Investigating the impact of knowledge management Strategies on CRM in Parsian Insurance, Tehran city

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Abstract

In recent years, companies have integrated their customer relationship management (CRM) and knowledge management (KM) efforts because they realize that KM plays a key role in CRM success. Customer relationship management (CRM) and knowledge management (KM) have become key strategic tool for all companies, especially in the current competitive environment. Moreover, customer knowledge is an important issue for CRM implementation. The present study investigated the impact of knowledge management Strategies on CRM in Parsian Insurance branches, Tehran city. The population of the research is 4,669 staff of Parsian Insurance branches in Tehran and 355 staff was selected by Cochran formula as the sample size. Required information is adapted by the questionnaire-based on research model and is responded by 355 employees. The structural equation modeling (SEM) is used to analyze data and reliability through Cronbach’s alpha, which is 0.86 has been measured. The result of this study confirmed that earn, applying and diffusion of knowledge has a significant positive effect on customer relationship management.

Keywords: Customer Relationship Management (CRM), knowledge Management strategies.
Introduction

Customer relationship management (CRM) and knowledge management (KM) initiatives are directed towards the same goal: the delivery of continuous improvement towards customers. In addition, knowledge is recently regarded as a very important organizational source and growing attention has been paid to this concept. At present, knowledge management has turned into a research priority of academic community and is one of the fields in which companies are allocating more expenses for its implementation (Alavi and Leidner, 2001). In this environment, relations of company with market are very important and completely changed marketing strategies of companies to other more communicative approaches and customer relationship management has emerged as a field of research and action (Salmador and Bueno, 2007).

Reviewing the literature, we found many studies that analyze the crucial role played by KM initiatives as determinants of the success of CRM (Croteau & Li, 2003; Gebert, Geib, Kolbe, & Brenner, 2003) together with other factors (technological, organizational and market related factors) as we will explain later. However, there is a lack of understanding about what are the influences of those factors on CRM success. Moreover, we also found many studies that show high rates of failure when implementing that Strategies (Rigby, Reichheld, & Schefter, 2002; Rowley, 2002; Xu & Walton, 2005). So, there is still no integrated conceptual framework to guide companies to their successful implementation. Relationship management has emerged as a field of research and action (Salmador and Bueno, 2007). "Knowledge management" allows access to experiences, specialty and knowledge of the personnel to create new capabilities, make innovation and increase efficiency of the organizations (Prirovi, 2007). At present, knowledge-oriented communities and knowledge-based economy have become important by factors such as increase of competition, technology innovation and global market nature (Garrido-Moreno et al, 2011). In these communities, companies should pay attention to knowledge as a key factor which leads to creation of a competitive advantage at time of business (Salmador and Bueno, 2007).

Statement of Problem

Today, creation of wealth out of knowledge has become very important in the world due to considerable technological changes so that knowledge-based economy is expected to be formed in many countries in century 21 and the communities in which national wealth and economic growth are measured as ideas and knowledge of technology not as physical materials and resources should be increasingly created and developed (Hosseini and Shamsoddin, 2004). Customer relationship management is a word for set of methodologies, processes, software and systems, which help institutes and companies, manage customer relationship in effective and organized manner (Berncter, 2001). Considering strong role of customers in today’s world and increase of their multilateral awareness with products market and services of access to various information and channels of providing services for using services, proper relationship with customers and making effort to preserve this relationship in long term are of the most important issues affecting durability and stability of organizations in the field of more competition and profitability. Therefore, there is necessity for creation of a Strategies for management of this
relationship and accurate and proper planning for measuring, supervising and managing them in organizations such as Parsian Insurance. So in this research the main question is: Determine the impact of knowledge management Strategies on CRM in Parsian Insurance branches, Tehran city

