

Culture of Competitiveness in the New Global Context

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The value of CRM on Competitiveness: Service Industry in Guadalajara, Mexico

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Abstract

The organizations are trying to develop their new challenges attending an area of major significance such as customer relationship management in a context of rapid market transformation. The purpose of Customer Relationship Management (CRM) is a strategy to get customer added value in long term, oriented to effectiveness customer satisfaction as organization's culture. The present work is related to an analysis achieving in small and medium service companies in Mexico. The questionnaire was applied to 418 organizations, all of them in Guadalajara, in SMEs service industry. Also used was a statistical analysis using the Structural Equations Model (SEM) software EQS 6.2 finding the correlation between dependent variable: competitiveness and the independent variable: CRM.

Keywords: CRM, Competitiveness, Service Industry.

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Introduction

Customer Relationship Management (CRM), has developed into an area of major significance in less than a decade, with the worldwide global market for CRM systems and consultancy estimated to grow to \$US 47 billion by 2006 (Gartner, 2003). Although the term CRM is relatively new, the principles behind it are not. Businesses have long practiced some form of customer relationship management. What sets present day CRM apart is that organizations now have an increased potential to utilize technology and manage one-to-one relationship with potentially huge numbers of customers in a context of rapid market transformation.

The purpose of CRM is to efficiently and effectively increase the acquisition and retention of profitable customers by selectively initiating, building and maintaining appropriate relationships with them. CRM is based on the principles of relationship marketing which is regarded as one of the key developmental areas of modern marketing and one which has generated great research interest (Sheth, 2000).

Relationship marketing emerged from work in the 1980s in industrial marketing, (Bund 1985; Levitt 1983), studies of interaction, relationships and networks (Sheth and Parvitiyar 1995) and its origins can be traced back to ancient times, (Gronroos 1994; Berry's, 1983), paper launcher the term relationship marketing where he defined it as attracting, maintaining, and enhancing customer relationships.

The origins of CRM can be traced to the relationship-marketing literature. Introduced by Leonard Berry in the early 1980s, the concept of relationship marketing was defined as attracting, maintaining, and enhancing customer relationships (Berry, 2002). Kotler et al. (1999) define CRM as retaining current customers and building profitable, long-term relationships with them. Day (2002) conceptualized CRM as a firm capability that results from a focus on three organizational components working in concert with each other: an organizational orientation that makes customer retention a priority; a configuration that includes the structure of the organization, its processes for personalizing product offerings, and its incentives for building relationships; and information about customers that is in-depth, relevant, and available in all parts of the company.

Theoretical Background

Administrative capacity

Small businesses do not have personnel with experience in the planning, management and financial decision making, and the owner has to make decisions without a solid foundation (Lopez, 2012).

Many ideas come with manageability in an organization because it is very important to determine and limit very clearly the activities and functions to develop to work in all its aspects. (Grant, 1991) argues that an organizational capability is a routine or group of routines that interact.

CRM capability and innovation

The role customers can play an idea generation or product conceptualization is being increasingly acknowledged in the CRM literature (Campbell & Cooper, 1999, Nambisan, 2002). The Marketing Science Institute's (MSI) 2006-2008 research includes the topic of the customer's role in innovation as the first research priority. A survey by the MSI shows that "Innovation continues to be viewed as the prime engine of growth, but customers play a much larger role in shaping innovation strategy and execution at the development level, customers insights are needed to drive innovation and product and service design" (MSI, 2006, p. 3).

Danneels & Kleinschmidt, (2001), believe that consumer is in a constantly changing environment, so the ability to innovate is important and should not be overlooked in promoting service innovation.

Therefore Ramani & Kumar, (2008), suggest that the use of CRM to participate in the creation, maintenance and fostering customer relationships and maintaining long-term partnerships useful are important strategic elements for the development of the ability to innovation.

Competitiveness

Business competitiveness is related to the continued presence in the markets, making profits and the ability to adapt production to demand (López & Dones, 2008). In this way, customers feel a greater satisfaction through superior quality products competitive and the service offered product beyond their expectations (Ogbadu & Usman, 2012). So for a company to have competitiveness, necessary management capacity, inno-

vation, customer relationship marketing, long-term planning for market advantage. (Ponraj & Rajendran, 2009).

Problem statement

Small and medium enterprises in the countries with low industrial development have serious limitations such as: inadequate infrastructure, scarce government supports, which hinders the implementation of innovation of marketing in small and medium enterprises. Further, several studies have established that the barriers to innovation among business organizations generally are associated with strategies, costs, human resources, marketing innovations and government policies (Baldwin & Lin, 2002; Mohen & Roller, 2005).

Objective and Hypotheses

The main objective is to analyze than existing relationship between CRM and competitiveness in SMEs in the manufacturing industry in Guadalajara, Mexico.

