EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON PERCEIVED ORGANIZATIONAL PERFORMANCE - A CASE STUDY OF FAMILY BANK LIMITED

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ABSTRACT

Customer satisfaction is central to achieving a competitive advantage and should be viewed as an integral part of relationship building that is underpinned by CRM. A defined organizational culture can provide the necessary leadership that ensures that staffs attain high levels of performance. Customer service should be placed in a strategic marketing context, which means that marketers can develop a high quality customer service policy and the organization can put a customer response system in place which ensures that customer service is seen as customer focused. There is an increased need to constantly reengineer business strategies that improve the customer experience and increase profitability for the company. The study sought to determine the effect of customer relationship management (CRM) on the perceived organisational performance with a case of Family Bank Limited. Based on the research topic, the study addressed the research problem by addressing the following research objectives; to determine the effect of changes in the organizational culture on the perceived organizational performance of Family bank Limited, to establish the effect of customer retention strategies on the perceived organizational performance of family bank limited, to determine the effect of technology on the perceived organizational performance of family bank limited, and to establish the effect of service quality management on the perceived organizational performance of family bank limited. The study reviewed related literature under theoretical and empirical review to facilitate in identifying the research gap. The study adopted a descriptive research design to address the research objectives. In this case sampling was done using a systematic random sampling technique to select the participating staff in all the bank branches covered. Data was collected in form of both primary and secondary data. The collected data was analysed using both qualitative and quantitative data analysis techniques using the Statistical Package for Social Sciences (SPSS version 22). The study found out that customer relationship management has a positive effect on the performance of the bank. The study found out that service quality management was the dimension of CRM that affected the performance of the bank to a very great extent. Therefore, the study recommended that there was a need for organizations to have training and development that are directed at building enduring customer relationships.

Key Words: Customer Retention, Technology, Service Quality Management, Organizational Culture, Organizational Performance.
INTRODUCTION

According to Dowling (2002), Customer Relationship Management (CRM) is premised on the belief that developing a relationship with customers is the best way to get them to become loyal and that loyal customers are more profitable than non-loyal customers.

Background

In an effort to succeed in business, most entities are tasked with sourcing clients gradually and taking effective measures aimed at retaining the clients who have been acquired. This therefore calls for measures aimed at managing the firm’s relationship with its customers. According to Ampoful (2012) these measures are adopted for both offensive and defensive reasons. Ampoful (2012) argues that customer relationship management (CRM) is adopted as an offensive strategy where an entity adopts it in an effort aimed at increasing revenues while reducing costs of operation. On the other hand CRM can be used as a defensive strategy where its adoption by other close competitors is highly successful in which case it is adopted to mitigate the adverse implications resulting from the same. In this case it therefore becomes evident that CRM is not an aspect that any player can overlook while formulating strategies and setting both short and long term objectives.

The service industry and more so the banking sector is a highly competitive sector. This is especially the case since all players in the sector offer relatively homogenous products that are only slightly differentiated. Herrmann and Lipsey (2003) assert the close monitoring of the sector by both government and non-governmental institutions makes opportunities for diversification limited. This is especially the case given the implications that collapse of the industry might have on the entire economy both locally and internationally in terms of banking panic and bank runs (Singh, 2009). An example is the implication that the great depression in the 1930s had on the global economy. A devastating collapse in the stock market in the United States led to bank panic which subsequently led to bank run after customer opted to liquidate their deposits for the fear of making losses due to currency depreciation. This led to a global economic depression that saw the international trade decline by over 50% (Wicker, 2000). These adverse implications of the banking sector on the entire economy forces the national governments of all economies to keep a close eye on the performance of individual banks.

The performance of the banking sector is a function of various variables. According to Karr (2012) banks worldwide are putting in measures aimed at improving their performance. Karr (2012) observes that these measures in essence revolve around better cost management practises, improved customer relationship management, improved product mix to increase the target market, informed and improved pricing decisions. This shows that the use of CRM in the banking sector is being adopted at a global perspective. Adiele and Gabriel (2013) on the other hand attributes the improved performance of the global banking sector on advancement of technology. However, Adiele and Gabriel (2013) argue that customer relations is a major and fundamental factor that can substantially affect the performance of a bank.

