

ST.MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES



**EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT  
ON BANKING PERFORMANCE: THE CASE OF TWO  
SELECTED BANKS IN ADDIS ABABA**

**BY  
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**ADDIS ABABA, ETHIOPIA  
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## **LISTS OF ACRONYMS**

ATM-----Automatic Teller Machine

CBE-----Commercial Bank of Ethiopia

DB-----Dashen Bank S.C.

CRM-----Customer Relationship Management

POS-----Point of Sales

STPPC-----Model of Customer Relationship Management (Strategy, Technology,  
People, Process, and Customer)

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## ***ABSTRACT***

*This thesis conducted on the title “EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON BANKING PERFORMANCE” in selected banks. The major objective of the study was to assess the relationship between effective customer relationship management practice and banking performance. The researcher selected two banks as a case study area and both grade four bank managers and some selected top level managers as defined target population the total sum of the respondents were 66. After selecting defined target population the researcher used judgmental (purposive sampling method) to gather all necessary information to see the relationship between predictors and dependent variables. The study utilized a descriptive research design to describe the overall customer relationship management practice and banking customer relationship management performance situation. The researcher used primary and secondary data as data source whereas, mean, standard deviation and percentage to show the distribution and frequency of variables. Tables and charts were used to present the fact. To differentiate the relationship the degree of their relationship among and between variables the research used different parametric analysis tools like correlation and regression as data analysis tools by using statistical package for social science version 20.0. This research finding show there was strong positive correlation between banking performance and effective CRM practice, compared with attracting new customers banks are given less attention to retain current valuable customers, process and strategy has statistically significant unique contribution in explaining variance of banking performance. To increase its performance banks should focus on retaining current valuable customers than attracting new customers because it enable to minimize organizational costs, and to use technology as CRM process implementation tools banks should give attention for both technology infrastructure and architecture the like were the major one.*

***Key words: Customer Relationship Management, Bank performance***

## CHAPTER-ONE

### INTRODUCTION

#### 1.1 Background of the Study

The Customer Relationship Management (CRM) is more evolution than revolution. Thus, achieving the full potential of each customer, relationship should be the major goal of every business. Unsatisfied customer causes market damage because they are more likely to persuade others to defect. It is therefore no surprise that CRM is an important topic of conversation in business world (Feinberg et.al, 2002). Customers are the important factors for the success of business but less attention has been given in this regard. On the other hand, several strategies have been attempted to retain customers by the private and commercial banks.

Customer relationship is considered to be a crucial strategic initiative for gaining competitive advantage. In today's competitive era, banks are highly dependent on customer satisfaction for survival and success. In the current era of very intense competition, marketers are being forced to increase their concern on customer retention and loyalty. Retaining customers perhaps offers a more sustainable competitive advantage than acquiring new ones. What marketers are realizing is that it costs less to retain customers than to compete for new ones (Rosenberg and Czepiel, 1984).

Customers are the lifeblood of any organization be it a global corporation with thousands of employees and a multi-billion turnover, or a sole trader with a handful of regular customers. Customer relationship management (CRM) is a widely-implemented strategy for managing a company's interactions with customers, clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service (Customer Relationship Management, 2012). CRM is the technology used to integrate sales systems, marketing systems and information systems to establish relationships with customers (Soliman et al., 2011). The study mentioned customer's satisfaction and customer retention have been achieved in 36% and 51% of the companies respectively when it applied CRM (Payne & Frow: 2005). For this reason, the researcher was necessitated to conduct this

study to determine the effect of CRM on banking performance the case of selected banks in Addis Ababa.

### 1.1.2. **Back ground f the company**

#### **Commercial Bank of Ethiopia**

The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. It has more than 1250 branches stretched across the country. And also the leading African bank with assets of 485.7 billion Birr as on June 30<sup>th</sup> 2017. Currently CBE has more than 15.9 million account holders and the number of Mobile and Internet Banking users also reached more than 1,650,000 as of June 30<sup>th</sup> 2017. Active ATM card holders reached more than 3.7 million. As of June 30, 2017, 1501 ATM machine and 6,811 POS machines were available.

CBE has a SWIFT bilateral arrangement with more than 700 others banks across the world. CBE combines a wide capital base with more than 33,000 talented and committed employees. Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money.

#### **Dashen Bank**

Prompt Dashen Bank coined it name from the highest peak in the country, mount Dashen, and aspires to be unparallel in banking. Head quartered in Addis Ababa, the Bank is the biggest private Bank in Ethiopia. It operates through a network of 196 branches, nine dedicated Forex, Bureaus, 220 ATMs and 958 plus point-of-sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 464 banks covering 71 countries and 175 cities across the world. Wherever business takes customers around the world, Dashen Bank already there.

Dashen is the reputable brand in the domestic banking market; a reputation earned through consistent delivery of values and preeminence unmatched by its competitors. The Bank also works in partnership with leading brands in the electronic payment industry ( American express, VISA, Master Card and Union pay cards) and prominent money transfer operators ( Western Union, Money Gram , Express money, Dahabshiil, Trans Fast, EzRemit, Flo Cash, Money transfer and Ria).

## 1.2 Statement of the Problem

Today, marketing is not only development, supply and sales, but the continuous development, services after sales with a long-term relationship with the customer is also added. Since loyal customers are a key component of successful businesses and organizations, building customer loyalty is a concept that has been taken more attention in today's business (Ellinger & et al, 2000). In line with, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value.

The size of banking industry and its transaction represents the economic change in a country. The banking industry plays an important role in achieving the desired socio economic development of a country by distributing savings to productive uses and providing mobility to the capital. This shows the economic development of a country depends on the availability of banking industry (Peters and Waterman, 1982). After defining and getting a clear vision of CRM, its use in the private and public banking sectors has been highlighted. It has been found out that through maintaining customer service quality, customer satisfaction can be attained. This leads to profitability and growth of the organization (Brown, 2000). Thus, any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenges affecting its customer relationship (Ashok and Rajesh, 2009).

A research conducted by Semunesh (2009) reveals that banks operating in Addis Ababa faced difficulty in applying new strategy, lack of timely and organized data, and availability of huge information gap between different stakeholders. Another study reveals banks have been operating at less than their production frontier due to technical inefficiency and inefficiency among the banks was varied and time variant (Tsfahun, 2014).

In theory several studies all over the world have been undertaken on Customer relationship management and firm performance Ismail, Coltman (2007). Most of these studies and many others have provided evidence to show that implementation of customer relationship management leads to better firm performance, competitive advantage and cost efficient.

The research conducted by Semunesh and Tsfahun result shows that there is lack of timely and organized data, availability of information gap between stakeholders, technical inefficiency, difficulty in applying new strategy, and less attention for customer and lack of

long term relationship with customers are indicators of low Customer relationship Management practice problems that can be hinder organizations performance.

Based on the literature gaps identified above, the researcher was attempted to measure the contribution of customer relationship management practice on banking performance and forward recommendation based on the result.

### **1.3 Research Questions**

1. Is there a significant relationship between organizational performance and customer relationship management?
2. What Process aspects in banking CRM practice are key success factors for organizational performance?
3. How Technology utilization affect organizational performance in customer management?
4. To what extent People aspect (top management, motivated employee and partners) contribution is key success factor for organizational performance?
5. How is Strategy aspect of customer relationship management a key success factor for effective banking performance?

### **1.4 Objectives**

This study was undertaken to suit the following major and specific objectives.

#### **1.4.1 Major Objectives**

The major objective of this study was to show the effect of Customer Relationship Management practice on selected banks performance.

#### **1.4.2 Specific Objectives**

- ✓ To provide information on effects of customer relationship management on employee satisfaction.
- ✓ To assess the strength and weakness of CRM practice while, implementing the strategy in banking activity.
- ✓ To show the gap in applying effective customer relationship management practice.
- ✓ To show the current major activity in which banks strive for.
- ✓ To evaluate how each CRM element (STPPC) contribute to the success of the organization performance.

## 1.5 Significance of the Study

Since, the CRM strategy is new concept in a modern business world the study gives additional effort and data for the researcher and for other academicians. The study provides some inputs for policy makers (to extend the best practice of CRM that contribute much for organizational performance in to the other industry), individuals who involved in a software development (to adopt necessary software based on country's situation), banks ( to develop long term CRM strategy as competitive tools) and professional economic advisors. The study also serves as a corner stone to minimize the gap between theoretical and practical aspect of the business. The final effect of the study enhances better product and service for the customer. Due to positive result and a positive relationship between performance and effective CRM practice, finally the organization will strive to practice the strategy. In turn the customer will benefit from it.

## 1.6 Scope of the Study

- To make the study manageable, the researcher focused only on customer relationship management practice to measure banking performance.
- The study focused only two selected banks CBE and DB (one from the earlier and one from the recent respectively) that found in Addis Ababa city administration.
- This study doesn't include the customer response to measure its attitude about company's customer relationship management and their satisfaction on the service.
- The researcher doesn't address banks out of Addis Ababa city administration and in lower level branches with in Addis Ababa. In other words this study doesn't include all branches (except grade four of selected bank) with in Addis Ababa.
- This study doesn't included employee's (except managers) response to measure their benefit or their satisfaction level from CRM implementation.
- The researcher used only five major parameters (strategy, technology, people, process, and customer) to measure the banking performance and to build models.

## 1.7 Limitations of the Study

This study doesn't include all banks in Addis Ababa, because of less cooperative attitude of bank managers or unwillingness to provide information. There for, the researcher selected two banks from government and private banks.

The researcher doesn't include all grade banks (grade one to grade four) with in selected banks (the result from the highest grade bank may not represent the CRM practice and performance of all banks).

The researcher does not consider other factors that affect organizational performance. The researcher doesn't included research result and CRM practice in Ethiopian banking sector due to lack of written or published material.

The researcher failed to identify group difference between banks and to differentiate the best customer relationship management practice because of unable to collect all distributed data and higher missing value in profile variables.



## **CHAPTER-TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Introduction**

In this section both theoretical and empirical works related with Customer Relationship Management and organizational performance will be reviewed. Besides, that conceptual frame work which is a basis for the subject under study will be included.

#### **2.2. Historical development of CRM**

According to Berry (as cited in Bolton & Tarasi, 2008) Bolton and Tarasi revised the foundation for the development of CRM is generally considered to be relationship marketing, defined as marketing activities that attract, maintain, and enhance customer relationships. CRM is not a concept that is really new but rather due to current development and advances in information and enterprise software technology, it has assumed practical importance. The root of CRM is relationship marketing, which has the objective of improving the long term profitability of customers by moving away from product centric marketing (Chen, 2003). Bose (2002) noted that CRM was invented because customers differ in their preference and purchasing habits.

The attention CRM is currently receiving across business is due to the fact that the marketing environment of today is highly saturated and more competitive (Chou et al, 2002). The modern CRM concept was shaped and influenced by the theories of total quality management (Gummesson, 1997). And by new technological paradigms (Zineldin, 2000). Other programs such as "just-in-time" (JIT) supply and "materials-resource planning" (MRP) have also made use of interdependent relationships between suppliers and customers (Frazier, Spekman, & O'Neal, 1988).

