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## The Integrated Relationship Management Framework

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**The Integrated Relationship Management Framework**

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## **The Integrated Relationship Management Framework**

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**Keywords:** *relationship management; relationship assets; resource based view (RBV)*

### **Abstract**

#### **Research background:**

Relationship marketing has been capturing the interest of scholars and practitioners since this term was first brought to light by L. L. Berry and T. Levitt in 1983. Numerous publications and billion – dollar software industry validate its vitality, but plethora of relationship oriented practices and isolated models spread it to thin. Therefore there is a need to synthesize the existing body of knowledge.

#### **Purpose of the article:**

This article presents discussion on maturity of relationship management merging it with the other complementary concepts: resource based view (RBV), human resources management (HRM), knowledge management (KM), customer relationship management (CRM), corporate social responsibility (CSR). Its main aim is to discuss the integrated relationship management framework – a step towards a relationship management grand theory.

#### **Methodology/methods:**

The main research method applied in this paper is an extensive literature review focused on identification and comparison of existing fragmented relationship interrelated concepts. The focal point of this work is the synthesis of various isolated (customer) relationship models, their integration and confrontation with complementary relationship oriented concepts.

#### **Findings & Value added:**

The main contribution of this paper is the adumbration of relationship management integrated framework, which links the maturity of corporate relationship management with proficiency in three interrelated dimensions: strategy / business model, the information technology and organizational change management.

## **Introduction**

Since more than two decades, the term “relationships” occupies prominent position in management sciences. The relationship concept as an important alternative to transactional style of doing business was defined and reinvented for the whole bunch of areas and fields of research, including industrial marketing, services marketing, strategic management, customer relationship management (CRM) – to name only a few. This diversity indicates that the relationship management (RM) has a good potential for a fruitful scientific discourse, yet simultaneously it still lacks a more complex and generalized theory [Gummesson, 2017a].

Although the logic and reasoning of relationship approach seems to be correct, it is blurred in diverging business practices and theoretical perspectives. Hence the article synthesizes the mainstream of contemporary body of research on RM and attempts to establish links between the RM and other complementary concepts which base on the premise of relationship assets like resource based view (RBV) in strategic management, human resources management (HRM), knowledge management (KM), CRM and corporate social responsibility (CSR). As a result the new broader scope of RM is outlined.

## **Method of the Research**

This article offers a discourse based on contemporary theoretical developments, literature and personal reflection based on author's ongoing research and contact with business people (compare e.g. [Deszczyński, 2016b, 2013]).

The body of scientific work on RM is huge. Google Scholar found approx. 66.000 publications directly referring to RM in the last ten years. Therefore it is impossible and does not make sense to review all of them. Instead, this article presents a comparative analysis of models or mature concepts of internationally recognized authors who have won their names thanks to many years of research on relationship management or relationship marketing. In this article both terms are treated as marketing-oriented management, as the relationship between marketing and other disciplines of management is only a matter of perspective [Gummesson, 1999, p. 75]. The term relationship marketing is therefore applied predominately to reflect original work of a given author, while relationship management works as a basic term.

## **Definition of relationship management and relationship assets**

In the subject literature the RM is perceived as a bundle of strategies and methods devoted to strengthening the loyalty (e.g. of a customer or partner) and reducing operating costs of sales, promotion and acquisition [Reichheld& Markey, 2012], organizational philosophy oriented on value creation [Piercy, 2003], managerial process aimed at meeting shareholders' goals by reinforcing relations with selected customers and partners [Doyle, 2003]. These characteristics enable to clearly distinguish it from functional and operational marketing strategies and to interpret it in the light of strategic management [Tvede&Ohnemus, 2001]. Thus customer or partner relationship management is situated as part of incremental strategic management [Deszczyński, 2016a] and should be interlinked with global strategy.

The core characteristics of relationship business model are: long-term perspective, reciprocity of internal and external relations, partner dialogue and orientation on value creation process [Injazz&Popovich, 2003; Galbreath& Rogers, 1999]. For companies pursuing this concept, the source of competitive advantage are relationships with the customers, which in turn are fueled by the knowledge of customer needs gained by committed employees and partners [Smith, 2006] and proper use of information and communication technologies (ICT) [Stachowicz-Stanusch&Stanusch, 2007]. Hence relationships can be viewed as strategic assets falling within J.B. Barney's VRIN model (Valuable, Rare, Inimitable, Non-substitutable [1991] and RM as a distinguishing interpretation of RBV.