Statement of the problem

Modern Marketing philosophy advocates the concept of CRM that creates customer delight. This applies to all sectors of Sales and Marketing. In the banking field a unique ‘Relationship’ exists between the customers and the bank (Hisham, 2011). But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia
etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM hence dampening their overall performance. Buttle (2010) advocates for enhanced customer relationship within firms in order to foster performance. In his research Buttle argues that firm’s need to grow from a point of dependence, independence to interdependence in order to be able to foster better customer retention which is an indicator of positive organization performance. Tavana (2014) argues that banks are under continuous pressure to deliver customer value and which according to Grigoroudis and Siskos (2010) will be attained only if high levels of service quality are delivered. By extension the ability to retain customers is good for a firm’s economic well-being (K'Obonyo & Kibera, 2011). Babin (2010) posits that lack of implementing cutting edge technological systems in the banking sector have posed a challenge to effective service delivery to customers which in turn has negatively impacted on the customer relationship aspects. This is supported by Hisham (2011) who points out that lack of technological advancements derails integral services such as marketing which are pivotal to the performance of any enterprise and engaging with customers. According to Bremer (2012) there exist some inconsistencies in both culture and service standards hence there is need to maintain uniformity as well as incorporate customer centrisim as part of organizational culture. Maina (2010) in his study argues that failure to inculcate better customer management as part of the organization culture will lead to poor service quality as well as deterioration of the relationship between the bank and its customers. From the foregoing background this study will seek to demistify how CRM practices help to foster organization performance. In the local context some of the new banks have been growing at a high pace than their peers hence there is need to examine if any the influence that CRM has on the organization performance. In order to generate this knowledge the researcher sought to study the effect of CRM on perceived organization performance of Family Bank Kenya. Objectives of the Study The general objective was to determine the effect of customer relationship management on perceived organizational performance at Family bank limited. Specific Objectives of the Study The study sought to achieve the following specific objectives; i. To determine the effect of changes in the organizational culture on the perceived organizational performance of Family bank limited ii. To establish the effect of customer retention strategies on the perceived organizational performance of family bank limited iii. To determine the effect of technology on the perceived organizational performance of family bank limited iv. To establish the effect of service quality management on the perceived organizational performance of family bank limited LITERATURE REVIEW Introduction This chapter presents a review of past literature in relation to the research topic. The chapter reviews the literature in two categories namely the theoretical review and empirical review. Under theoretical review the study focused on theories that relate to the research topic. On the other hand in empirical review the study focused on past studies that have been done in relation to the research objectives. This review creates a better
understanding of the research problem while facilitating the identification of the research gap.

**Theoretical Review of Literature**

Theoretical review entails a discussion of theories put forward to explain phenomena in relation to a given research topic. In this regard this section will focus on theories that relate to customer relationship management and performance of an organisation. The study thus presents a discussion of the service gap theory, the theory of performance, Denison’s framework of organizational culture and trust-commitment theory of relationship marketing.

**Service Gap Theory**

This theory was developed to try and address the customer satisfaction problem faced by business entities. This theory is based on gaps which are seen to be the critical areas of concern to the management as far as customer satisfaction is concerned. According to this theory there are five gaps that organisations should seek to address in an effort to meet the expectations of the customers based on the experience of the customers (Grigoroudis & Siskos, 2010). This theory asserts that customers have their expectations based on their past experience with product or service in question. The management is therefore tasked in ensuring that these expectations are met failure to which the performance of the organization will be in jeopardy. The theory identifies five gaps which must be quantified, managed, and minimized. These gaps are; the disparity between the expectations of the customers and the views of the managers on the customers’ expectations, the managers perception and the actual specification of the experience of the customer, the customers specification and the delivery of this experience by the company, the delivery of the experience of the customer in relation to what the firm asserts to deliver, and finally the perception of the customer in terms of experience and the expectation of the customer in relation to the service. In an effort to bridge these gaps the theory suggests that managers should diligently address each of these gaps (Grigoroudis & Siskos, 2010).

The facts of this theory can be used to assess how banks can develop CRM in an effort to boost their performance. By focusing on the aforesaid gaps, entities will be enhancing the services offered to their clients. This way the firms can therefore establish and develop a strong customer relationship which will in the long run improve the performance of the firm. The facts of this theory were used to guide this study by identifying gaps in CRM that can be addressed to improve the performance of the entity.

