

## Customer Relationship Management as Key Factor For Gaining Sustained Entrepreneurial Success

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### ABSTRACT

Today's competitive and constantly changing business environment has brought to the fore the need for Small and Medium Enterprises (SMEs) to manage the relationship with their valuable customers like any other resource. Thus, the study investigated the effect of Customer Relationship Management (CRM) on sustained entrepreneurial success. Two-way communication and conflict handling skills were adopted as key dimensions of CRM, while the stakeholder theory was used as a measure of sustained entrepreneurial success. Data was generated via questionnaire and analysed using multiple regression. It was found that two-way communication and conflict handling have positive effects on CRM. The study therefore concluded that SMEs can gain and sustain their entrepreneurial success through enhanced two-way communication and conflict handling skills. This can be achieved by ensuring that persons hired as employees have the capacity to deal with difficult customers; training and retraining of both old and new employees so as to help them develop the requisite values and skills; and the development of a policy of openness by the SMEs that will allow customers' complaints to be heard, assure timely reaction to the complaints, and the treatment of such complaints to the satisfaction of the customers.

**KEYWORDS:** Conflict handling, Customer relationship management, Small and medium enterprises, Sustained entrepreneurial success, Two-way communication.

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### I. INTRODUCTION

Business enterprises are faced with making important decisions every day. Decision making and countless other issues affect their ability to gain sustained entrepreneurial success in a competitive environment. Thus, successful business enterprises are always looking for a way to out-smart, out-produce or out-sell their competitors; they are always looking for a way to gain sustained entrepreneurial success. According to Otth (2008) environmental factors play a decisive role in determining the success, failure and even, the continued existence of the business enterprise. One of those factors that business enterprises are conscious of is the customer. This is because the customer is the heart of business. Drucker (1994) further noted that the purpose of business is to create a customer. Consequently, business enterprises that want to succeed in today's global competitive market, where customers are empowered and brand loyalty erosion is increasing, will have to move to Customer Relationship Management (CRM) (Kotler and Killer, 2006). This suggests that business enterprises need to develop and manage the relationship between them and their customers, because these relationships are profitable ways of creating loyal customers (Tirkey, 2012) and by extension sustaining their entrepreneurial success.

It is more rationale and economical to keep old customers instead of looking for new ones. This is because the expense of acquiring customers is incurred only at the beginning stages of the commercial relationship (Ehigie, 2006). In addition, old customers buy more and, if satisfied, may create positive image for the company by word-of-mouth promotion. Also, long-term customers are less sensitive to price changes (Reihheld and Kenny, 1990; Baumann et al., 2005). These findings highlight the need for entrepreneurs to establish a relationship with their customers and manage same as a resource for sustained entrepreneurial success.

More so, two-way communication and conflict handling are important parts of CRM which can be employed to harness the benefits inherent in CRM. Communication helps the business enterprise at the early stage of the relationship to create awareness and convince interested customers to make a purchase. Two-way communication also enhances the flow of information between management and the employees or customers, while the conflict handling component of CRM ensures that conflict with customers are resolved before they became problems. The two components of CRM when properly deployed will further lead to customers' commitment and willingness to stay in the relationship (Ndubuisi and Wah, 2005; Ndubuisi, 2007; Sauers, 2008). Owing to the reliance of the two components of CRM in customer retention, this study examined the contribution of CRM to sustained entrepreneurial success.

## **II. LITERATURE REVIEW**

### **2.1 Sustained Entrepreneurial Success**

Entrepreneurship is the process of actualizing an innovative intention by an individual or group of individuals in either a new or old enterprise through networking to acquire the requisite capabilities that will enhance the success of the venture in the face of environmental uncertainties (Agbim and Oriarewo, 2012). This definition highlights four dimensions of entrepreneurship development; entrepreneurial intention, entrepreneurial networking, entrepreneurship capabilities; and entrepreneurial success. Entrepreneurial success has been defined by Agbim and Oriarewo (2012) as positively affecting the lives of others and making a living through a well managed innovative product and/or service. Sustained entrepreneurial success therefore occurs when the business enterprise adapts to the environmental uncertainties so much so that its capability to reap the attendant benefits (acquire new customers and retain existing ones) are not undermined. The success achieved within this period of adaptation and reaping of the attendant benefits is referred to as sustained entrepreneurial success. This therefore suggests that every entrepreneur must keep devising strategies that will assure entrepreneurial success at every point in time even in the face of environmental uncertainties. One of such strategies which this study has brought to the fore is Customer Relationship Management (CRM).

### **2.2 Customer Relationship Management (CRM)**

CRM is an enterprise-wide commitment to identify the individual customers of an organization, and to create a relationship between the organization and these customers as long as the relationship is mutually beneficial (Berndt et al., 2009). CRM is aimed at helping business enterprises to acquire new customers, retain existing ones, establish and maximize (or at worst maintain) value from the relationship between the business enterprise and the customers. The purpose of CRM according to Ndubusi (2007) is to develop appropriate relationships with customers through communication and conflict handling and to create long-term profit. Ndubuisi further noted that CRM helps a business enterprise to create an opportunity for repurchase by a customer through an improvement in the communication process to the customer, providing the right offer, relating to product and price, through the right channel, at the right time. This relationship can be reinforced and retained through timely communication and effective handling of conflicts between the organization and the customers. It can thus be inferred that communication and conflict handling are the key dimensions of CRM.