Literature Review
1. The Concept of CRM

In general, two core developments can be identified which finally led to the emergence of CRM. One of these developments was the shift from a focus on transactions to the establishment, marketing and nurturing of relationships with customers (Bose and Sugumaran, 2003). Companies that pursue a CRM approach focus on customer retention rather than on single sales (Parvatiyar and Sheth, 2000; Webster, 1992). Formally, relationship marketing can be characterized as an integrated effort to identify, maintain, and build a network with individual customers, and the strengthening of this network for both sides’ mutual benefit (Shani and Chalasani, 1992). Due to the different influences leading to the development of the CRM concept, there are also many divergent perspectives on CRM (Zablah, Bellenger and Johnston, 2004). The different dimensions have been widely discussed by marketing practitioners and scholars alike (e.g. Bradshaw and Brash, 2001; Massey, Montoya-Weiss and Holcom, 2001). For our research purposes, we follow a process-oriented approach by Shaw and Reed (Shaw and Reed, 1999), who define CRM as an interactive process achieving the optimum balance between corporate investments and the satisfaction of customer needs in order to generate the maximum profit. Despite the recent birth of CRM, which stands in the nineties, since then it has become a key tool for business management (Ngai, 2005). Similarly, research on CRM has increased significantly over the past few years (Romano & Fjermestad, 2003), but there are still research needs in different areas: search for a definition or a generally accepted conceptual framework, analysis of its key dimensions, study of CRM impact on business results, barriers to its successful implementation, development of valid and reliable scales to study the degree of implementation and success and rigorous empirical studies on the subject (Colgate & Danaher, 2000; Parvatiyar & Sheth, 2001; Sin, Tse, & Yim, 2005). After reviewing the literature on the concept of CRM (i.e., Paas & Kuijlen, 2001; Parvatiyar & Sheth, 2001; Plakoyiannaki & Tzokas, 2002), we can say that there is not yet a consensus about a clear conceptual framework of the concept of CRM (Zablah, Bellenger, & Johnston, 2004). We summarize the concept of CRM, from the literature review, as follows: CRM is a business Strategies that aims to establish and develop value-creating relationships with customers based on knowledge. Using IT as an enabler, CRM requires a redesign of the organization and its processes to orient them to the customer, so that by personalizing its products and services, the firm can optimally satisfy customer needs and thereby generate long-term, mutually beneficial, loyalty relationships. At the theoretical level CRM clearly offers numerous advantages, but a large number of studies indicate a high failure rate in the implementation of this type of Strategies (Xu & Walton, 2005). When examining the various causes of these negative results, several authors (Rigby et al., 2002; Starkey & Woodcock, 2002). Suggest that one of the main causes of failure is not integrating
CRM into the firm’s overall Strategies, in other words, considering CRM as an exclusively technological tool and not assuming the various organizational and cultural changes it entails. Additionally, Sin et al. (2005) argue that there is no integrative conceptual framework that translates the CRM concept into specific organizational activities and guides firms in how to implement the Strategies successfully. In view of the high failure rate in CRM implementation, and of the need to improve understanding of why some initiatives are successful while others are not (Roh, Ahn, & Han, 2005), there is a need for an explanatory model for CRM success based on knowledge, including the main variables that determine successful implementation of the Strategies.

2. CRM and KM

The CRM discipline’s relationship with KM approaches and technologies has widely been recognized as a relevant field of research (Romano and Fjermestad, 2003; Fahey, 2001; Romano, 2000; Winer, 2001; Massey et al., 2001). As CRM processes can be considered semi-structured or even unstructured, they reveal a high complexity as well as a strong knowledge intensity (Eppler, Seifried and Röpnack, 1999). Since collecting, storing and distributing relevant knowledge for those CRM processes makes the deployment of KM techniques necessary, it is evident that an organization’s KM capabilities play a key role in CRM success (Croteau and Li, 2003). In this context, KM can be defined as “the process of critically managing knowledge to meet existing needs, to identify and exploit existing and acquired knowledge assets and to develop new opportunities.” (Quintas, Lefrere and Jones, 1997) Likewise, CKM can be defined as the systematic handling and management of knowledge collected at customer interaction points which are required for the efficient and effective support of business processes (Geib and Riempp, 2002). As a further concretization of this notion, we distinguish three kinds of knowledge flows that play a vital role in the interaction between an organization and its customers: knowledge for, from and about customers. Firstly, in order to support customers in their buying cycle, a continuous knowledge flow directed from the company to its customers (i.e. knowledge for customers) is a prerequisite (Davenport and Klahr, 1998). Knowledge for customers comprises information about products, markets and suppliers (Garcia-Murillo and Annabi, 2002) and is primarily addressed by CRM service processes. This knowledge dimension also impacts the customer’s perception of the service quality - which has been identified as an important determinant of satisfactory financial performance (Wang and Lo, 2004; Taylor and Baker, 1994; Spreng and Mackoy, 1996). At the same time, knowledge from customers has to be incorporated by the company for product and service innovation, idea generation as well as for the continuous improvement of its products and services (Thomke and von Hippel, 2002; Kristensson, Gustafsson and Archer, 2004; Chesbrough, 2003). Capturing customer knowledge and involving customers in the innovation process can be achieved in various ways (Gibbert et al., 2002). For example, customers’ knowledge about improvement and innovation of products (Garcia-Murillo and Annabi, 2002; Gibbert et al., 2002). The collection and analysis of knowledge about customers is certainly one of the oldest forms of KM activity in the CRM domain (Reichheld and Schefter, 2000). Besides the customer’s master data and past transactions, knowledge about the customer encompasses the customer’s present needs and

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requirements, future desires, connections, purchasing activity and financial capability (Davenport, Harris and Kohli, 2001; Day, 2000). Knowledge about customers is collected in CRM service and support processes and analyzed in CRM analysis processes.