Also, customer expectations have been changing rapidly over the last two decades. Fueled by new technology and the growing availability of advanced product features and services, customer expectations are changing almost on a daily basis. Consumers are less willing to make compromises or trade-offs in product and service quality. In a world of ever changing customer expectations, building cooperative and collaborative relationships with customers seems to be the most prudent way to keep track of their changing expectations and appropriately influencing them (Sheth&Sisodia, 1995).

Finally, many large internationally oriented companies are today trying to become global by integrating their worldwide operations. To achieve this they are seeking cooperative and collaborative solutions for global operations from their vendors instead of merely engaging in transactional activities with them. Such customers' needs make it imperative for marketers interested in the business of companies that are global to adopt CRM programs, particularly global account management programs (Yip & Madsen 1996). Global account management (GAM) is conceptually similar to national account management programs except that they have to be global in scope and thus more complex. Managing customer relationships around the world calls for external and internal partnering activities, including partnering across a firm's worldwide organization (Parvativar & Sheth, 2002)

### **2.2.1. Definitions of CRM**

In literature, many definitions were given to describe CRM. According to Payne and Frow (as cited in Tarasi, 2008) offer the following comprehensive definition. CRM is a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT [information technology] to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations and marketing capabilities that is enabled through information, technology and applications.

### **2.2.2. Types of customer relationship management**

#### **2.2.2.1. Operational CRM**

In this method, the entire process of customer communication, from marketing and sales to after sales service and receiving feedback from the customer should be vested in a person so that sellers and service engineers can be able to access the history of their customers (Johan & Storm, 2002). Operative CRM mainly supports the actual contact with customers conducted by front office workers and general automation of business processes including sales of products, services and marketing. All communication with the customer is tracked and stored in the database and if necessary it is effectively provided to users (workers) (Heczková & Stokala, N.A).

### **2.2.2.2. Analytical CRM**

According to Dohnal, 2002 (as cited in Heczková&Stoklasa,NA) The purpose of analytical CRM is customer data analysis, its evaluation, modelling and prediction of customer behaviour. In real life situation the analytical CRM can for example gather all the data about customers inquiring a specific product by using data mining (tool for data gathering), what services they purchased right away and what services they purchased eventually. It can find patterns in their behaviour and propose next steps during up-selling or cross-selling. It can evaluate efficiency of a marketing campaign, propose prices or even develop and propose new products. This way analytical CRM serves as some sort of help during decision making, e.g. manuals for employees working in services concerned with how to react to certain customer's behaviour.

### **2.2.2.3. Collaborative CRM**

According to Zia khosoosi (as cited in Tavana et al, 2013) Collaborative CRM is a customer relationship management approach in which multiple units like a sales, marketing and technical support share any information obtained from customer interactions. Purpose of participating in a CRM is to improve quality and levels of customer service and result in increased customer satisfaction and customer loyalty as the ultimate goal in a customer relationship management system. Collaborative CRM enables all companies along the distribution channel, as well as all departments in a company, to work together and share information about customers.

## **2.2.3. Significance of customer relationship management**

The achieved higher profit is the main benefit of CRM systems for proprietors, i.e.:

1. Costs decrease: increased total effectiveness, an automated process of sales, service and marketing companies; decreased costs of customers' management, automated routine work.
2. Income increase: greater quality of sales and services, management of customers' possibilities and problems (incidents, enquiries), better ratio of sales.
3. Benefit of CRM systems for a customer: to get an offer in an appropriate form when it is necessary and what it is necessary, to be appropriately served, to feel important, to be informed in time, a possibility to choose a service channel (self service, full service).

4. Benefit of CRM systems for an employee: The system has to be a friend; it helps to fulfil more activity during the same time, and a higher salary is related to it; the feeling of self-control, a possibility to show oneself as leader and sound competition emerge (Urbanskienė et al, 2008).

There are significant business benefits which accrue from an effective, integrated Customer Relationship Management approach. These include:

- Reduced costs, because the right things are being done (i.e., effective and efficient operation)
- Increased customer satisfaction, because they are getting exactly what they want (i.e., exceeding expectations)
- Ensuring that the focus of the organization is external
- Growth in numbers of customers
- Maximization of opportunities (e.g., increased services, referrals, etc.)
- Increased access to a source of market and competitor information
- Highlighting poor operational processes
- Long term profitability and sustainability

Forward thinking organizations understand the vital need to maintain a strategic focus on CRM and to resource and manage it appropriately (Gifford, N.A).

#### **2.2.4. Challenges**

CRM systems operate at the customer–firm interface, and firms frequently use information from customers to create and deliver valuable offerings to them. Customers are likely to be willing to reveal private information if they derive “fair” value from exchanges with the firm. However, firms may behave opportunistically (extracting all economic surplus), creating mistrust among customers, so that they act strategically when they provide information or participate in transactions with the firm (Boulding et al., 2005). For example, customers might retaliate against perceived unfairness by providing inaccurate information, generating unfavourable word of mouth, switching to the competition, or boycotting the firm. Consequently, successful implementation of CRM principles requires that firms carefully consider issues related to privacy and fairness (Boulding et al., 2005).

Heczková and Stoklasa (N.A) demonstrate CRM is very difficult in terms of (technology, people employees, initial money investment etc.), another one is the safety of information that companies keep about their customers, sharing information with third party and its overall protection. The entire operating principle of CRM (gathering information, recording calls, analyzing all clients' activities etc.) is invasion of privacy of customers.

## **2.2.5. Factors affecting customer relationship management**

### **2.2.5.1. People**

It is necessary for each organization to have people, people means those who manage business processes, and make connections within the whole organization and make relation with costumers (Maha et al, 2011). according to Jaworski and Kohli (as cited in (Soeini et al, 2012) This factor would investigate the role people play in CRM success and includes sub factors of top management support, skill and motivation of staff and business partners. Top management support is essential for each project to be successful. Therefore, an efficient CRM requires support and cooperation of high levels of management.

Top management support of CRM can be financially or non-financially. Financial supports means securing required credit to advance CRM project. Based on non-financial supports, top managers should be the main advertisers of CRM project and try to make all units of the organization to cooperate and support it. On the other hand, top management view towards the executive importance and requirement level of CRM can affect the increase of CRM success probability. In other words, the more critical and strategic a CRM be considered by a top management and the more familiar with principles and concepts he is, the more attention he would pay to support it. Therefore, the CRM project would be more probable successful. Finding capable people and appointing them to appropriate positions is one of the essential points for organization efficiency. It is necessary for each organization to have knowledgeable, skilful and motivated employees to reach maximum business efficiency and establishing long term relations with valuable business customer. Making a long term and successful relation with customers depends on the feeling the employees would make in customers towards the Organization. In other words, employees can affect on the quality of customer relation and customer vision through their work skills and customer oriented skills. Customer oriented skill means employees' tendency for better perceive of customer needs and responsibility towards appropriate answering to their needs. This successful relation with customers that is the result of having skilful and motivated employees would lead to customer loyalty and organization profitability at the end.

Imagine a situation in which a company produces high quality product but the customers are not satisfied about products and services due to weak product distribution by organization partners. Therefore, the organization should supervise the customer satisfaction of business performance that is being held by others out of organization. (Soeini et al, 2012).

As Gifford demonstrate that people have a huge impact on the success of the CRM process. Successful and effective Customer Relationship Management people tend to display positive attitude, people orientation, organizational skills, analytical skills, customer focus (natural empathy) and understanding of the link between CRM and profitability. On the subject of empathy: Empathy is about understanding, not necessarily agreeing. Effective customer focus enables the organization and its staff to see both sides, and to work with the customer to arrive at a mutually satisfactory and sustainable solution. Agreement alone amounts to capitulation, which is neither practicable nor sustainable (Gifford, N.A).

Although partner selection is an important decision in achieving CRM goals, not all companies have a formalized process of selecting customer partners. Some select customer partners by following the intuitive judgments of their senior managers and select other partners from those customers who demand to be selected. On the other hand, other companies do have formalized processes of selecting relational partners through the use of extensive research and the evaluation of chosen criteria. The criteria for partner selection vary according to company goals and policies. They can range from a single criterion such as the revenue potential of the customer to multiple criteria that include variables such as customer commitment, resourcefulness, management values, technological and market leadership, national and global presence, strategic value, and complementary business processes. When several criteria are applied and a complex model developed, it is necessary to test its validity based on strategic fit and the distinctive competitive advantage to the firm (Parvatiyar&Sheth, 2002).

#### **2.2.5.2. Process**

This factor includes a set of programs, measures and structural property that support realization of CRM strategy purposes. Organizing the structure of a company in a way to facilitate implementing CRM processes, rewarding system for employees due to their customer oriented behaviours, holding training courses for employees, are all among the elements that enable the organization to lead its CRM strategy more efficiently ( Kim & Kim, 2009) . The organization should identify its valuable employees and reward them due to their performance and customer oriented behaviours. Retaining employees is as valuable as

retaining customers. Rewarding employees due to their responsibly behaviour towards customers make them satisfy. Job satisfaction among employees has a positive effect on customer retention (Reichheld, 1996).

The organization can treat employees enable to make a successful relation with customers through holding training courses for work skills, customer oriented skills and necessary trainings for working with CRM tools. One of the important points in organizational structure of a company is cross functional collaboration among various units of the organization to increase its productivity. All units of the organization should be flexible to be able to support its customer oriented decisions and to predict customer needs and be flexible towards their requests (Soeini et al., 2012).

It is necessary to determine how enterprise's processes should function and what factors can influence successful results of an enterprise. CRM project is carried out for a whole organization, thus it relates to a lot of current and new processes of an enterprise. Considering it also induces cultural changes, coordination to new circumstances, CRM project can be related to optimization of organization processes and management of changes. It is necessary to integrate CRM system into other processes of an enterprise. In other words, CRM system will not be useful till it is not related to other main systems of an enterprise. If CRM system is not inserted into the entirety, it will soon become a closed island. In the model it is shown as the basis for the interaction of the most important elements (Urbanskienė et al., 2008).

CRM can be regarded as a process, which has: identifiable inputs, identifiable components, identifiable characteristics, which define CRM for your organization and customer base, and capacity for improvement and evolution over time. According to Reinartz et al, (2004), there are three different possible levels: the functional level, the customer-facing level, and the company-wide level. CRM process on the customer-facing level, this perspective includes building a single-view of the customer across all contact channels and having customer intelligence distributed to all customer facing functions.

The existing literature suggests that four distinct factors should be captured: (1) building and managing ongoing customer relationships delivers the essence of the marketing concept (Webster, 1992; Morgan & Hunt, 1994), (2) relationships evolve with distinct phases (Dwyer, Schurr & Oh 1987), (3) firms interact with customers and manage relationships at each stage (Srivastava, Shervani & Fahey, 1998), and (4) the distribution of relationship value to the firm is not homogenous (Mulhern 1999; Niraj, Gupta & Narasimhan, 2001).