**Theory of Performance**

This theory tries to explain the trend of performance in organisations. The theory develops foundational concepts based on which an explanation is given as to how and why performance can be improved overtime in an organisation. Elger (2010) in an effort to expound on this theory defines performance as the ability to produce valued results. According to this theory performance cannot be improved overnight but rather takes a considerable amount of time and effort. Elger (2010) describes performance improvement as a journey and the level of performance as the location in the journey. According to this theory the prevailing level of performance in an organisation is determined by six (6) crucial components, which are; the context, knowledge levels of the concerned individuals, levels of skills, identity level, the personal factors of the respective individual(s), and fixed factors which are basically constant and cannot be altered. According to this theory these factors are crucial since they determine the ease with which performance of the individuals and thus the firm in general can be improved. The theory further
proposes three axioms which are important in ensuring there is effective improvement of performance in a firm. These include: the mind-set of the performer, being based in an enriching and supportive environment, and being engaged in a reflective practice. This theory asserts that by upholding these axioms then it is possible to radically improve the performance of individuals in a firm and thus improve the performance of the entity in general (Reinelt & Roach, 2006). The facts of this theory can be used to explain how performance can be improved in organisations. By focusing on the six components above and relating them to customer relations a better framework of CRM can be developed.

**Denison’s framework of Organizational Culture**

Issues at the core of Denison’s theory are the underlying beliefs and assumptions that represent the deepest levels of organizational culture. These fundamental assumptions provide the foundation from which (1) more surface-level cultural components such as values and observable artefacts-symbols, heroes, rituals, etc. are derived, and (2) behaviour and action spring (Denison & Mishra, 1995). Denison’s organizational culture model is based on four cultural traits involvement, consistency, adaptability, and mission that have been shown in the literature to have an influence on organizational performance (Denison & Mishra, 1995).

According to this theory, Lawler (1996) viewed involvement as effectiveness of organizations to empower their people, build their organizations around teams, and develop human capability at all levels. Executives, managers, and employees are committed to their work and feel that they own a piece of the organization. People at all levels feel that they have at least some input into decisions that will affect their work and that their work is directly connected to the goals of the organization. Block (1991) looking at consistency argued that organizations tend to be effective because they have “strong” cultures that are highly consistent, well-coordinated, and well integrated. Behaviour is rooted in a set of core values, and leaders and followers are skilled at reaching agreement even when there are diverse points of view. This type of consistency is a powerful source of stability and internal integration that results from a common mind-set and a high degree of conformity.

Nadler (1998) in his view argued that organizations that are well integrated are often the most difficult ones to change due to low adaptability. In his view, internal integration and external adaptation can often be at odds. Adaptable organizations are driven by their customers, take risks and learn from their mistakes, and have capability and experience at creating change. Stalk (1988) viewed adaptable organizations as continuously changing the system so that they are improving the organizations’ collective abilities to provide value for their customers.

Hamel and Prahalad (1994) suggested that mission enables success for organizations since mission defines a clear sense of purpose and direction that defines organizational goals and strategic objectives and expresses a vision of how the organization will look in the future. When an organization’s underlying mission changes, changes also occur in other aspects of the organization’s culture.

**Commitment – trust theory of relationship marketing**

Scholars have identified different virtues that have been theorised in the relationship marketing literature, but have placed special emphasis on trust (Morgan and Hunt 1994; Moorman, Deshpandé & Zaltman, 1983) and commitment (Morgan & Hunt 1994; Ndubisi, 2004). Morgan and Hunt (1994) stipulate that trust and commitment
are central to relationship marketing because they encourage marketers to work at preserving relationship investments by cooperating with exchange partners, resist attractive short-term alternatives in favour of the expected long-term benefits of staying with existing partners, and view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically. Therefore, when both trust and commitment – not just one or the other – are present, they produce outcomes that promote efficiency, productivity and effectiveness. In short, trust and commitment lead directly to cooperative behaviours that are conducive to relationship marketing success (Tsai, Cheng & Chang, 2010).

Before a relationship can exist, both parties must mutually perceive that the relationship exists. Relationships are therefore a series of transactions which build an awareness of a shared relationship through trust and commitment. Higher levels of trust and commitment in turn are associated with higher levels of customer retention, and this leads to increased organisational profitability (Read, 2009). Trust is focused and there is a generalised sense of confidence and security in the other party. The parties believe that one party will act in the interest of the other, that the other party will be credible, and that the other party has the necessary expertise (Lian, Chen & Wang, 2008). Trust can be viewed as a partner’s belief that the other partner will perform actions that will result in positive outcomes, as well as not take actions that will result in negative outcomes. The trusting relationships between customers and organisations are associated with overall positive outcomes, and trust in the organisation should increase the benefit derived from transacting with the organisation (Botha & Van Rensburg, 2010).