The nature of relationship assets implies that they are created in the process of communication and that their existence can be identified by the creation of knowledge with an economic utility value. Moreover the relationship assets emerge as an accumulated sum of experiences, trust, commitment and mutual learning processes developed during longer period of time [Doney& Cannon, 1997]. Thus relationship assets can be defined as intangible resources, an effect of a process of continuous interactions creating useful knowledge and leading to development of positive associations with the organization, its brands and representatives, what in turn brings benefits for particular individuals and reinforcement of competitive position of the company itself [Deszczyński, 2014].

## **Relationship management models**

One of the most prominent authors on RM are A. Payne and P. Frow. In their CRM strategy framework they identify key processes which are

responsible for development of customer relationship business model, its organizational implementation and technical support [Payne&Frow, 2013, p.205]. They link the overall success of organization with the incorporation of core characteristics and objectives of relationship marketing to the global strategy development process. This involves inspiring the mission and vision statements with the relationship spirit, but also definition of key groups of customers, including the distribution channel partners.

The value creation process should define how to maximize the lifetime value of desirable customer segments reflected both in benefits for the customers and the company. The best way to achieve this goal the authors propose is the shift from making, selling and servicing to listening, customizing and co-creating. The co-creation experience is facilitated by integration of multi-channel communications exposing opportunities for customer – brand/company encounter on cognitive, emotional and behavioral levels. This requires seamless cross-functional integration assisted by ICT, which should deliver exceptional satisfaction, because only superior customer experience can guarantee the loyalty effect occurs [Jones & Sasser, 1995].

The information management process should enable to build-in a “corner-shop principle” into a practice of every organization, by implementing 360° customer view concept and creating working memory of a customer. This process starts and ends in two-way dialogue between the customer and the company represented by diverse actors assisted by front- and back-office applications linked to one central data repository.

Finally the performance assessment process delivers KPIs showing the rate of progress in customer RM. Unlike the traditional approach to business metrics, the financial performance is understood as the end-effect, but not an ultimate goal of a company. Just like in the J.L. Heskett's, W.E. Sasser's and L.A. Schlesinger's Service-Profit Chain [1997], the right sequence starts in open and inspiring behavior of the leaders and the management of the organization, followed by an active engagement of the employees and finally the satisfaction of the customers. Therefore business performance has to be reflected in customer, employee, shareholder value, as well in cost reduction [Peck, Christopher, Clark & Payne, 2013; Payne & Frow, 2013].

For E. Gummesson marketing is about managing relationships, networks and integration. In this context the role of a company is to offer an attractive value proposition. In co-creation with the customers

and a network of contributors the proposition is actualized into service [Gummesson, 2008]. Like other representatives of the Nordic School, he sees the market encounter in network lenses, therefore instead on concentrating on dyadic relationships centered on two parties only, he advocates the “many-to-many marketing” or “total relationship marketing” [Gummesson, 2017a].

In his book he identifies 30 forms of relationships: mega (e.g. personal and social networks), special (e.g. e-relationship) and nano (e.g. relationships between operations management and marketing) [Gummesson, 2017b]. Referring to the services marketing principle E. Gummesson states that marketing is performed by everyone, not just by the personnel of marketing department. Moreover, the traditional idea of a company limits the perception of relationships, which occur in a reality of complex “imaginary” organizations, beyond the control of a single entity.

This does not mean the relationships are an abstract phenomenon to much of contemporary companies, which are governed in a conservative way. However the economies of relationships can turn into scalable profit only for those companies, which try to convert the intellectual capital (especially knowledge and relationships) into financial capital by adopting a good mix of short- and long-term goals and support these choices with investment in people, processes and technology. This sequence is not unintended, as human beings are seen as primarily enabler of an organization [Gummesson, 2014, 1999].