### 2.2.5.3. Strategy

CRM strategy is about providing different customers with different propositions that are on the basis of lifetime value of each customer or customer group (Stone et al, 1996). This factor investigates the role of designing an appropriate strategy in CRM success and includes sub factors such as, customer strategy, customer interaction strategy, value creation strategy. A customer strategy focuses on the way how to attract new customers and how to retain current valuable ones. In case of no customer strategy establishment before implementing CRM, the CRM project would be high probably unsuccessful. It is difficult to set all customers in one group with the same properties due to their different tastes and preferences while expanding marketing strategies of the organization. On the other hand, customers want to receive services that are matched with their own needs (Kim, Suh & Hwang, 2003). Therefore the organizations need knowledge regarding the customers' properties and needs to be able to attract new customers and retain the current ones.

After the organization could be familiar with its various customers through analyzing the found knowledge regarding their properties and needs, there would be lots of ways to make a relation with them. Traditional ways like telephone, fax, letter and the modern ways such as email, call centre and web site are some samples of communication channels of the organization with customers. Customer interaction means how the organization can interact with customers and how it can send its services and products to them. Efficient customer interaction can improve CRM (Kim et al., 2003).

Apportioning the ways of organizational interaction based on needs and properties of various customer groups is one of the effective elements on performance of customer interaction. For instance, the organization can use cheaper communication channels like email to interact with less important customers (regarding their profitability). On the other hand, more performance and integration of business processes of the organization to increase the quality of answering customer requests is another way of customer interaction that should be considered in establishing CRM strategy.

CRM process as a business strategy also has to make useful values for both customers and company. A suitable value creating strategy can strengthen value proposition of the company and make it difficult or even impossible for other companies to imitate this value proposition and make long term competitive advantage for the organization in this way. Value creation strategy should be able to answer such questions: how CRM can create value for the customers and the organization, how can these values be transferred to customers and how



can we convert these values to long term competitive advantage (Soeini et al., 2012). CRM strategy is the investment of the companies in the customers who are expected to be valuable for the institution, and the reduction of investment in the valueless customers of the company (Zablah et.al.2004).

A successful CRM strategy is clear and succinct. Its essence will probably be expressed in a few sentences such as each of these clearly identifies how value is created for the customer. This in turn creates value for the company – people become more likely to recommend you to their friends, or marketing efforts deliver higher returns, or the cost of incorrectly targeted service is reduced. The strategies then identify what action will be taken to enhance that value. One way to think about this is to imagine that CRM applications give you a wide range of levers to pull, each allowing you to adjust an aspect of the way you interact with customers. Unfocused CRM requires you to set the position of dozens of levers. Endless debate about the importance of each capability ensues. By thinking through your route to customer value, you can focus on the eight or ten that are critical to your success (Graham, N.A). CRM must come from the top. CRM is an all-encompassing strategy, and no one department, call centre, or Information Technology (IT) manager can drive the cross functional process changes required (Menconi P., N.A).

According to Bharadwaj et al. (as cited in Aral and Weill ,2007) firms benefit unequally from their different IT investments. Thus it would be interesting to examine the impact of different types of IT investments such as innovative versus non-innovative, strategic versus non-strategic, and internally focused and externally focused investments (customer satisfaction, relationship management, etc.) In other words, context matters in IT research and studies of IT business value should not simply treat IT as an aggregate, uniform asset. For example, firms with cost leadership strategies will likely allocate investments towards transactional IT applications where cost reductions are expected.

Similarly, organizations pursuing revenue growth and customer intimacy are likely to invest in IT that supports innovation, such as: (1) new value propositions, (2) new channels to the customer, and (3) better management of customer segments. It has also been shown that IT can help firms to reduce operational, transactional and marketing costs. In some cases, evidence suggests that firms that focus on either cost reduction or innovation outperform those that focus on both. CRM strategy and evaluation of current situation within an enterprise Before starting the implementation works of CRM, the audit of current situation should be performed, i.e. skills of the work with customers, wrong decisions and failures,

competitors, partners, customers are analyzed as well as enterprise's needs to establish CRM system are also identified. The CRM strategy is the basis for the creation and implementation of customer relationship system, thus this element in the model is seen behind the borders of the system but not eliminated. (Urbanskienė et al, 2008).

#### **2.2.5.4. Technology**

In the aspect of information technologies CRM is understood as the complex of software and technologies, automating and performing business processes in the following areas: sales, marketing, service, and customer support. Data mining analyses are not carried out directly on the Data Warehouse, but on the Analytical Data mart by means of the software package IBM Intelligent Miner (Cabena et al., 1999).

The software helps to coordinate the activity of departments interacting with customers (sales, marketing, service and support), as well as to coordinate different channels of communication with customers: individual communication, telephone, the Internet. The software also presents information about a customer for the mentioned departments in order to better meet his/her needs. At present in most organizations sales, marketing and customer support (customers' activity observation and sales organization as well as relationship support after sales) function as independent departments. Common activity often is not coordinated. In this case CRM creates common platform of communicating with a customer (Urbanskienė, et al., 2008).

Information technology plays an important role in the concept of CRM. Without its smooth function the modern CRM would be unimaginable. But it is not only the technology that is important. Company must be willing and able to adopt the whole philosophy which puts the main focus on the customer. It must adopt the strategy focused on establishing and supporting long-term relationship with customers. Failure in following this philosophy and strategy leads to a failure of whole CRM implementation. The basis of every CRM system is data about customers that is stored transparently by all departments in one huge data warehouse.

Analytical CRM works with this data. It processes this data and automatically performs basic tasks, analyses patterns of customer's behaviour and makes predictions. It transforms the data into information. The information is sent to operative component where front office workers put it into use. It allows that information to be used for efficient and personalized interaction with clients. These three steps are observed by back office workers which influence them and are influenced by them (e.g. creation of a new suitable product). Information from operative

CRM is readily available to any employee through collaborative CRM. Customer sees this system as an activity geared up to him and reacts to it. This reaction then influences the whole process which thanks to this input continues to work (Heczková&Stoklasa, NA).

Clark and Smith (as cited in Soeini et al., 2012) argued that IT is regarded as an enabler for CRM strategy. This factor investigates the IT role on CRM success that includes IT infrastructure factors and IT architecture. IT tools facilitate customer related processes in CRM. Customer related processes have collaborative, operational and analytical natures. Using automation tools of business operational processes like sales force automation is one of the technologic ways of facilitating the customer related processes. Launching of a contact centre, help desk and using internet for servicing the customers is another way of facilitating interactional processes with customers. Information analysis of customers to recognize hidden models in their purchase behaviours and habits and understanding their needs and desires is so important for business. To make this facilitation probable, the organization should have a good situation regarding IT infrastructures and IT architecture (Zikmund et al., 2003).

IT infrastructure means preparing required facilities and grounds and system stability of these technologic grounds to make considered facilitation through CRM tools. IT architecture means information system integration with purpose of better support of business processes. Information system integration, establishment of large and integrated data base of customers' information (data warehousing) and using analytical technology like data mining to find hidden patterns in customer information are among the measures that need preparing IT infrastructure and IT architecture(Soeini et al.,2012).

Information technologies: fast and easy accessibility of accumulated information; accessibility of information from geographically remote locations, optimization of work time use, decrease of negative impact of employees' change: by means of CRM system the maintenance of relationship between a customer and service operator is realized by any communication media. It can be post, email, phone calls, the Internet, individual visits, etc. In the model these elements are very important both in economical and relationship marketing meaning. Fast and effective customer relationship management will depend on properly chosen technologies (Urbanskienė et al., 2008).

#### **2.2.5.5. Customer**

Without customers, a company cannot survive. So it's no surprise that customers influence the way companies in every industry conduct business. The challenge is how to effectively

manage interactions to best serve customers and prospects while staying aligned with evolving business goals, including growth and profits. The customer-centric companies achieving the greatest success today use flexible customer relationship management (CRM) solutions to manage the customer facing processes of their business and implement their customer-centric vision.

There is ample evidence that a loyalty program can stimulate purchase behavior. For example, when Hilton Hotels introduced a guest loyalty program about a decade ago, it helped the company focus on the most profitable group of customers and reduced the weight of brand positioning—changing the nature of competition in the hospitality industry (Bell et al, 2002).

Formation of CRM system: customers, their segmentation. The task of each enterprise is qualitative cost-effectives and profitable service of customers. In order to attain the goal, it is necessary to pay more attention to such value - creating means related to customers' service as selling development, loyalty development, data collection, customers' segmentation, customers' service when the enterprise itself initiates it, etc In the model the customers' element is primary and the most important (Urbanskienė et al. , 2008).

### **2.2.6. Customer relationship management and business performance**

According to Boulding et al. (as cited in Bolton and Tarasi, N.A), Bolton and Tarasi took the Most popular measures of current CRM systems are outcome measures: number of acquired customers, “churn” as a percentage of the customer base (the inverse of the customer retention rate), the dollar value of cross-selling, the percentage increase in customer migration to higher margin products, changes in individual customer lifetime value (CLV), and so forth. Any single outcome measure provides an incomplete and (often) short-run assessment of the firm's success at creating value for both customers and shareholders. Atuahene (2005) and Leonard (1992) reported that adverse effect of optimizing a small number of outcome measures may lead to core rigidities that undermine the organization's core capabilities and lead to business failure. For example, there are numerous stories of firms that have focused on customer acquisition at the expense of customer retention activities or vice versa.

### **2.2.7. CRM implementation issues**

One of the most interesting aspects of CRM development is the multitude of customer interfaces that a company has to manage in today's world. Until recently, a company's direct

interface with customers, if any, was primarily through sales people or service agents. In today's business environment, most companies interface with their customers through a variety of channels including sales people, service personnel, call centers, Internet websites, marketing departments, fulfilment houses, market and business development agents, and so forth. For large customers, it also includes cross-functional teams that may include personnel from various functional departments. On the other hand, if the salesperson was aware of the problem encountered by the customer, the complaint, and the action already initiated to resolve the complaint, the salesperson would be in a relatively good position to handle the situation well. Therefore, effective CRM implementation requires a front-line information system that shares relevant customer information across all interface units. Relational databases, data warehousing, and data mining tools are thus very valuable for CRM systems and solutions.

Although most CRM software solutions based on relational databases are helping share customer information, they still do not provide knowledge output to the front-line personnel. The CRM solutions platform needs to be based on interactive technology and processes. It should assist the company in developing and enhancing customer interactions and one-to-one marketing through the application of suitable intelligent agents that help develop the front-line relationship with customers. Such a system would identify appropriate data inputs at each customer interaction site and use analytical platforms to generate appropriate knowledge output for front-line staff during customer interactions.

In addition, implementation tools to support interactive solutions for customer profitability analysis, customer segmentation, demand generation, account planning, opportunity management, contact management, integrated marketing communications, customer care strategies, customer problem solving, virtual team management of large global accounts, and measuring CRM performance would be the next level of solutions sought by most enterprises (Parvatiyar & Sheth, 2002).

### **2.2.8. Steps of Serving Clients in Customer Relationship Management**

In the first step of serving, database is prepared based on data and information of customers. Then information collected in the database is analyzed based on different techniques. The target customers are selected based on profitability criteria for company. In the next step, appropriate marketing mixture is designed for target customers. Then by using information obtained from previous stages, communication with customers is started and finally, after the

implementation of relationship marketing, the result obtained is monitored and evaluated (Tavana et al., 2013).