Commitment is an essential ingredient for successful, long-term relationships (Biedenbach & Marell, 2010). It arises from trust, shared values and the belief that partners will be difficult to replace. Commitment motivates partners to co-operate in order to preserve the relationship investments. This implies that a partner foregoes short-term alternatives in favour of long-term benefits associated with current partners. Customers will only make commitments to trustworthy partners because commitment entails vulnerability, and leaves them open to opportunism (Read, 2009). Commitment is higher among individuals who believe that they receive more value from a relationship, therefore highly committed customers would be willing to reciprocate effort on behalf of an organisation due to past benefits received (Botha & Van Rensburg, 2010). Therefore, commitment in this context refers to both parties understanding that they are in the market together for the long run. They are willing to make sacrifices for their partners because they are mutually dependent upon each other in their quest to achieve long-term returns on their psychological and financial investments (Baran et al., 2008). For example, the way in which employees of an organisation perform their tasks can lead to trust, and this will have a significant impact on the commitment from the customer and therefore customer loyalty (Helkkula & Kelleher, 2010).

Commitment is central to a successful relationship. Commitment is the desire to maintain the relationship and is indicated by ongoing investment into activities which are expected to maintain the relationship into the future. As it may take time to reach a point where a commitment is made, it may also imply a certain maturity in the relationship (Morgan & Hunt, 1994). High levels of commitment are also associated with perceptions of future rewards, relationship identification, limited desire to seek out alternatives, the amount of effort expended in a relationship, the investment made in the relationship and the individual’s assumed
responsibility (Tsai et al., 2010; Gummesson, 2008). Relationship commitment is central to CRM. A customer will be committed to an organisation if the latter has proved to be trustworthy, and has shown that it has the ability to offer solutions and successfully support the value generating processes of the customer (Ma, Ding & Hong, 2010).

Commitment is undoubtedly connected with trust, but it is less clear which assumes precedence. Commitment may be the outcome of growing trust, or trust may develop following a decision by the parties in the relationship to commit to each other. Furthermore, the breakdown in commitment may be as a result of the breakdown of trust, and vice versa (Jain & Bagdare, 2009).

**Empirical Review**

This section the study presented a discussion of available literature on the research objectives. This review facilitated in giving more insight on the research problem and in determination of the available research on the research topic.

**The Effect of Changes in the Organizational Culture on the Organizational Performance**

Different organisations are based on different cultures based on the beliefs, objectives and aspirations of the organisations. Organisations will therefore work in ensuring that the organisational culture is upheld and maintained regardless of the dynamics that exist in the firm. Bremer (2012) however notes that in some cases it becomes necessary to revise or even change the organisational culture to suit new developments and needs in the market. Cameron and Quinn (2011) points out that as much as firms will aim to remain persistent to their culture, the dynamics of the market and customer’s tastes and preferences may force a firm to consider altering their culture. Dawson (2010) points that competition and the need to retain customer loyalty as some of the compelling factors that will force an entity to change their culture. Change in organisational culture has varying implications to the performance of a firm based on the magnitude of change and the subject matter of the change. According to Bremer (2012) changing the culture of an organisation in a way that implicates differently to different sections of the market might have adverse implications on the performance of an entity. Dawson (2010) asserts that it is crucial that firms determine beforehand the implications that might be faced after a change in the organisational culture. This shows that a change in culture, though it might be necessary for the organisation’s survival, might be detrimental to other aspects of the firm.