Another big name in RM representing the Nordic School is Ch. Grönroos. In his research he focuses on the role of the customer in value creating process and envisages the proper respond of the company to take advantage of value co-creation. Grönroos calls a traditional approach a closed system. If the provider has no or very limited contact with the end-user, he cannot influence the individual value creation process and his role comes down to mere value facilitator. In an open system, where the use of service activities and of goods embedded in a service system gives a space for active collaboration with the customer, the company advances to a position of value co-creator [Grönroos, 2011; Grönroos&Strandvik, 2008].

The value co-creation challenges the company in terms of adaptability, flexibility and requires intensified interactions. Grönroos's vision of such a system is embodied in his CSS model (conceptualizing – systematizing – servicizing), which describes the way how to use service inherent advantages for the valuable offer creation. Conceptualizing is the process of development of value

proposition, which involves designing the platform for interactions with the customers before and after the transaction is concluded. Systematizing is determining what resources and processes are needed to support customer's activities in a mutually value-generating way and making them available to the customer. Servicizing is the actual interaction with the customer which creates real value-in-use[Grönross, 2007].

### **The integrated relationship management framework**

The analysis of presented models reveals a common basis for proficiency in RM, which is to know the customers really well, to share this information throughout the organization and to use it to increase the value that benefits both the company and its customers. This goal can be achieved through multi-channel interactions, customer segmentation upon diverse criteria including behavioral customer buying patterns and customization what requires unbundling of value proposition building elements with special focus on service part of the offer.

A common characteristic of all evoked models in the appliance of S-D logic to customer value creation and communication, a multi-stakeholder approach and relatively high attention to strategic framework of the company. This includes global strategy and relationship strategy alignment, corporate culture and employee management. Hence it seems an integrated relationship management framework should address both strategic and change management dimension of the company with ICT as a technological enabler of communication and knowledge processes. The strategic dimension can be associated with an overall idea how to serve the customers, where does the value they expect migrate and how to align own resources to develop and update capabilities to keep pace with these trends. The change management is about assuring that the organization (with people and processes on top) is ready to deploy this general idea in a day-to-day work. Nonetheless the presented models touch rather superficially the internal, non-direct customer issues without establishing significant links to RBV, HRM, KM and CSR.

Meanwhile in mature relationship-driven company HRM activities should be redefined. The most important goal is the identification of key groups of employees characterized by one or more of distinguishing marks like: possession of VRIN skills, high potential for development of sought-after skills or an extraordinary commitment. In



this context the goal of a company is to adapt the same processes as in customer portfolio management to workforce management.

The link between the internal and external RM is knowledge created in the process of communication. Knowledge creation is not a traditional input-output sequenced process but forms a spiral moving, which goes through interrelated organizational units accompanying other processes with more specified problem-solving objectives [Nonaka&Peltokorpi, 2006]. The main task here is to transfer knowledge into corporate assets. It can be done by creation of positive environment and procedures for ex-/internalization of tacit knowledge and codification of explicit knowledge.

Relationship oriented companies will introduce some specific measures enabling fast bottom-up communication but also appraisal system based on integrity and engagement. In such circumstances so called high-performance work systems can emerge [Amann&Stachowicz-Stanusch, 2013]. The core idea behind these systems is the extraordinary employee commitment which in turn derives its strength from the employee needs fulfillment all across the Maslow pyramid. Correspondingly one of the factors that distinguishes companies advanced in RM is the application of CSR. There exist a tangible relation between such improved strategy, customer loyalty, employee motivation and investor attraction [O'Riordan et al., 2015].

## **Conclusions**

The RM seems to be penetrating virtually every aspect of corporate life, just as the relationships are the essence of life in general. Therefore a broader integrated relationship management framework should interpret the RBV in search for competitive advantage based on relationship assets focusing not only on customers, but also on other stakeholders, especially the employees. It should also integrate HRM, KM and CSR as vital parts of employee-related management. Finally it should distinguish three dimensions of relationship approach: the strategy, which defines the overall business model, the ICT as technological strategy enabler and the change management as organizational strategy enabler.

Although the outlined framework only highlights a possible direction in "zooming-out" of RM, it can serve as a possible bridgehead in developing a grand theory explaining the significance and diversity of corporate relationships. It can also be expanded into an applicable mid-range theory connecting business practice with normative

guidelines in form of maturity models defining the levels of proficiency in RM.

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