### **2.3. Empirical review**

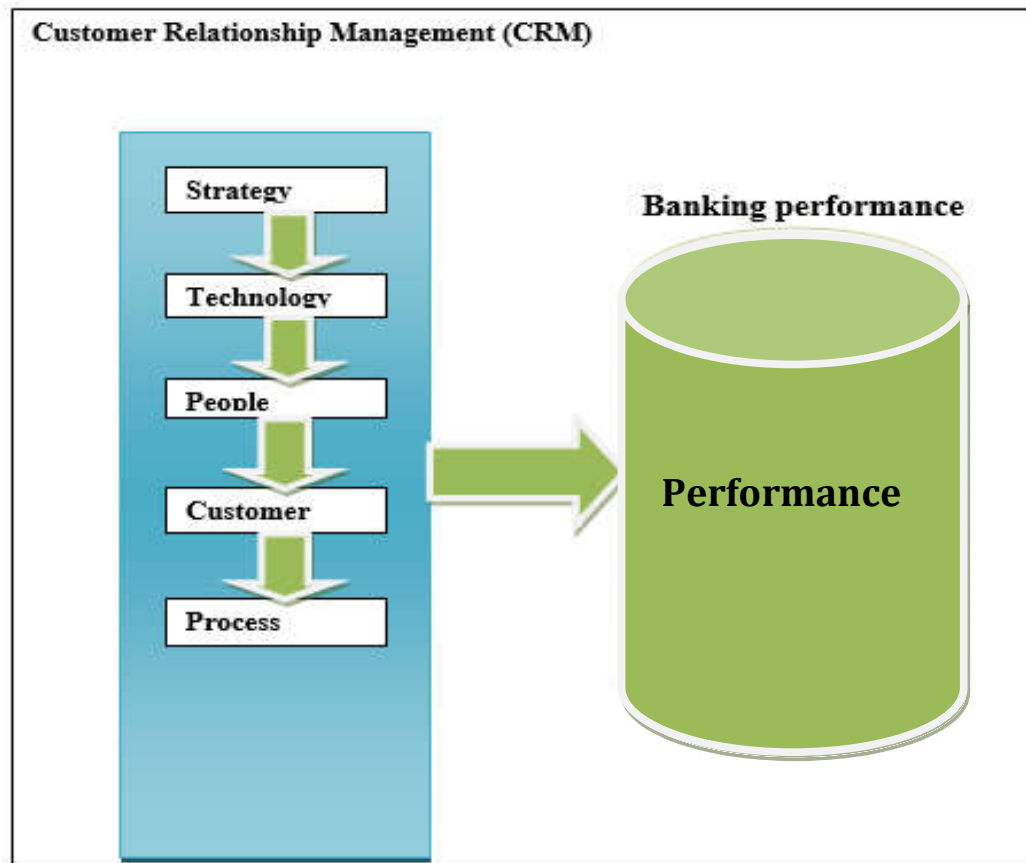
Different Empirical studies examining the success of CRM technology have failed to alleviate this scepticism as investigations to date span a limited range of activities and are noticeably silent on the extent to which CRM investment contributes to firm performance (Boulding et al., 2005). It also raises questions regarding the most appropriate mix of capabilities to effectively exploit investment in CRM empirical work in IT has sought to examine the direct connection between investment in IT and firm performance. However, the findings from this work have been mixed some (Weill, 1992; Powell & Dent-Micallef, 1997; Mendelson & Pillai, 1998) report a negative relationship between IT investment and aspects of firm success, while others have demonstrated a positive relationship between IT investment and firm performance.

The lack of consistency in these findings is independent of whether performance is defined as financial, productivity driven, process-related or the degree of organizational learning (Ray et al., 2005). Although this research provides evidence of a general relationship our knowledge of the specific IT infrastructure and organizational factors driving these general results remain limited (Coltman).

Research finding shows positive effects appear when the strategy of CRM is carried out in a highly skilful way, resulting in enhancing the customer's satisfaction and loyalty, while the negative effects appear when the execution of such strategy is deficient, resulting in the customer's dissatisfaction and disloyalty (Colgate & Danaher, 2000). The study showed that both the customer's desire to extend his/her relationship with the institution and his reliance on the customer-loyalty programs positively affect customer retention and the growth of the customer's share (Verhoef, 2003).

The study concluded that the customer's desire to purchase extra products from the same institution and not to switch to the competitors hinges on his/her previous experience of the services which the institution provides, the advantages he expects when he buys the products of that institution and his/her confidence in the ability of the institution to provide high-quality services (Ngobo, 2004). The research result concluded that the distinguished abilities to apply CRM lead to the improvement of performance.

## Conceptual framework of the study



Source: Soliman H.S., (2011), Coltman et al., (n.a), and Soeini et al., (2012)

The conceptual framework of the study figure shows the overall effect of integrated use of strategy, technology, people, customer, and process on banking performance. This research indicates individual and group effect of customer relationship management practice measurement parameters for banking performance.

## **CHAPTER-THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter provides the research methodology employed to conduct the study. Accordingly, this chapter presents research design, population and sample size, sampling technique and sampling procedure, data collection method and instrument, and data analysis method.

#### **3.1. Research design**

The researcher used Explanatory research design because it enable to explain a situation needs a Means of presenting the data in some meaningful form such as charts, graphs, or tables (Bluman, 2007). In view of the above fact and based on the topic of the study, the problem and the objectives the researcher used explanatory research design.

#### **3.2. Data source**

The researcher used primary and secondary data sources to undertake this study successfully. Primary sources of data were gathered from respondents through questionnaire to understand the opinion of the respondent. The researcher used Secondary data to provide additional insight about the process from organizational and other data collected for other reason used when necessary.

#### **3.3. Population and sampling procedure**

##### **3.3.1. Population**

For the purpose of this study populations are Commercial Bank of Ethiopia and Dashen Bank S.C., found in Addis Ababa city administration. There are 276 branch of commercial bank, 135 branches for Dashen bank with in Addis Ababa city administration total population are 411 branches with in two banks.

##### **3.3.2. Defined target population**

According to Hair et al. (2000) defined target population is a specified group of people or objects for which questions can be asked or observations made to develop required data structures and information. For the sake of this research, the defined target populations are banks; one state owned bank (Commercial Bank of Ethiopia) and one private bank (Dashen bank S.C) are selected as case study to indicate the relationship between CRM practice and performance on banks. These banks are target population for this study each grade four branches are population elements (are branches of the bank from which data and information



are sought.) The researcher determined 66 respondents who able to give appropriate response toward CRM practice and who know the practice and performance of the bank. Based on information need to undertake this research the researcher used all grade four branch managers and in top management level the researcher determined four top manager in each bank with in corporate director level in ( Business and product development, Customer relationship Management, Loan and advance, and Information Technology) departments top managers were involved.

**Table 0-1: Defined Target populations**

<b>List of Banks</b>	<b>No. of Grade Four Branches</b>	<b>Corporate Level Department</b>	<b>Total Target Population</b>
Commercial Bank of Ethiopia	50	4	54
Dashen Bank	8	4	12
<b>Total</b>	<b>58 Branches</b>	<b>8 Department</b>	<b>66 Respondents</b>

### **3.3.3. Sampling plan**

The researcher used judgmental (purposive sampling) technique to select appropriate respondent to measure the effect of customer relationship management on the element of defined target population's performance. The researcher selected all grade four of (CBE and DB) because according to Hair et al.( 2000) for a small population in which the researcher attempt to question or observe all the member of a defined target population.

### **3.4. Data collection instrument**

In order to collect the necessary information the researcher used structured type of questionnaire designed and distributed to the respondent. However, the researcher used Likert scale questionnaire design of using point five with all points label verbally for dependent and independent variable questions (strongly agree(5), agree(4), neutral(3) , disagree(2), strongly disagree(1) ) forms.

### **3.5. Data analysis techniques**

After collecting all the necessary data the researcher used tables and charts to organize the raw data in a meaningful way. The researcher used Mean to measure the central value of the response, standard deviation to know how the values spread around the central tendency and percentage to measure the distribution of the response to know effort of the organization and its frequency during the implementation of CRM practice in a descriptive analysis part. In

relationship analysis the researcher used correlation to describe the degree of relationship between independent and dependent variable. By using the techniques of correlation analysis the researcher tried to determine whether a relationship between dependent variable and independent variables exists (correlation statistical method). To do all the analysis the researcher used SPSS (statistical package for social science) version 20.

### **3.6. Validity test and Reliability**

According to Stangor, (1998 as cited in Pallant, 2005) the validity of a scale refers to the degree to which it measures what it is supposed to measure. Content validity, criterion validity and construct validity are the major area to measure validity. Content validity refers to the adequacy with which a measure or scale has sampled from the intended universe or domain of content. Criterion validity concerns the relationship between scale scores and some specified, measurable criterion. Construct validity involves testing a scale not against a single criterion but in terms of theoretically derived hypotheses concerning the nature of the underlying variable or construct. The construct validity is explored by investigating its relationship with other constructs; both related (convergent validity) and unrelated (discriminate validity).

In order to ensure the validity of the instrument the researcher received feedback from advisor, customer relationship managers of different banks and individuals who have knowledge and experience in Customer Relationship Management. Based on their comments on content validity, criterion validity and construct validity more than three questions were added, five questions were deducted and because of complexity of the question four questions were modified and used for final questionnaire.

The researcher tested the Reliability of the criteria used in the study by using alpha coefficient and the coefficient of reliability. According to Sekaran ,(1992 as cited in Soliman, 2011) the stability coefficient 'Cronbach's Alpha', ( which measures the consistency and internal stability of elements which measure the independent and dependent variables of the study) if the coefficient is less than 0.60, the consistency and internal stability is considered weak, if the coefficient varies between 0.60 and less than 0.80, it is considered accepted But, if the coefficient is varies between (0.80 - 0.85), it is considered good. In case the coefficient is higher than 0.85 to one, it is considered excellent. The closer the Alpha coefficient is to integral one, the more it is considered consistent and internally stable. As for the credibility coefficient, it demonstrates how credible are the answers of the investigated subjects .So, If

the coefficient is higher than 0.70, this means high credibility in the answers of the investigated subjects.

The researcher used 10 randomly selected respondents as a pilot study to fill the questionnaire after their response the researcher checked the internal consistency of the scale. Based on the output of this study as indicated by table 3.1 and 3.2 below the internal consistency of this study is Cronbach alpha coefficient 0.958. This value is above .7, so the scale can be considered reliable and considered as Excellent with our sample.

**Table 0-2 Cronbach's Alpha for each field of the questionnaire**

No	Field	Number of items	Cronbach's Alpha
1	Strategy	9	0.944
2	Technology	11	0.930
3	People	10	0.893
4	Customer	6	0.755
5	Process	7	0.862
		<b>Entire 43</b>	<b>0.958</b>

*Source: Field Survey (2018)*

The Cronbach's coefficient alpha was calculated for each field of the questionnaire. The table 3.2 shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha ranged from 0.755 and 0.944. This range is considered high as the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals 0.958 for the entire questionnaire which indicates very good reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

### **3.7. Ethical consideration**

The researcher believes that genuine response is the result of confidence that the respondents are feel that their response is kept confidential. To maintain this confidence the researcher tried to make some statement or promise to keep secret and to use only for educational purpose. The researcher tried to be ethical to respect the dignity of the respondent .the researcher made statement about the purpose of the study to build their confidence. In addition to written statement the researcher also tried to communicate all respondent personally and described the purpose and significance of the study verbally it enabled the researcher to access all necessary data to accomplish the study.