As part of having an identity many organisational beliefs and values are usually developed based on

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**Figure 1: Conceptual Framework**

<table>
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<th>Independent variables</th>
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| **Organizational Culture** | • Customer centrisim  
• Shared beliefs and values |
| **Customer Retention** | • Customer loyalty  
• Managing customer attrition |
| **Technology** | • ABC Channels  
• CRM database |
| **Service Quality Management** | • Customer service standards  
• Feedback mechanism |

| **PERCEIVED ORGANIZATIONAL PERFORMANCE** | • Growth in customer base, market share  
• Increase in profits |
which the conduct of stakeholders in the organisations is determined. According to Zakari and Owusu-Ansah (2013) the beliefs and values of an entity defines the identity of that entity. In an empirical study focusing on organisational culture and performance in the banking industry in Ghana, Zakari and Owusu-Ansah (2013) notes that beliefs and values are usually developed based on the organisation’s mission and vision. This explains the disparities in the beliefs and values in different organisations. According to Zakari and Owusu-Ansah (2013) organisations and mostly through the human resources department always try to enforce these beliefs and values to all members of staff to uphold the identity of the organisation. Cameron and Quinn (2011) assert that an effective approach adopted in enforcing the beliefs and values within the organisation is through the recruitment process. Cameron and Quinn (2011) asserts that as part of the recruitment and staff training process the values and beliefs of the organisation should be instilled in the personnel to ensure that the development of the personnel encompasses the beliefs and values of the organisation.

A critical aspect in enforcing the culture of an organisation is however the process of having all individuals in the organisation appreciate and identify themselves with this culture. An empirical study by Adiele and Gabriel (2013) on CRM and banking performance in Nigeria identifies culture of an organisation as a determining factor of the organisation’s performance. The authors also add that it would be detrimental to enforce a culture forcefully to the employees in an organisation. They also point out that forceful installation of culture defeats the whole purpose of developing the culture in the first place. A better approach in this case would be developing a culture enforcement strategy that will ensure that the employees in the entity willingly identify with developed culture in the organisation. Boateng (2012) notes that a major challenge lies behind introducing a new culture in the organisation and having employees willingly accept and adopt them in their day to day activities. A study by Shahzad, Luqman, Rashid, Khan and Shabbir (2012) on the dynamics of culture change in organisations identified various factors that determine the successful transition from the prevailing culture to a new one. Shahzad, et al (2012) notes that the attitude of the employees as far as the current and the proposed culture is concerned, influence by a great deal the success of the culture change. This study contrasts with the findings by Burtonshaw-Gunn and Salameh (2009) who asserts that involving the employees in developing a new culture can be a determinant of the success of a culture change. The reason behind this is that individuals are inherently resistant to change.

The Effect of Customer Retention Strategies on the Organizational Performance

One of the critical objectives of any firm is the need to attain and increase the market share. It is for this reason that firms will come up with customer retention strategies. Kumar (2008) describes customer retention strategies as measures that are usually taken by an entity which are aimed at ensuring that customers remain loyal to the organisation’s brand. Ferrell and Hartline (2008) notes that one of the ways through which customers can be retained is through identifying, meeting and possibly surpassing the expectations of the customers. According to Jha (2008) customer retention strategies (CRS) can be said to be components of customer relationship management (CRM). This is because while formulating CRS firms will research on the expectations of the customers so as to develop effective strategies that are adequately informed. This way the management is well informed of the expectations of the customers thus enabling them to come up with ways through which these expectations can be met (Jha, 2008). Therefore, by meeting the expectations of the
customers this improves the CRM. However, Keiningham and Vavra (2001) notes that it is at times difficult to fully meet the expectations of customers. For instance the expectation that quality products and services will be availed by the firm at low prices might have an adverse implication on the revenues of a firm if such a strategy is fully implemented. In this regard therefore, Ferrell and Hartline (2008) proposes the identification of an equilibrium level on which CRS will result to adverse implication on the long run performance of the organisation.

Various strategies are usually adopted in an organisation’s effort to retain its customers. Auka (2012) asserts that the strategy adopted is usually guided by various reasons among them the type of market that the organisation is operating. According to Adiele and Gabriel (2013) an organisation that is operating in a monopolistic market is unlikely to adopt an intensive customer retention strategy as compared to a firm operating in a perfectly competitive market in an effort to boost performance. Some of the customer retention strategies adopted includes the use of loyalty programs where customers are rewarded in some way based on their loyalty to the entity, monitoring customer relationships and the establishment of customer clubs among other strategies. A study by Molapo and Mukwada (2011) on effectiveness of customer retention strategies found out that different strategies are adopted based on their suitability in retaining clients. Molapo and Mukwada (2011) advocates for the establishment and adoption of lock in strategies to retain clients. Lock in strategies are strategies that are aimed at attracting clients with lucrative offers but then making it difficult for such clients to venture into other substitutes goods or services. Keiningham and Vavra (2001) however differs with this approach asserting that clients might develop a negative attitude on the company due to the inability to get a variety and especially because there are other substitutes that are offered at more favourable terms. Keiningham and Vavra (2001) instead advocates for monitoring customer relationships as the best strategy to retain clients. According to Keiningham and Vavra (2001) monitoring customer relationships involves the assessment of the overall welfare of the clients. This therefore makes the company more proactive while formulating strategies since they are based on both the qualitative and quantitative assessment of the clients. Such an approach would be focused on understanding the needs of the clients better thus making it possible to tailor the products and services offered to the expectations of the clients.