Customers perceive a relationship as valuable when their needs are met. These needs are known to the business enterprise through information gathering. Such information can be gathered through interviews, focus group discussion and observation (Du et al., 2005). Thus, communication between employees and management and/or between employees and customers can prevent service problems before they occur and minimize them when they arise (Zeithaml et al., 2006; Rostman, 2006). The need and ability to resolve customer problems in a satisfactory manner should be pursued by every business enterprise. This is because according to Kotler and Keller (2006) on the average, satisfied customers will tell three people of their good experience, while dissatisfied customers will tell eleven people. More so, customers whose complaints are satisfactorily resolved often become more company loyal than customers who were never dissatisfied. Research has shown that business enterprises that encourage disappointed customers to complain and empower employees to remedy the situation on the spot achieve greater profits. Therefore, Ndubuisi and Wah (2005) viewed conflict handling as the supplier's ability to avoid potential conflicts, solve manifested conflicts before they create problems, and the ability to discuss solutions openly with customers when problems do arise.

## **III. METHODOLOGY**

The field study was based on the survey of 224 Small and Medium Enterprises (SMEs) located in Anambra State, Nigeria. The 224 SMEs were selected from the Anambra State industrial directory. The selected SMEs fell under the following industrial classifications: petroleum products and chemicals, aluminum products, plastics, sales, schools, restaurants and hotels, health care, printing and publishing, transportation, information and communication technology, automobile and electronics mechanics and furniture. Data for the

study were collected through questionnaire. The questionnaire contained self developed items and items from questionnaire used in previous studies. The research population was made up of managers, customers, employees and the community members. This was so done because the sustained entrepreneurial success construct was measured using the stakeholder theory. The study focused on the three major stakeholders of SMEs – customers, employees and the community (Sweeney and Coughlan, 2008; Kaufmann and Olaru, 2012). The questionnaire adopted a 5-point Likert scale whose degree of agreement ranged from strongly disagree (1) to strongly agree (5). Out of the 1,344 questionnaire that were sent out, 123 were discarded on account of missing data, leaving 1,221 useable questionnaire. Regression analysis was employed to examine the effects of two-way communication and conflict handling (independent variables) on sustained entrepreneurial success (dependent variable). Data analysis was done with the aid of SPSS (Version 18.0). In addition, the statistical analysis was performed at 95% confidence level.

#### IV. RESULTS

The reliability of the constructs used in the study was tested using internal consistency test. Table 1 showed the reliability analysis and indicates that the Cronbach's alpha coefficient for all the constructs surpassed the threshold of 0.70 suggested by Nunnally and Bernstein (1994). This implies that all the constructs are reliable.

**Table 1: Reliability Analysis**

Construct	Cronbach's $\alpha$
Conflict handling	0.750
Two-way communication	0.778
CRM	0.799
Sustained entrepreneurial success	0.731

The multiple regression analysis showed that the coefficient of multiple determination ( $R^2$ ) of the predictor variables have accounted for 74.1% of the variation that exists in the sustained entrepreneurial success of the SMEs. The result of the multiple regression analysis in Table 2 revealed the effects of two-way communication and conflict handling on sustained entrepreneurial success. Table 2 showed that two-way communication and conflict handling have positive effects on sustained entrepreneurial success at 95% confidence level, that is, at p-value of less than or equal to 0.05.

**Table 2: Coefficients in the Multiple Regression Analysis**

Predictor variable	B	Std. Error	Beta	T	Sig.
(Constant)	-145.762	13.912		-10.479	0.000
Two-way communication	1.361	0.166	0.480	8.203	0.000
Conflict handling	2.005	0.189	0.620	10.593	0.000

**Dependent variable:** Sustained entrepreneurial success

#### V. DISCUSSION OF RESULTS

It can be inferred from the result of the study that SMEs can gain and sustain entrepreneurial success by enhancing two-way communication and conflict handling strategy in the relationship existing between them and their customers. To ensure that SMEs enhance and sustain their two-way communication in the relationship existing between them and their customers, new and old employees must be trained and retrained respectively. In the course of these trainings, the need for trust, dissemination of accurate, current and easy-to-understood information, and commitment to promises made to customers must be emphasized. Additionally, the employees must be made to internalize these values as requisite part of the firms' culture in the dealings between the SMEs and their customers. The deployment of these values by managers and employees in the relationship between the SMEs and their customers' will ensure customers satisfaction and by extension sustained entrepreneurial success.

Furthermore, to enhance and sustain conflict handling skills, there is need for SMEs to ensure that the persons they hire as employees have the capacity to deal with difficult customers. These employees, whether newly hired or old must be trained and retrained on how to avoid conflict and if it does occur, how to manage it before it degenerates to a problem. Managers and employees must be taught how to apologize to customers when they suffer loss from mistakes made by the SME. Where necessary, the entrepreneur or management of the SME must be informed of the need to give timely compensation to customers who have suffered losses.

More so, SMEs should develop the policy of openness to hear customers' complaints, timely reaction to the complainants, and the treatment of such complaints to the satisfaction of the customers. These measures are important because when valuable customers are lost, the profit of the enterprise is negatively affected and by extension the capability of the enterprise to gain sustained entrepreneurial success is threatened.

## VI. CONCLUSION

The study showed that two-way communication and conflict handling strategy have positive effects on sustained entrepreneurial success. This implies that the relationship between SMEs and customers can be enhanced and sustained through two-way communication and conflict handling skills displayed by the managers and employees of the respective SMEs. Since the purpose of the SMEs is to create a customer, who is the heart of business, SMEs should employ two-way communication and conflict handling as strategies to keep their valuable and profitable customers satisfied and loyal. Thus, enhancing their profitability and gaining sustained entrepreneurial success.

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