The researcher strongly believe in the original data (data collected from the right respondent) and data collected in a full consent of the respondent to participate in the study are the basis for quality and reliable data, finally it facilitate to solve the problem or to meet the objective of the study clearly.

According to Marckzy,(2005 as cited in Semunesh, 2009) no bias or discrimination will be made in the selection and recruitment of research participants. Respondents within organization will be selected without considering member of social, racial or ethnic group and they will have equal chance to have their saying on the research concern. The researcher of this paper tried to consider all ethical issues with great caution in order to minimize respondent and researcher bias.

## CHAPTER FOUR

### 4. DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

The major purpose of this chapter is to present, analyze, and interpret the raw data which collected from the respondents. The researcher collected raw facts from the respondent to investigate the effect of customer relationship management practice for banking performance. To organize the collected data the researcher used tables , graphs and different statistical tools mainly the researcher focused in two areas descriptive analysis ( mean and standard deviation) of the data and relationship analysis ( correlation) to convert this data in to information. After grouping of the response the researcher also tried to show the implication of the data to the user in the interpretation part next to each table and graph.

#### 4.1. Descriptive Analysis and Interpretation

This portion of the research provides the overall insight of Customer relationship management practice, the banks overall performance in implementing the strategy and general description of the organization. The researcher used mean, standard deviation and percentage to describe the situation. Different Co-matrix tables were used to present the data and general profile of the organization.

This section provides general insight to the reader about the organization selected for the study. In this section name of the company, year of establishment, types of ownership, and number of branches/ department managers participated in this study were reviewed.

**Table: 4-1 General information of the company**

Name of Bank	Questionnaire distributed		Questionnaire responded	Response rate (%)
CBE	47		43	93.9
Dashen Bank	19		19	100
Total				

*Source: Own survey (2018)*

Table 4.1 shows Commercial Bank of Ethiopia comprises 69.6 % from the total population of the respondent. It is the only state bank participated in this study. Dashen Bank S.C. comprises 30.4 % from the total population of the respondent; it is private type of ownership.

The variation in total population of the respondent caused because of based on the organizations' structure available in Addis Ababa grade four (the highest rank in banking structure). As data indicates commercial bank of Ethiopia considered being the oldest bank and Dashen Bank S.C. are relatively the earlier banks from the total population. The researcher distributed 100% of the questionnaire but, collected 93.9 % of the questionnaire.

**Table: 4-2 Demographic Characteristics of Respondents**

Demographics	Categories	CBE		Dashen Bank		Total	
		Fr	%	Fr	%	Fr	%
Sex	Male	34	79.1	14	73.7	48	77.4
	Female	9	20.9	5	26.3	14	22.6
	<b>Total</b>	<b>43</b>	<b>100</b>	<b>19</b>	<b>100</b>	<b>62</b>	<b>100</b>
Age	20-25	0	0.0	2	10.5	2	3.2
	26-35	15	34.9	4	21.1	19	30.6
	36-45	23	53.5	12	63.2	35	56.5
	46-55	6	11.6	1	5.3	6	9.7
	<b>Total</b>	<b>43</b>	<b>100</b>	<b>19</b>	<b>100</b>	<b>62</b>	<b>100</b>
Education	Diploma	0	0.0	0	0.0	0	0
	Degree	22	51.1	13	68.4	35	56.5
	MA& above	21	48.9	6	31.6	27	43.5
	<b>Total</b>	<b>43</b>	<b>100</b>	<b>19</b>	<b>100</b>	<b>62</b>	<b>100</b>
Work Experience	1-5 years	1	2.3	2	10.5	3	4.8
	6-10 years	13	30.2	5	26.3	18	29.0
	11-15	20	46.5	11	57.9	31	50.0
	16-20	6	14.0	1	5.3	7	11.3
	21-25 & above	3	7.0	0	0	3	4.8
	<b>Total</b>	<b>43</b>	<b>100</b>	<b>19</b>	<b>100</b>	<b>62</b>	<b>100</b>

Source: Own survey (2018)

As far as the table 4.3 is concerned, 79.1 percent of the respondents of CBE were male while the remaining 20.9 percent of the respondents were female. 73.7 percent of Dashen bank was

male while the rest 26.3 percent of the respondents were female. This indicates that majority of the two bank branch managers were male. From this we can infer that female participation in both CBE and Dashen Bank was low relative to male. On the other hand, 53.5 percent of the respondents CBE were found in the age interval of 36 to 45 years, the remaining 34.9 and 11.6 percent were found in the age interval of 26 to 35 and 46-55 years respectively.

As the table 4.3 also depicts, 63.2 percent of the respondents of Dashen Bank were found in the age interval of 36 to 45 years. The remaining 21.1, 10.5 and 5.3 percent were found in the age interval of 26-35, 20-25 and 46-55 years respectively. This shows that the age distribution in Dashen Bank is almost similar to that of CBE Bank, were the Managers are young and middle aged. This indicates that as majority of bank managers are middle age, they can easily implement the CRM practice through their experience. On the other hand they may not be communicating with all kind of customers and customers can not order them easily.

From this data the researcher can conclude that majority of the respondents in the two banks were fall in the age range of 31 to 45 years. From this we infer that in all the two banks the number of young and productive age group was almost similar.

As far as the educational qualifications of branch managers were concerned in the table 4.3. 51.1 percent of the respondents of CBE were BA degree holders, 48.9 percent were Master's degree holders. Like CBE, in Dashen Bank majority of the respondents i.e. 56.5 percent were BA holders, 43.5 percent were Master's degree holders. According to all the respondents to this study they had at least an undergraduate degree as their minimum level of qualification. Therefore through their experience and educational background they can play a key role to the organization in implementing CRM.

As far as work experience of the respondents is concerned in table 4.3, 30.2 percent of the respondents of CBE have 6 to 10 years of working experience, 46.5 percent of the respondents have 11 to 15 of years working experience and the remaining 23.3 percent have above 15 years of working experience. While 10.5 percent respondents of Dashen Bank have 1 to 5 years working experience, 26.3 percent of the respondents have 6 to 10 years working experience and the remaining 63.2 percent of the respondents have above 11 years of working experience.

#### 4.1.1. Basic parameters of Customer Relationship Management practice.

This section gives an implication on factors affecting customer relationship management practice and performance indicator of better operation in customer relationship management practice.

To show these variables the researcher organized in independent variable (strategy, process, people, technology and customer) are factors that affect customer relationship management and dependent variable is banking performance. The researcher tried to identify different attribute that describe the major variables and included in questionnaire. The response for the questionnaire and the question asked for respondent included in table as follows.

**Table 4-1: strategy implementation for customer relationship management practice**

Statement	N	Mean	Std. Deviation
Compared with previous years, there is greater effort to attract new customers	62	4.13	1.244
Setting clear objectives and strategies for key customer	62	4.19	.765
CRM strategy is included as long term focus in your corporate strategy	62	3.97	.809
Compared with previous years, there is a greater emphasis to retain current valuable customers	62	3.37	.689
Your company understands the future needs of the main customers	62	3.97	.886
There is consideration for the importance of long term competitive advantage while making a CRM strategy	62	3.92	.795
Acquiring all information about customer that is valuable for decision making to the CRM strategy	62	3.89	.791
Your organization uses integrated CRM data as marketing intelligence tools for long term plan	62	3.73	.908
There is a clear distinction in resource allocation between customer acquisition and retention	62	3.65	.851
<b>The overall activity of Strategy</b>	<b>62</b>	<b>3.75</b>	<b>.5792</b>

*Source: primary data, 2018*



The CRM strategy is the basis for the creation and implementation of customer relationship (Rūta U., DaivaŽ., & Virginija C., 2008). A successful CRM strategy needs to address three basic points understand who your customers are, understand how both parties derive value from the relationship and Build processes and systems to remove blockages (Oakes, 2005). CRM process as a business strategy also has to make useful values for both customers and company. A suitable value creating strategy can strengthen value proposition of the company and make it difficult or even impossible for other companies to imitate this value proposition and make long term competitive advantage for the organization (Soeini et al., 2012)

This research aims to show the availability of strategy in banking industry to support customer relationship management practice and its role to the banking performance. Soeini et al. (2012) customer strategy, value creation and customer interaction strategy is the major indicator to be considered as there is suitable customer relationship management strategy. The researcher raised nine questions to check the applicability of the strategy in the view of these three factors.

As indicated by table 4.3. Customer strategy (Focusing for long term relationship, including in corporate strategy), value creation (focusing on retain the valuable customers, using as competitive weapon), and customer interaction (attracting new customers, resource allocation) are the major classifications. The overall mean (M=3.75) the opinion of the respondent shows better inclusion of strategy to support their customer relationship management practice. When we consider a specific variable most respondent assume, setting clear objectives and strategies for key customer (M=4.19) and greater emphasis on attracting new customers (M=4.13) as given more emphasis in their organization. On the other hand there are strategic variables given relatively low emphasis to retain valuable customers (M=3.37) and for resource allocation between customer acquisition and retention (M =3.65).

**Table 4-2: Technology Utilization for customer relationship management practice**

Statement	N	Mean	Std. Deviation
Your customer have a tendency to use new technology	62	3.73	.908
Your company uses sales force automation to support business operational process	62	4.34	.848
Your company uses Automated tools of business operational processes by using Internet	62	3.95	.965

There is strong information system integration with purpose of better support of business process	62	3.95	.965
Your organization enables for customers the ability to transact/ interact through personal phone	62	4.15	.786
Your organization enables for customers the ability to transact/ interact through Internet banking	62	4.37	.683
Your organization enables for customers the ability to transact/ interact using mobile banking	62	4.35	.925
Your organization enables for customers the ability to transact/ interact by using POS Machine	62	4.56	.861
Your organization enables for customers the ability to transact/ interact by using ATM machine	62	4.45	.843
Your organization enables for customers the ability to transact/ interact their account in any branch by using core banking technology	62	4.63	.707
There is technology (computer aided) to receive and respond customer data	62	4.56	.760
<b>The overall activity of Technology</b>	<b>62</b>	<b>4.27</b>	<b>.6193</b>

Source: Primary data, 2018

Customer relationship management involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service (Customer Relationship Management, 2012). Clark and Smith (as cited in Soeini et al., 2012) argued that IT is regarded as an enabler for CRM strategy. IT capabilities are used to automate procedures, provide better information and to transform entire business processes (Bailey B. & Dandrade R., 2003).

Research conducted in New Zealand corporations showed continuing difficulties in the integration of business and IT in both the public and private sector (Navigate and System Planning Associates, 2002). According to Meta Group, Jan 2001 as cited by (Frank L.