The hypotheses of the study are:

- **H1:** A higher administrative capacity higher CRM
- **H2:** A higher innovation marketing higher CRM
- **H3:** A higher CRM higher level of competitiveness

Methodology

The study was applied to SMEs in the Service Industry in Guadalajara Metropolitan with a sample of 418 companies.

The questionnaires used Likert scale with 5 points from total disagree to total agree, the CRM was the independent variable with 2 factors: Administrative capacity, and Marketing innovation; the dependent variable was competitiveness considering 3 factors: Financial Performance, Cost, and Technology use.

Analysis and Discussion

The results of the Confirmatory Factorial Analysis (CFA) are presented in table 1 and shown that the measurement model provides a good fit of the data. As evidence of the convergent validity, the CFA indicates that all items of the related factors are significant ($p < 0.001$), which provides evidence of reliability and justifies the internal reliability and justifies the internal reliability of the scale of the business competitiveness (Nunally & Bernstein, 1994); Hair et al., 1995) show in Table 1.

Table 1

Internal consistency and convergent validity of the theoretical model

Variable	Indicator	Factor Loading	Robust T-Value	Cronbach's Alpha	CRI	VEI
Administrative Capacity				0.830	0.735	0.483
	CRM3	0.867	1.000*			
	CRM4	0.845	18.823			
	CRM5	0.682	12.202			
Marketing Innovation	CRI1	0.688	1.000*	0.775	0.786	0.551
	CRI3	0.783	14.799			
	CRI4	0.753	12.943			
Financial Performance	FP3	0.762	1.000*	0.884	0.886	0.662
	FP4	0.861	16.895			
	FP5	0.883	16.433			
	FP6	0.740	13.916			
Costs Reduction	PC3	0.922	1.000*	0.935	0.935	0.784
	PC4	0.964	42.198			
	PC5	0.871	27.602			
	PC6	0.774	19.713			
Technology Use	TE3	0.919	1.000*	0.817	0.825	0.705
	TE4	0.752	9.793			

$S-BX^2$ (df 120) = 3812.516 ($p < 0.000$); NFI = .946 ; NNFI = .938 ; CFI = .963 ; RMSEA = .068
 *** = $p < 0.001$.

Source: own elaboration.

With respect to the evidence of the discriminant validity, measurement of the scale of the business competitiveness level was through two ways you can see in more details in table 2. First, the range of 95% of

confidentiality, none of the individual elements of the correlation factors matrix contains the value 1.0 (Anderson & Gerbing, 1988). Second, the variance extracted between each pair of factors is higher than its corresponding VEI (Fornell & Larcker, 1981).

Table 2
Discriminant validity of the theoretical model measurement

<i>Variables</i>	<i>Administrative Capacity</i>	<i>Marketing Innovation</i>	<i>Financial Performance</i>	<i>Costs Reduction</i>	<i>Technology Use</i>
Administrative Capacity	0.483	0.685	0.518	0.300	0.338
Marketing Innovation	0.537 , 0.833	0.551	0.393	0.272	0.306
Financial Performance	0.368 , 0.668	0.251 , 0.535	0.662	0.103	0.133
Costs Reduction	0.200 , 0.400	0.176 , 0.368	-.009, .215	0.784	0.040
Technology Use	0.204 , 0.472	0.176 , 0.436	-0.025 , 0.291	-0.066 , 0.146	0.705

Source: own elaboration.

The hypotheses were tested in the theoretical model of CRM and business competitiveness, using the Structural Equations Model (SEM) software EQS 6.1 (Bentler, 2005, 2006; Brown, 2006).

The nomological validity of the theoretical model was analyzed through the performance of the chi-square test, in which the theoretical model was compared with the measurement model, not finding, significant differences (Anderson & Gerbing 1988; Hatcher, 1994). The results of this analysis are presented in Table 3.

Table 3
Results of the theoretical model of business competitiveness

<i>Hypothesis</i>	<i>Structural Relationship</i>	<i>Standardized Coefficient</i>	<i>Robust T-Value</i>	<i>FITs</i>
H1: The higher administrative capacity, higher CRM.	Administrative Capacity CRM	0.486	11.320	$S-BX^2=$ 3812.516 df= 120 p = 0.000

H2: The higher marketing innovation, higher CRM.	Marketing Innovation CRM	0.439	14.15	NFI = .946 NNFI = .938
H3: The higher CRM, higher level of competitiveness.	CRM Level of Competitiveness	0.553	21.350	CFI = .963 RMSEA = .068

*** = $p < 0.001$

Source: own elaboration.

Discussion and conclusion

The primary focus of this study was the simultaneous effects of CRM and innovation on firm performance. This study suggests that CRM is an antecedent to innovation, and that CRM and innovation simultaneously contribute to firm performance. The findings provide support for the proposed relationships between CRM, innovation, and firm's superior performance. The results of the theoretical model has developed that an effectively increase in the acquisition and retention of profitable customers is related to marketing innovation activities and are supported by an increase in its administrative capacity. The influence of CRM on the competitive organizations is crucial an relies especially on marketing innovations.

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