In recent years, companies have integrated their CRM and KM efforts because they realize that KM plays a key role in CRM success (Dous, Kolbe, Schierholz, & Brenner, 2005). Identifying the high value customer is a sophisticated knowledge task, as is determining the range of profiles among current customers. Technology can assist but KM puts the information processing power of technology to effective use. Collaborating with customers requires a strong grasp of tacit knowledge exchange, and anticipating or predicting new customer needs can be delivered competently using statistical methods with technology, but can only be done excellently when the dimension of tacit knowledge exchange and collaboration are also deployed (Lambe, 2008). Therefore, CRM processes are based on large amounts of knowledge (Bueren, Schierholz, Kolbe, & Brenner, 2005). CRM is about managing the discipline of KM, thus, the existence of sufficient and continually updated customer knowledge is critical for an effective CRM system (Stefanou, Sarmaniotis, & Stafyla, 2003). Given the important role being played by KM systems in the current customer-centric business environment, there is a lack of a simple and overall framework to integrate the traditional CRM functionalities with the management and application of the customer-related knowledge (Beijerse, 1999). Additionally, as Zablah et al. (2004), we see KM as the main sub process of CRM because, to manage CRM effectively, companies must develop capabilities related to customer KM processes. Since these capacities are difficult to imitate, they can become a source of competitive advantage (Shi & Yip, 2007). From a resource-based perspective (Penrose, 1959; Wernerfelt, 1984), customer knowledge will be a valuable and rare asset for businesses, which will allow them to respond quickly to customer needs and adapt to changing markets (Shi & Yip, 2007). Whereas the search for competitive advantage becomes the key factor of current strategic management, we should note that to collect information about customers in the context of a relationship, and offer those customers a superior value proposition based on this knowledge, will be a key advantage, hard to imitate. At this point, it is interesting to note, that, unlike data or information, knowledge is embedded in people and not in IT (Davenport & Prusak, 1998). The way people capture, share and interpret knowledge accumulated in organizational repositories is very important in operational and strategic business activities aiming at retaining competitive advantage (Stefanou et al., 2003). In this sense, Swan, Newell, and Robertson (2000) found issues of people management, rather than IT development, pose central KM constraints. They assert there has been an over-emphasis on IT management in KM literature and that KM requires a skilful blend of people, business processes and IT. To sum up, the relationship of the discipline of CRM with technological capabilities and KM is being recognized as an important research field at present that warrants further research (Dous et al., 2005; Romano & Fjermestad, 2003). Moreover, several authors believe that while previously the majority of CRM research focused on technological aspects, the critical role of KM is beginning to be recognized in research (Lambe, 2008; Shi & Yip, 2007). Consequently, we can say that the relationship between CRM and KM is an important issue in Management research (Campbell, 2003; Shi & Yip, 2007; Stefanou et al., 2003).
The Oretical Framework of The Research

In this research, for investigating the impact of knowledge management Strategies on CRM, Aurora Garrido-Moren & Antonio Padilla-Meléndez Ils questionnaire (2009) based on two parts of knowledge management Strategies and customer relationship management leadership, creativity and innovation has been used. According to that, research conceptual model based on research subject is as following.

![Research conceptual model](image)

**Figure 1: Research conceptual model**

Methodology of the research

Present research is a descriptive-survey research. Statistical universe includes 4669 employees of Parsian Insurance branches, Tehran city. Because of extensive research universe 355 ones of them were selected by Cochran formula. In order to gather data, questionnaire has been used. The questionnaire consists of two parts. In the first part demographic information such as
gender, education level, age, marital status etc. were allocated. In the second part, 10 questions were allocated to knowledge management Strategies and 14 questions were allocated to CRM, and they were confirmed by vote taking and consultation with experts and decision-makers and then after investigating its reliability and validity, it has dealt with data gathering. The questions were in closed type and Likert scale has been used that includes five points of strongly disagree, disagree, partially, agree, strongly agree. The way of scoring choices is from very low (1) to very much (5). It is worth explaining that the questionnaire was investigated by experts and professors and its reliability and validity were examined and they confirmed. The hypotheses of this research are as follows:

- **The main hypothesis:** Knowledge management Strategies have effect on CRM
- **Sub-hypothesis**
  1. Acquisition and application of knowledge management has effect on CRM.
  2. Diffusion of knowledge has effect on customer relationship management.

### Analyzing the Data of the Research:

In this research, independent variable is knowledge management Strategies and dimensions and dependent variable is customer relationship management. In following, results of research data analysis is presented: according to the analytical research model and for hypotheses examination related to the relationship between dependent and independent variables, the structural equation modeling (SEM) by Lisrel 8.8 software have been used.

- **Kolmogorov-Smirnov test:**
  With respect to, one of the default assumptions of structural equation modeling (SEM) is observations normally distributed, first, to ensure normality of the variables, we used the KS test.