Eichorn, 2004) reported , 80% of Global 2000 enterprises will have failed in merging their IT and business strategies. As Nyarku(2013) research result shows 95.3% of respondents strongly disagreed that NIB offers self-service via web, mobile or voice recognition, online chat and voice over internet (VOIP), click to call back and email call back. Apart from the ATM machine (which is temporarily out of service), none of the afore-mentioned is operational at NIB. As a result The National Investment Bank (NIB) limited, a reputable state bank is losing its customers to other competitors in the industry.

The researcher needs to show the level of technology utilization in the day to day banking activities and its role for the organizational performance. To measure the level of technology utilization in banking the researcher raised questions that considered the two sub factors of information technology (information technology infrastructure and information technology architecture). To collect information regarding information technology infrastructure the researcher raised questions that reveal the existence of technology that facilitate effective transaction (ability to transact/interact through mobile banking, ability to transact/interact through internet banking, applying transacting through ATM machine, the availability of automated tools for launching of contact centre or help desk to support business, the availability of automated sales force) are the major indicators of the availability of good information technology infrastructure.

To measure the existence of information technology architecture the researcher raised questions (the availability of strong information system integration with other banking functions, the availability of continuous two -way communication channel to interact with the major users of their product and using integrated Customer Relationship Management data as marketing intelligence tools for long term plan.) are among the best indicators of information technology architecture.

This research shows the degree of technology utilization to support customer relationship management practice in banking sector. Based on the data presented in table 4.4 of customer relationship management-technology shows the overall mean of technology utilization constitutes 4.27. Based on the fact presented by the table, most banks has very good effort in using technology like core banking, POS machine and ATM machine individual (M=4.63), (M=4.56) and (M=4.45) respectively. On the other hand relatively weak in customer have a tendency to use new technology (M=3.73) and (M=3.95) strong information system integration with purpose of better support of business process respectively.

**Table 4-3: People participation for Customer relationship management practice.**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
There is maximum top management understanding towards principles and concepts of CRM	62	4.26	.940
Managers in all position have understanding day to day business operations in your organization	62	4.03	.768
Top managers in your organization are the main advertisers of CRM	62	3.87	.778
Top managers in your organization are supporters of financial and non-financial	62	3.89	.704
All employees of different departments understand day to day business operations in your organization	62	3.89	.603
Your employees have tendency for better perceive of customers needs and responsibility towards appropriate answering to their needs	62	3.61	.856
All employees in operation level posses technical competencies to achieve the business goals and objectives	62	3.82	.758
All appropriate positions in your organizations are fairly occupied by capable people	62	3.81	.674
Your company has formalized process of selecting customer partners	62	3.79	.750
The implementation of CRM strategy your company used members from sales, marketing, IT, finance and sometimes others	62	3.69	.737
<b>The overall activity of People</b>	<b>62</b>	<b>3.86</b>	<b>.570</b>

*Source: Primary data, 2018*

This research shows the overall role of people for the success of customer relationship management practice in banking sector. People can be divided in to three based on their function in order to apply and run smoothly customer relationship management in the banking sector. Top manager, partner and motivated employee are the major actors in practicing effective CRM practice. The result of this research shows in the above table 4.5 the overall mean of people is (3.86) indicates peoples has good contribution for the successful implementation of CRM program. To see which factors are good at and relatively factors given less emphasis in banking sector, the major variables that has a good role for people

factor are Top management understanding towards principles and concepts of Customer Relationship Management, and Managers in all level understanding day to day business operations, and managers are supporters of financial and non-financial (mean value=4.26, 4.03 and 3.89) respectively. Mean value (3.61) shows employees have tendency for better perceive of customers needs and responsibility towards appropriate answering to their needs, variables shows weak practice the implementation of CRM strategy company used members from sales, marketing, IT, finance and sometimes others (mean value=3.69) represent for both variables respectively.

**Table 4-4: Customer involvement for Customer relationship management.**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Good manages practice	62	3.77	.756
Your customers are likely willing to uncover private information because of trust	62	3.80	.853
Your customers actively play a key role in order to improve the system by giving feedback	62	3.87	.689
Manages all customer communications	62	3.66	.723
Your customers' relationship with the bank depends on whether they are satisfied with service delivered by the bank	62	3.65	.726
Your customers established long term relationship with your firm	62	3.97	.677
<b>Overall activity of Customers</b>	<b>62</b>	<b>3.78</b>	<b>.514</b>

*Source: Primary data, 2018*

The researcher tried to find out the contribution of customer for effective customer relationship management process. As indicated by table 4.6 above the data shows the overall mean is (M=3.78) indicates customer's involvement and their role in the effective customer relationship management process. Based on the data customers established long term relationship with firm, customers actively play a key role in order to improve the system by giving feedback, customers are likely willing to uncover private information because of trust (M= 3.97, M=3.87, and M=3.80) respectively.

Based on the response Customer's are poorly involved in Manages all customer communications (M=3.66), customers' relationship with the bank depends on whether they are satisfied with service delivered by the bank (M=3.65)

The basis for determining low or high customer involvement in the customer relationship management process is the overall mean value. A variable that has value above mean value (M=3.78) considered as high and if the individual variable has value below from overall mean value considered as low.

**Table 4-5: Contribution of Process for Customer Relationship Management Practice.**

Statement	N	Mean	Std. Deviation
There is pre-established milestone to measure against and audit your results in order to evaluate the success of CRM practice	62	3.74	1.023
Your organization helps employees to make a successful relation with customer enhancing through training for working with customer relationship management tools	62	3.37	.927
There is Integrated CRM system into other processes of an enterprise	62	3.44	.917
All departments exchange information consistently and clearly communicate the desired result, process and plan	62	3.29	.837
The platform provides a comprehensive source of information that meets most or all of your data needs	62	3.34	.957
The platform facilitates information and knowledge sharing across the organization	62	3.44	.861
Employees have the authority to make decisions based on information on hand to solve customer problems without seeking supervisor authority	62	3.40	.966
<b>The overall activity of Process</b>	<b>62</b>	<b>3.43</b>	<b>.679</b>

Source: primary data, 2018

Table 4.7 shows the role of effective process for the smooth functioning of customer relationship management strategy. The researcher tried to raise question regarding the best indicators for customer relationship management platform. To measure the effectiveness of

the platform the following indicator variables used (information and knowledge sharing potential, integrating all process, system evaluation, effort building potential, interaction of stakeholder with system) are the major indicator of the existence of good customer relationship management platform.

Based on the fact the overall mean of process is (3.43) it indicates most banks are trying to establish good customer relationship management platform. To see which variables has major role for the overall effort it is good to differentiate by the value lie beyond and below of the overall mean value.

Relatively most banks there is pre-established milestone to measure against and audit results in order to evaluate the success of CRM practice (mean value=3.74), there is Integrated CRM system into other processes of an enterprise (mean value=3.44), and the platform facilitates information and knowledge sharing across the organization (mean value=3.44) these three factors has relatively given more emphasis to create a good customer relationship management platform.

Compared with other indicators of the existence of good customer relationship management process are all departments exchange information consistently and clearly communicate the desired result, process and plan, the platform provides a comprehensive source of information that meets most or all of data needs, the organization helps employees to make a successful relation with customer mean values (3.29, 3.34, and 3.37) respectively are given less emphasis.

**Table 4-6: The overall performance of customer relationship management practice.**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Increases number of satisfied customers after CRM implementation	62	3.35	.889
There is employees' efficiency (number of done tasks) with a specified time period after CRM implementation	62	3.87	.689
Increase the number of loyal customers after loyalty program after CRM implementation	62	3.84	.706
Increase growth rate of retained customers after CRM implementation	62	3.84	.706
Increase cross/ up customer after CRM implementation	62	3.85	.743
<b>The overall activity of Bank performance</b>	<b>62</b>	<b>3.75</b>	<b>.614</b>

*Source: Primary data, 2018*

In this research as we can see Table 4.8 above there are five questions raised to determine the contribution of customer relationship management practice in banking sector. The aim of the researcher is to measure banking performance from three dimensions (customer satisfaction, process improvement and financial benefit).

Based on the fact the overall mean of performance is (3.75) it indicates the existence of good performance indicator of customer relationship management practice. When we see the level of each variables contribution for the overall performance there is employees' efficiency (number of done tasks) with a specified time period after CRM implementation (mean value=3.87), increase cross/ up customer after CRM implementation (mean value=3.85) relatively high changes relative to other measures and relatively practiced this performance in all banks.

The other dimension below the overall (mean value = 3.35) increases number of satisfied customers after CRM implementation.

This factor shows most banks are poor in practicing well or there is less emphasis given compared with other performance indicator variables.

#### 4.2. Relationship between CRM and performance

This portion of the study has significant role in order to eliminate the major research questions raised in chapter one and it has role to achieve the research objective of the researcher. The researcher used different statistical tools to explore the relationship between dependent and independent variables. (Correlation, regression, t test and ANOVA test) are among the major tools applied and tables and plots were used when necessary.

**Table 4-7: Correlation matrix between Measures of CRM and performance**

		Bank performance	strategy	Technology	People	Customers	Process
Bank performance	Pearson Correlation Sig. (2 tailed)	1	.568**	.572**	.644**	.604**	.626**
Strategy	R	.568**	1	.701**	.608**	.388**	.441**
Technology	R	.572**	.701**	1	.674**	.494**	.455**
People	R	.644**	.608**	.674**	1	.670**	.650**
Customers	R	.604**	.388**	.494**	.670**	1	.636**



Process	R	.626**	.441**	.455**	.650**	.636**	1
	N	62	62	62	62	62	62

\*\*correlation significant at the 0.01 level (2-tailed)

\*correlation is significant at the 0.05 level (2-tailed)

According to (Cohen, 1988), to determine the strength of the relationship between variables He suggests the following guidelines:  $r = .10$  to  $.29$  or  $r = -.10$  to  $-.29$  small  $r = .30$  to  $.49$  or  $r = -.30$  to  $-.49$  medium  $r = .50$  to  $1.0$  or  $r = -.50$  to  $-1.0$  large these guidelines apply whether or not there is a negative sign out the front of your  $r$  value.

Table 4.9 Pearson  $r$  correlation coefficients shows between each pair of variables listed. The researcher tried to minimize the effect of missing value by using option exclude cases pair wise in the SPSS which enable to remove missing value from the analysis. The sig. (2-tailed) shows the distribution as normal not determined either positive or negative direction. To determine the relationship, significance and direction of the variable it is better to see the value of each variable.

Based on the data given above there is no negative relationship between variables. There is different degree of significance among variables in some variable there is strong correlation ( $r = 0.701$ ,  $r = 0.674$ ,  $r = 0.670$ ,  $r = 0.644$ ,  $r = 0.650$ ,  $r = 0.636$ ,  $r = 0.626$ ) between strategy to technology, people to technology, people to performance, people to process, customer to process and process to performance respectively. Moderate correlation ( $r = 0.388$ ,  $r = 0.441$ , and  $r = 0.455$ ) between customer to strategy, strategy to process, process to technology respectively.

This table shows the value of Pearson correlation coefficient value between all variables. The summary of total value and its impact is presented in the following table. The correlation between performance and process, performance to strategy, performance to people has statistically significance correlation because ( $P < 0.05$ ).

