainable competitiveness for the firm [12].

### 2.2. Integration of organizational resource and capability for CRM implementation

Common to all RBV approaches in IS literature is that it provides a systematic framework to explain which resources and capabilities a company explores and reinforces for successful IS implementation. Drawing on the RBV, Melville et al. [25] provided a model of IT business value by integrating the various strands of research into a single framework. Their integrative model comprises three different domains: (1) focal firm (company level); (2) competitive environment (industry level); and (3) macro environment (territory or country

level). In their conceptual model, they emphasize that a company should align not only IT resources such as technical IT resources (TIR) and human IT resources (HIR) but also complementary organizational resources including non-IT human resources, culture, policies, and rules to create value generating processes. Other major studies based on RBV have been on the same line with the study of Melville et al. [25]. Peppard and Ward [32] stressed that, to convert a company's IS into a core competency, business process and structure should be harmonized in organizing level, which competency would come from three components in resource level: business, technology, and people's behavior and attitude. It is because the expression of a particular competence in an organization depends on people applying their knowledge, integrating their knowledge, interacting with others and coordinating their actions [32]. Similarly, Hess et al. [14] suggested a tightly-linked system of data, people, and tools as complementary components to make marketing decisions effectively. In short, RBV provides a balanced view of technology, process, and people as critical components for successful IS implementation, which in turn results in a favorable organizational performance. Though CRM literatures have scarcely adopted RBV as their direct theoretical foundation, the tripartite approach addressed above has been considered as an indispensable condition for successful CRM implementation as well. Table 1 summarizes the critical resources and capabilities for CRM implementation in the perspectives of technology, process, and people discussed in RBV.

Fine-Equity Bank placed their focuses on information resource, analytical and operational capabilities, and employee satisfaction and customer orientation in terms of technology, business process, and human resource, respectively. In the early stage of their CRM implementation project, integrating information resources and analytical/operational capabilities provided them a physical foundation to develop a company-wide CRM strategy. However, they learned before long that any CRM project neglecting human resource would not reach their organizational objectives because CRM is inherently a business strategy driven by not technology but people [7,41]. Their second efforts to engage people in CRM practices provided them a cultural motivation to internalize it.

Table 1  
Prior studies related to key resources and capabilities on CRM success.

Category	Resources and capabilities for CRM	Addressed by
Technology	- Customer information integration	[11,20,24,26,31,43]
	- Data/IS quality	[11,15,35,37,39]
	- Width and depth of CRM functions	[19,37,43]
	- Integration with legacy/other IS	[11,19,24]
Business process	- Support for customer life cycle	[5,31,36,39,45]
	- Functional CRM process (plan-do-see)	[16,43,49]
	- Decision making process	[18,19,43,49]
	- CRM performance measurement	[17,19,49]
Human resource	- Employee satisfaction	[2,10,19,42]
	- Customer-oriented attitude	[10,17,23,49]
	- Skills and experiences	[2,11,17,36,49]
	- Management supports	[11,17,36,42]

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