<table>
<thead>
<tr>
<th>Component</th>
<th>KS statistic</th>
<th>Significant level</th>
<th>result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dissemination of knowledge</td>
<td>2.761</td>
<td>0.231</td>
<td>Normal</td>
</tr>
<tr>
<td>Acquisition and application of knowledge</td>
<td>2.45</td>
<td>0.154</td>
<td>Normal</td>
</tr>
<tr>
<td>Customer relationship management</td>
<td>2.082</td>
<td>0.171</td>
<td>Normal</td>
</tr>
</tbody>
</table>

- **The theoretical model is based on software LISREL output**
  To test the hypothesis and validity of theoretical research model and influence coefficients Structural equation modeling method was used.
  LISREL Software was used to check the main research model. Finally, the model with the necessary corrections comes in below:
Figure 2: Standardized values research model

For Estimation of main model, maximum likelihood method and to evaluate the model goodness, the chi-square index (X2), the ratio of the chi-square on degree of freedom (X2/df) normalized fit index (NFI), non-normed Fit Index (NNFI), root Mean Square Error of approximation (RMSEA) and Root Mean Square Residual (RMR) were used. As can be observed, the significant number of chi-square is above 0.05 thresholds that shows excellent goodness of model. On the other hand, if the ratio of the chi-square on degree of freedom be less than 3, show excellent goodness. The RMSEA index be smaller than 0.05 shows excellent goodness of model too. In this model NFI and NNFI index is respectively equal to 0.94 & 0.96, RMSEA & SRMR index is respectively equal 0.038 & 0.032 that confirm the estimated optimal goodness fit of model.
Hypotheses Test

In this section, by using structural equation modeling, the research hypotheses are discussed. According to discussed hypotheses, all analyzes have been done in the level of error 0.05 and confidence of 95%. To verify and accept the hypothesis, significant number of t-value should be larger than 1.96.

In the hypothesis, H0 assuming no correlation between variables and H1 confirmed positive correlation and significant relationship between the variables.

- **The main hypothesis:** Knowledge management strategies have effect on CRM
  The T-Value between Knowledge management and CRM is 16.80 and the standard amount is 0.90 which shows significant and positive correlation and confirm the main hypothesis.
- **First hypothesis:** Acquisition and application of knowledge management have effect on CRM. It shows significant and positive correlation and confirm the main hypothesis
  It value is 0.78 that achieve from multiplication between the pathway of Acquisition and application to KM and KM to CRM (0.87\*0.90=0.78).
- **Second hypothesis:** Diffusion of knowledge has effect on customer relationship management.
  It value is 0.74 that achieve from multiplication between the pathway of diffusion to KM and KM to CRM (0.83\*0.90=0.74). It shows significant and positive correlation and confirms the main hypothesis.
Conclusion and Suggestions

As mentioned earlier the purpose of this research was investigating the impact of knowledge management Strategies on CRM in Parsian Insurance branches, Tehran city. The findings showed that KM Strategies have positive influence on CRM. This results of research is consistent with the findings of Mandan Momeni (2013), Adel Salavati (1390) and Aurora Garrido-Moreno, Antonio Padilla-Meléndez (2011). Accordingly, we can say acquisition and application of knowledge management and diffusion of knowledge can be effective in promoting CRM in organizations.

➢ **Suggestions for promote the level of Transformational Leadership**
  o Regarding the relationship between knowledge management and customer relationship management capabilities, Parsian Insurance can make a favorable situation in exchange of information with customers with using proper facilities and equipment.
  o Conducting Group interview
  o Cross-sectional rating out in order to overcome the shortcomings
  o Sharing of knowledge between staff and organizational units
  o Create a framework for the exploitation of knowledge
  o Conducting training courses in customer relationship management units
  o Identification of required knowledge and also knowledge development
  o launches virtual forum and thinking room for the exchange of experiences

➢ **Practical suggestions**
  o Established knowledge Insurance from internal environment (knowledge of the persons including employees, retirees, transfers employees, etc.) and external environment, such as knowledge about customers, colleagues, competitors.
  o Take value for creative and hardworking people Knowledge storage and knowledge exchange between managers, employees and customers
  o Improving the customer relationship management system and creating proper communication between units for circulation of customer’s information.

➢ **Directions for future research**
  o It is recommended that future researchers to use from this model in other insurance and compare the results with this research.
  o It is recommended that future researchers to use from other models of knowledge management.
  o It is recommended that future researchers to use Customer Relationship Management results Such as financial results and customers’ satisfaction.
  o It is recommended that future researchers to use Mediating variables such as organizational resources.

➢ **Limitations of research**
  o Lack of cooperation from some insurance employees to respond to the questionnaire
  o The time limitation
  o Dispersion of Parsian Insurance branches in Tehran.
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