**Table 4-8: Summary correlation result b/n total CRM and banking performance.**

		Total Bank performance	Total Customer Relationship Management Practice
Total Bank performance	R	1	.791**
Total Customer Relationship Management Practice	R	.791**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data, 2018

The above table 4.10 shows the Pearson product correlation coefficient result for between total customer relationship management practice and banking performance. To calculate coefficient of determination or to determine the contribution of customer relationship management practice to the banking performance. As the data indicates the r value is=0.791 it shows the availability of strong relationship between effective customer relationship management practice and improved banking performance. The total contribution of r value to the performance can be calculated as  $r^2 = 0.791 * 0.791$  is equals to 0.6256. To convert this to percentage of variance multiplying the result by 100 it gives 62.56 % shared variance. Customer relationship management practice helps to make nearly 62.56% of the variance in the overall banking performance score.

The relationship between customer relationship management practices as measured (Strategy, Technology, People, Process and Customer or STPPC) dimension and banking performance. Indicators were investigated using Pearson product-moment correlation coefficient analyses were performed to ensure no violation of the assumptions of normality and linearity. There was a strong Total Performance of Banks Total Customer Relationship Management practice Total Performance of Banks  $r = 0.791^{**}$  Total customer Relationship Management practice Pearson Correlation  $.791^{**}$   $1^{**}$ . Correlation is significant at the 0.01 level (2-tailed). Correlation between the two variables( $r = 0.791$ ,  $N = 62$  and  $p < 0.01$ ) with high effort in STPPC dimension provide better banking performance.

**Table 4-9: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.749 <sup>a</sup>	.560	.521	.4151
a. Predictors: (Constant), Process, Technology, Customers, People,				
b. Dependent Variable: Performance				

Source: Primary data, 2018

Table 4.11 above R Square result is 0.560 shows how much of the variance in banking performance is explained by the independent variables (STPPC). The value can be expressed as a percentage 56% of the variance in banking performance explained by the model or predictor. Adjusted R square used to eliminate over estimation that caused to small sample size. The result of adjusted R square result for this study shows 0.521

The Adjusted R square statistic 'corrects' this value to provide a better estimate of the true population value. In the case of this study since the researcher used census using adjusted R square is inappropriate, so that 56% we can say that of variance in banking performance is explained by the STPPC model.

**Table 4-10: Coefficients**

Model	Un standardized Coefficients		Standardized Coefficients	T	Sig.	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.119	.468		.254	.800		
Strategy	.229	.137	.216	1.665	.101	.467	2.141
Technology	.112	.138	.113	.812	.420	.406	2.464
People	.130	.165	.121	.787	.435	.334	2.992
Customers	.256	.154	.215	1.667	.101	.473	2.115
Process	.239	.113	.265	2.109	.039	.499	2.006

a. Dependent Variable: Bank performance

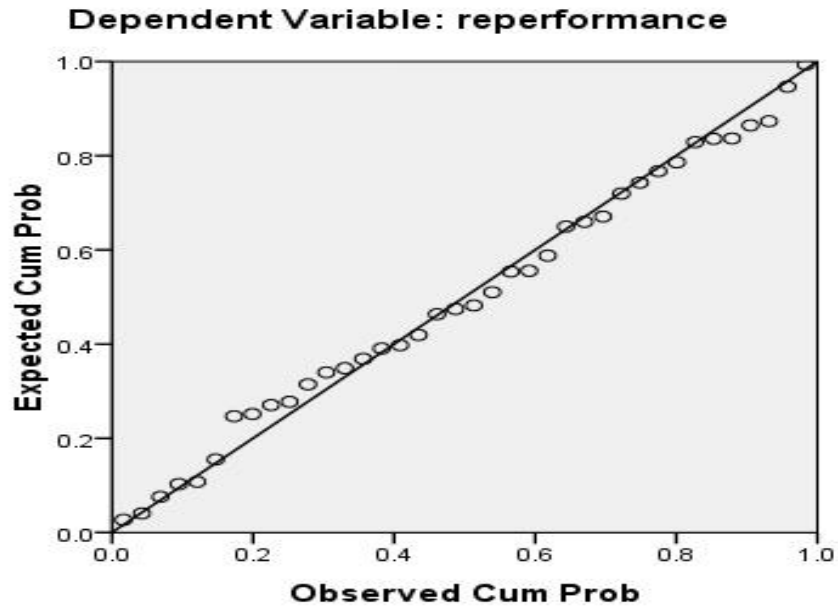
Table 4.12 the significance of this table is to diagnose co linearity problem for multi co linearity cases. This can pick up on problems with multi co linearity that may not be evident in the correlation matrix. Tolerance and VIF are tools to measure co linearity statistics, Tolerance level: Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model and is

calculated using the formula  $1-R^2$  for each variable. with its cut off less than 0.10 point and VIF (variance inflation factor with cut off above 10 point) for both less than 0.10 for tolerance value and greater than 10 point indicates the possibility of multi-collinearity. in this research case tolerance level indicates (0.467, 0.406, 0.334, 0.473, and 0.499) for (Strategy, Technology, People, Customer, and Process respectively) and VIF value of (2.141, 2.464, 2.992, 2.115, and 2.006) for (STPCP respectively) for both measurement there is no value less than 0.10 in tolerance level and there is no point greater than 10 point in VIF value. These results enabled me to say the correlation of each independent variable is consistent with the multicollinearity assumption. if the value presented in tolerance level less than 0.10 and the value of VIF above 10 point it needs removing one of the highly inter-correlated independent variables from the model.

Standardized coefficient Beta value evaluates the value of each independent variable. Beta value measures the contribution of independent variable for prediction of dependent variable. The output of this research shows (the largest Beta coefficient is 0.265 then 0.216, 0.215, 0.121, and 0.113) the largest value indicates higher contribution. So that, coefficient value 0.265 and 0.216 indicates process and strategy makes strong unique contribution to explaining dependent variable.

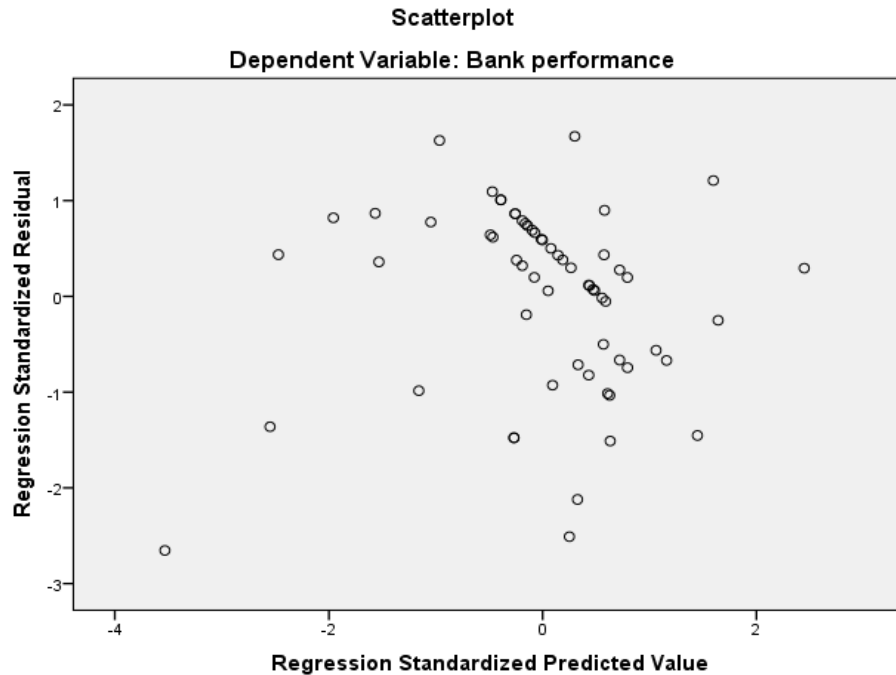
In the SPSS output the sig. column (sig value  $<0.05$ ) shows the variable's ability in making a statistically significant unique contribution to the equation. So that variables like process (sig. value 0.03) has statistically unique significant unique contribution. the remaining variables sig. value  $>0.05$  (0.101, 0.101, 0.420 and 0.435) for strategy, customer, technology and people respectively are not statistically unique significant contributor for the prediction of dependent variable. This can be due to overlap with other independent variables in the model. This table also provides potentially useful piece of information is the Part correlation coefficients.

Chart: 4.3: Normal probabilities Plot

**Normal P-P Plot of Regression Standardized Residual**

Normal Probability Plot of the regression standardized residuals indicates the normality assumption. As indicated by the above plot point's lie reasonably straight diagonal line from the left bottom to top right it indicates that there is no major deviation from normality.

Chart 4.3.1: Standardized Residual Scatter Plots



According to Tabachnick and Fidell, 2011 as cited by (Pallant, 2005) standardized residual scatter plots will be roughly rectangular distributed, with most of the scores concentrated in the centre (along the 0 point). What you don't want to see is a clear or systematic pattern to your residuals (e.g. curvilinear, or higher on one side than the other).

Deviations from a centralized rectangle suggest some violation of the assumptions. In the above Scatter plot of the standardized residuals displays residuals are roughly and haphazardly distributed, with most of the scores concentrated in the middle and it concentrated in a rectangle shape this haphazard shape or there is less deviation from centre this concentration suggests common assumptions of standardized residual plot.

## CHAPTER FIVE:

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Summary

The main objective of this study is to investigate the influence of customer relationship management on bank performance with reference to commercial bank of Ethiopia and Dashen bank in Addis Ababa city administration. In this study both quantitative and qualitative research approaches were implemented and a descriptive research design was used. The target populations of the study were all grade four branch managers of CBE and Dashen bank and purposive sampling was employed. In this study both primary and secondary data were used as source of information. Sixty-six (66) top level manager were approached using non probability sampling (purposive sampling technique). survey forms 62 were returned.

Regarding the reliability of the questionnaire table 3.2 illustrate Cronbach's Alpha result 0.958. With respect to the demographic information of the respondents table 4.1.2 indicates majority of respondents (77.4 %) were males and (22.6 %) were females and table 4.1.2. also shows that majority of the respondents were middle age ( at the age between 35-45 years old). Moreover table 4.1.2 indicates majority of respondents (56.4 %) were degree holders and (43.6 %) of the respondents were master's holders. As table No 4.1.2 also illustrates majority of the respondents (4.8%) have 1-5 years working experience, (29.9%) have 6-10 years working experience and (66.1%) of the respondents have above 11 years working experience.

As the findings of the study indicated table 4.1.5 respondents of both banks agreed with the dimensions of CRM by giving the higher rate scale to CRM based Technology, followed by People, customer, strategy and process with average mean of 4.27, 3.86, 3.78, 3.75 and 3.43 respectively. Further, the respondents agreed for dependent variable bank performance with average mean of 3.75 for both CBE and Dashen Banks,

Also the results of correlation analysis in table 4.2.1 shows that all the independent variables i.e. Technology, people, Customer, Strategy and Process are positively and significantly correlated with the dependent variable i.e. bank performance at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by Technology ( $r = 0.701$ ), followed by People ( $r = 0.674$ ), Customer ( $r = 0.604$ ), Strategy ( $r = 0.568$ ) and Process ( $r = 0.455$ ).