The Effect of Technology on the Organizational Performance

The introduction and advancement of technology has seen immense transformation in the business world by completely changing processes and approaches to different situations. One of the areas that technology has transformed is the operations section of the business industry. Sheth, Parvatiyar and Shainesh (2001) notes that technology has led to improvement in the efficiency with which businesses are done. According to Sturdy (2012) the use of technology has impacted tremendously on CRM. Sturdy (2012) notes that technology has improved communication between organisations and their customers thus giving them an opportunity to understand and act on the tastes and preferences of the customers. According to Eid (2012) proper CRM can highly improve the performance of an organisation. In this regard therefore, taking advantage of technology to improve CRM places an organisation at a better position to perform better.

The implication of adopting technology in any given aspect of business activity is tremendous. A study by Heczková and Stoklasa (2014) that focused on the essence of adopting databases in organisation highlighted numerous merits that result from such a
move. According to Heczková and Stoklasa (2014) the adoption of database systems can impact positively on CRM due to the possibility of handling and retrieving substantial information about clients with ease.

According to Heczková and Stoklasa (2014) the use of databases can be very effective in keeping track of the expectations of individual clients and thus facilitating the possibility of customizing services to the client’s specific needs. Heczková and Stoklasa (2014) notes the essence of adopting the use of databases especially in the financial sector.

According to Injazz and Karen (2003) databases can facilitate to a considerable extent in the compliance of financial institutions to the Know your Customer (KYC) regulations. The KYC regulations require that financial institutions take measures aimed at ascertaining the identity of their clients due to the prevalence of issues such as identity theft. Such approaches are crucial in creating a good image for an organisation and thus progressively improving the performance of the entity (Injazz & Karen, 2003). According to Nigel, Kraemer and Gurbaxani (2004) technology plays a crucial role in enhancing CRM due to its wide range of applicability.

Study (2012) notes that technology significantly transforms the process through which activities and processes get effected. A study by Adiele and Gabriel (2013) on the implication of technology in the banking industry points out that technology has led to a nearly complete overhaul of the banking sector. The study sights the introduction of alternative banking channels (ABCs) as the reason behind this assertion. According to Adiele and Gabriel (2013) ABCs have transformed the coverage of banks in terms of geographical coverage and demographic coverage. Some of the ABCs sighted include mobile banking and internet banking. Ampoful (2012) notes that these ABCs have created an array of services that were initially not available to the clients. This definitely translates to increased performance in the banking industry.

Social media platforms which are essentially a result of technology can be used to improve CRM with a view of improving the performance of an organisation. According to (Kangu, Wanjau, Kosimbei & Arasa, 2013) effective CRM entails the involvement of the customer to ensure that it is adequately effective. This is made possible through the use of social media platforms by organisations for both marketing and interacting with clients. Kangu, et al (2013) notes the importance of the interactions of entities with their clients through the social platforms. These interactions facilitate in the acquisition of reliable feedback from the clients. According to Karr (2012) social media platforms are very reliable in providing information about the customers’ tastes, preferences and expectations in the banking industry. With such reliable information the organisations are able to work from a point of knowledge thus formulating policies that are guided with facts.

The Effect of Service Quality Management on the Organizational Performance

Schneider and White (2004) defines service quality as the collective effect of the performance of a given service in terms of the degree of satisfaction that the recipient of the service receives. The management of this service quality to ensure that better satisfaction is derived from the service is thus referred to as service quality management (SQM). Burtonshaw-Gunn and Salameh (2009) asserts that the performance of an entity is influenced by all aspects of the entity including the seemingly trivial matters. Based on this assertion it therefore becomes necessary to ensure that all matters in an organisation are effectively managed to ensure that operations in all sections are at their optimal levels. SQM is important as it involves the customers directly. According to Peris-Ortiz and Álvarez-García (2014) the quality of service offered to a client has a great influence on the possibility of that client developing loyalty to the organisation. A study by
Brink and Berndt (2004) on SQM and business performance found that there is a direct relationship between the two. This implies that an improvement in SQM results to a positive outcome on the performance of the organisation.