Furthermore, table 4.2.3 the result shows that in both banks the model tested is significant ( $p < 0.01$ ). The adjusted R square 0.521 indicate that 52.1 percent of variance in bank performance attributed to the five independent variables entered into the regression.

## 5.2. Conclusions

The major objective of this chapter is to present the main point of the research and to draw some conclusions about the practice and effort of banks in applying customer relationship management practice based on the fact presented in previous chapter. In addition to primary data the researcher included points from literature when necessary to support the primary data.

Strategy is among one of independent variable used to measure the banking performance. The major strength in applying CRM strategy in banks are setting clear objectives and strategies for key customers and greater emphasis on retaining the valuable customer. Whereas, banks gave less attention to retain current valuable customers compared with attracting new customers.

Customer relationship management involves using technology to organize, automate, and synchronize business processes. Most banks have strength in using technology like core banking, ATM and POS machine individual. On the other hand relatively most banks are weak in customer tendency to use new technology and automated tools of business operation process.

The contribution of customer for effective customer relationship management process is vital. Customer's involvement is high in establishing long term relationship with banks, desire for product or service differentiation, and customer activity play a key role in order to improve the system by giving a feedback.

The banking performance is dependent variable for this research. As the data shows among the major measurement of banking performance after CRM implementation there is employees' efficiency with a specified time period, increase growth rate of retained customers, and increases number of satisfied customers after CRM implementation.

In people factor employee's contribution, motivation, and involvement is low when implementing customer relationship management practice and in the banking performance parameters employee's satisfaction and profitability shows relatively low. The five dimensions (Strategy, Technology, People, Customer, and Process) independently and jointly



affect bank performance. In general customer relationship management practices of the banks have an effect on its performance.

As Pearson product correlation coefficient result shows there is strong relationship between effective customer relationship management practice and banking performance. Customer relationship management practice helps to make nearly 48.44% of the variance in the overall banking performance score.

### **5.3. Recommendations**

In this section the researcher tried to indicate some directions in order to apply customer relationship management successfully. Banks are relatively weak in applying strategic variables like using CRM data as marketing intelligence tools for long term plan and for resource allocation between customer acquisition and retention. The strategy of customer relationship management should focus to create long term relationship with customer and all information gathered in the process should have to storing, analyzing, interpreting, and using this data as marketing intelligence tools in order to get competitive advantage and to predict customer's future needs. Banks also should have specific budget for specific objectives if banks not to do so there is chance to attract new customer at the cost of existing customers. If banks have specific budget allocation to retain and attract customers there is a chance to increase the number of loyal customers.

Banks should focus on retaining current valuable customers than attracting new customers because it enable to minimize organizational costs as different research result shows that retaining current valuable customer is cheaper than attracting new customers. To attract current valuable customers' banks should have to select the profitable customers and maintain long term relationship with them.

Banks have better strength in using technology like CORE banking, ATM and POS machine individual. On the other hand relatively most banks are weak in customer tendency to use new technology and companies weak in automated tools of business operational processes by using Internet. To use technology as CRM process implementation tools banks should give attention for both Technology infrastructure and architecture. So that, banks should do additional tasks to use balanced and integrated technology tools to bring change in effective technology utilization.

The result of this study shows that there is strong positive correlation between effective customer relationship management parameter and banking performance measurement. This

indicates if banks revise their strategy to establish long term relationship with customers, use integrated information technology infrastructure and information technology architecture it enable for sustainable development.

The major tasks that need betterment are using CRM data as resource allocation between customer acquisition and retention. And also the bank should keep up the previous effort in attracting new customers and greater emphasis on retaining the valuable customers.

#### **5.4. Limitation and Implication of Further Research**

The study focused only on two Banks in Addis Ababa. Therefore additional research is necessary on this research area to determine to other Banks through relative studies considering more banks. As far as the study identified limitations there is an opportunity to create for future research in this area. By examining these effects, these future studies would add value to the present knowledge in this area. This future research also may replicate this study in other service sectors other than banking.

This study focused only on five CRM dimensions (Strategy, Technology, People, Customer, and Process). However, there could be some other relevant factors that may be perceived as important.

Secondary data were mainly collected from published journal articles due to lack of sufficient studies and materials related to the study in the country.

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## Appendix A

**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDY**  
**MASTERS OF BUSINESS ADMINISTRATION PROGRAM**  
**QUESTIONNAIRE TO BE FILLED BY BRANCH MANAGERS**

**Researcher:** Akile G/kirstos

**Email:** [aklil40@yahoo.com](mailto:aklil40@yahoo.com)

**Research Topic:** Effect of Customer Relationship Management on Banking Performance of two selected Banks in Addis Ababa.

Dear Respondent,

I would like to express my deep appreciation for your generous time, honest and prompt responses.

This questionnaire is designed to collect data about the **Effect of Customer Relationship Management on Banking Performance**. The information you provide in response to the items in the questionnaire will be used as a primary data in my case study which I am conducting for the partial fulfillment of the requirements for the degree of Masters of Business Administration at St. Mary's University under the School of Graduate Study. Therefore, this research is to be evaluated in terms of its contribution to our understanding of Customer Relationship Management and its Effects on Bank Performance and its contribution to improvements in the area. This questionnaire has two sections and six pages that contain questions related to CRM practices in your organization and it will be expected to take approximately 25 to 30 minutes to complete.

I assure you that the information you provide will be used only for academic purpose and kept confidential.

**Instructions:**

- ❖ No need of writing your name.
- ❖ Please tick (√) or (x) mark on the space provided in front of each question (statement).
- ❖ You are kindly being requested not to leave any item unanswered or incomplete.

**Part I. Respondents general information**

**1. Sex:**

Male  Female



**2. Age**20-25  26-35  36-45  46-55  56 and above **3. Working experience in years**1-5  6-10  11 -15  16-20  21-25  Above 25 **4. Educational qualification:**Diploma  Degree  Masters and above 

5. Name of the bank.....

6. Year of establishment.....

7. Forms of ownership:

Private (S.C)  state 

**PART II:** Please state your degree of agreement each given statement using the following scales:

1 = Strongly Disagree, 2 = Disagree 3 = Not sure, 4 = Agree, 5 = Strongly Agree

S.N	Perception of respondents towards the effects of CRM on Banking performance	Agreement Scales				
		(1) Strongly Disagree	(2) Disagree	(3) Not sure	(4) Agree	(5) Strongly Agree
	<b>Items</b>					
<b>A. Questions about Strategy</b>						
1	Compared with previous years, there is a greater effort to attract new customers					
2	Setting clear objectives and strategies for key customers					
3	Customer Relationship Management strategy is included as long term focus in your corporate strategy					
4	Compared with previous years, there is a greater emphasis to retain current valuable customer.					
5	Based on data gathered, processed, stored and retrieved information, your company understands the future needs of the main customers.					
6	There is consideration for the importance of long term competitive					

	advantage while making a Customer Relationship Management strategy.					
7	Acquiring all information about customer that is valuable for decision making to the Customer Relationship Management strategy.					
8	Your organization uses integrated Customer Relationship Management data as marketing intelligence tools for long term plan.					
9	There is clear distinction in resource allocation between customer acquisition and retention					
<b>B. Questions about Technology</b>						
1	Your customers have a tendency to use new technology					
2	Your company uses sales force automation to support business operational processes					
3	Your company uses automated tools of business operational processes by using internet for servicing the customers to facilitate interactional processes with customers.					
4	There is strong information system integration with purpose of better support of business processes					
5	Your organization enables for customers the ability to transact/interact through personal phone ( mobile banking)					
6	Your organization enables for customers the ability to transact/interact through internet ( internet banking)					
7	Your organization enables for customer to transact/interact by using Mobil banking					
8	Your organization enables for customer to transact/interact by using POS machine.					
9	Your organization enables for customer to transact/interact by using ATM machine.					
10	Your organization enables for customers to interact/transact their account in any branch by using core banking technology.					
11	There is technology (computer aided) to receive and respond customer data need based on customer request (using SMS) in your organization					
<b>C. Questions about People</b>						
1	There is maximum Top management understanding towards principles and concepts of Customer Relationship Management.					

2	Managers in all position have understanding day to day business operations in your organization.					
3	Top managers in your organization are the main advertisers of Customer Relationship Management project.					
4	Top managers in your organization are supporters of financial or non financial and try to make all units of the organization to cooperate and support it.					
5	All employees of different departments understand day to day business operations in your organization					
6	Your employees have tendency for better perceive of customer needs and responsibility towards appropriate answering to their needs					
7	All employees in operational level possess the technical competencies to achieve the business goals and objectives.					
8	All appropriate positions in your organizations are fairly occupied by capable people.					
9	Your company has a formalized process of selecting customer partners					
10	To implement Customer Relationship Management strategy your company used members from sales, marketing, IT, finance, and sometimes others from external (outsourced) individual who is experienced in planning and implementing Customer Relationship Management solutions.					
<b>D. Questions about Customer</b>						
1	Good management practice					
2	Your Customers are likely willing to uncover private information because of the “trust” from exchanges for value creation with the organization					
3	Your Customers actively play a key role in order to improve the system by giving feedback.					
4	Manages all customer communications					
5	Your customers’ relationship with the bank depends on whether they are satisfied with the service delivered by the bank.					
6	Your customers established long term relationship with your firm.					
<b>E. Questions about Process</b>						
1	There is pre established milestone to measure against and audit your					

	results in order to evaluate the success of Customer Relationship Management practice					
2	Your organization helps employees to make a successful relation with customers enhancing through trainings for working with Customer Relationship Management tools.					
3	There is integrated Customer Relationship Management system into other processes of an enterprise					
4	All departments exchange information consistently and clearly communicate the desired results, processes and plans.					
5	The platform provides a comprehensive source of information that meets most or all of your data needs.					
6	The platform facilitates information and knowledge sharing across the organization.					
7	Employees have the authority to make decisions based on information on hand to solve customer problems without seeking supervisor authority					
<b>F. Performance Indicators</b>						
1	In your company Increased number of satisfied customers after Customer Relationship Management implementation					
2	There is employees' efficiency (number of done tasks) with a specified time period after Customer Relationship Management implementation.					
3	Increased the number of loyal customers after loyalty program after Customer Relationship Management implementation.					
4	Increased Growth rate of retained customers after Customer Relationship Management implementation					
5	Increased Cross/ up customer (customer expansion) after Customer Relationship Management implementation.					

**ENDORSEMENT**

This is to certify that Aklile G/kirstos carried out his thesis on “The Effect of Customer Relationship Management on Banking Performance “and submitted in partial fulfillment of the requirements for the award of the degree of Masters of Business Administration at St. Mary’s University with my approval as university advisor.

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Name

St. Mary’s University, Addis Ababa

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Signature

June, 2018

## DECLARATION

I hereby declare that the thesis entitled “The effect of customer relationship management on banking performance: The case of two selected banks in Ethiopia” has been carried out by me under the supervision of Prof. Belete Mebiratu in St. Mary’s University, Addis Ababa for the award of Masters Degree in Business Administration. I further declare that this work has not been presented to any other academic qualification.

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Name

St. Mary’s University, Addis Ababa

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Signatures

June, 2018