A challenge however remains on how to meet the expectations of each and every client given that that tastes and preferences differ across individuals. Sakwa and Oloko (2014) in this case assert that though the expectations of clients differ the disparities are minimal. Sakwa and Oloko (2014) therefore advocates for the identification of an optimal point through standardisation. Standardisation of customer service can be achieved through measures such as the institution of a customer service policy (Karr, 2012). Such a policy would clearly define the expectations of the average client and thus the service process would be well defined to meet and surpass these expectations.

Another major issue in the development of service quality is the determination of the attributes that will characterise the service quality management. Different entities adopt different approaches in the enhancement of service quality. A study by Zineldin (2005) which tried to determine the relationship that exists between CRM and marketing performance in the banking industry in Sweden identified several factors that should be considered in developing an effective service quality management. According to Zineldin (2005) service quality management should encompass certain traits which include, though not limited to; reliability, ability to be sufficiently responsive, and to provide assurance in relation to the expectations and wants of the clients. Zineldin (2005) found a positive relationship between CRM and marketing performance with these attributes incorporated in service quality management. A study by Brink and Berndt (2004) contrast with this assertion by describing empathy and responsiveness as the crucial qualities that should characterise service quality management.

There is need to adopt service quality management guided by an array of approaches to ensure that the performance of the entity is transformed positively. Moreover a follow up is always necessary to determine the effectiveness of the process and assess it against set standard values. According to Auka (2012) some of the indicators that might suggest ineffectiveness in service quality management include customer disloyalty which results in a general poor performance of the organisation. Auka (2012) in a study of the perceived loyalty in commercial banks in Nakuru asserts that loyalty from service quality management is usually affected by low product switching cost.

Organizational Performance

Organizations have an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations. Thus, many economists consider organizations and institutions similar to an engine in determining the economic, social and political progress. Thus, organizational performance is one of the most important variables in the management research and arguably the most important indicator of the organizational performance. Although the concept of organizational performance is very common in the academic literature, its definition is difficult because of its many meanings. In the '50s organizational performance was defined as the extent to which organizations, viewed as a social system fulfilled their objectives (Georgopoulos and Tannenbaum, 1957).

Performance evaluation during this time was focused on work, people and organizational structure. Later in the 60s and 70s, organizations
begun to explore new ways to evaluate their performance, so performance was defined as an organization's ability to exploit its environment for accessing and using the limited resources (Yuchtman and Seashore, 1967). The years 80s and 90s were marked by the realization that the identification of organizational objectives is more complex than initially considered. Managers began to understand that an organization is successful if it accomplishes its goals (effectiveness) using minimum resources (efficiency). Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus and Adrien, 1998 after Campbell, 1970). In this context, profit became one of the many indicators of performance. The authors Lebans and Euske (2006) provide a set of definitions to illustrate the concept of organizational performance. Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results.

RESEARCH METHODOLOGY
The chapter discussed the research design, the population, the sampling techniques that were used in the study, the data collection instruments, methods and procedures.

Research Design
This study adopted a descriptive survey design in addressing the research problem. According to Upagade and Shende (2012), research design can be described as the arrangement of stages in research from collection and analysis of data in a manner that aims at combining relevance to the research purpose while maintaining economy in procedure.

Target Population
Mugenda (2005) describes target population in research as the number of individuals, who we are interested in describing and making statistical inferences about. The study targeted the banking industry in Kenya with a case of Family Bank Limited. The study focused on the staff of Family Bank Limited at two levels namely; management, and the operation staff.

Sampling Frame
A sample must be carefully selected to ensure that it is representative of the population and the researcher also needs to ensure that the subdivisions entailed in the analysis are accurately catered for. To ensure fair representation and generalization of findings to the general population in the study stratified sampling method was used; specifically, random stratified sampling technique.

Sampling Size and Technique
This study conducted a systematic random sampling technique to select the participating staff in all the bank branches covered. In this approach, the researcher selected every 4th bank staff randomly selected to respond to the questionnaire. This was a sure way to avoid bias in the study.

Data Collection Instrument
The study used both secondary and primary data in addressing the research objectives. Secondary data was obtained from the journals, publications and articles related to the research topic while primary data was collected through questionnaires which contained questions designed to collect data in accordance with the research questions. The questionnaire was drafted to contain both open and close ended questions.

Data Collection Procedure
In collecting the data, the researcher adopted a drop and pick method. In the above method the researcher dropped the questionnaires to the sample respondents with an accompanying authorization letter outlining their rights to take part or not in the study.

Data Analysis
Both quantitative and qualitative methods of data analysis were used in analysing data in this study.
The quantitative analysis mainly focused on using descriptive statistics.

**DATA ANALYSIS AND PRESENTATION**
In this chapter, the analysis, presentation, and interpretation of collected data from the respondents was carried out.

**Response Rate**
The study realized a response rate of 91% whereas 9% of the targeted sample population did not give valid response to the study. This was a good response according to Mugenda and Mugenda (2009) who recommended at least a response of 70% for a descriptive study.

**Respondent’s Background Characteristics**
Majority of the study respondents were male. The 61% of the staffs who participated were male whereas 39% were female staffs.

**Gender of the respondents**
Most of the respondents to the study were the staffs aged below 40 years. The age group 31 – 35 years had the most of the respondents representing 37.1% followed by the age group 25 – 30 years with 27.1% and 36 – 49 years with 25.7% of the respondents. Those aged 41 – 45 years were 5.7% while the respondents with above 45 years represented 2.9%. The least among the respondents were the staffs aged below 25 years representing only 1.4% of the total respondents.

**Years Worked with Family Bank**
According to the findings, majority of the study respondents were bank staffs who were holders of university undergraduate degrees. This category had 67.1% of the total respondents followed by the diploma holders representing 20% of the study participants. The master’s holders were 11.4% of the respondents whereas only 1.4% were PhD holders.

**Organizational performance**
From the findings, the bank’s profitability has been on the increase. This is as reported by 82.9% of the respondents who agreed to this aspect to a strong extent. 14.3% of the respondents also agreed and 2.9% fairly agreed to this aspect. Findings also indicate that the bank has a substantial market share in the industry as 57.1% and 32.9% of the respondents agreed and strongly agreed to this respectively. The bank’s sales had grown substantially. This is according to the response given by 57.1% and 37.1% of the respondents who agreed and strongly agreed respectively.

**Customer Relationship management**
From the findings, there existed a relationship between customer relations management and organisational performance. This is according to the findings where majority of the respondents agreed; with 51.4% who agreed and 37.1% strongly agreed. Customer relations management is a crucial part of strategic planning in the banking sector as 24.3% and 58.6% of the respondents agreed and strongly agreed respectively. 41.4% of the respondents agreed and 45.7% strongly agreed indicating that efficient management of customer relations can lead to customer loyalty.

**Effect of Technology on the Organizational Performance of Family Bank Limited**
According to the findings, 99% of the respondents reported that, according to their view, adoption of technology in customer relations management affects the performance of the bank. 1% of the respondents however disagreed to this and reported that technology adoption does not affect the bank’s performance.

**Effect of Service Quality Management on the Organizational Performance of Family Bank Limited**
According to the findings, all the respondents agreed that service quality management affects the
performance of the bank. This therefore reveals that the service quality management strategy in a bank affects its performance significantly.

**Correlation Analysis**

In this study, correlation analysis was adopted to test the relationship between the dependent and independent variables. The Pearson Correlation coefficient was used with the correlation values ranging from 0 to 1 where a correlation value which is close to 0 is an indication of a weak correlation and that close to 1 is an indication of a strong correlation between the variables under review.

**Table 1 Correlation Results**

<table>
<thead>
<tr>
<th></th>
<th>Perceived Performance</th>
<th>Organization Culture</th>
<th>Customer retention strategies</th>
<th>Technology</th>
<th>Service quality management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perceived Performance</strong></td>
<td>1</td>
<td>.520**</td>
<td>.482**</td>
<td>.555**</td>
<td>.515**</td>
</tr>
<tr>
<td><strong>Organization Culture</strong></td>
<td></td>
<td></td>
<td>.520**</td>
<td>.533**</td>
<td>.473**</td>
</tr>
<tr>
<td><strong>Customer retention strategies</strong></td>
<td>.482**</td>
<td></td>
<td>1</td>
<td>.586**</td>
<td>.572**</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td></td>
<td>.555**</td>
<td>.473**</td>
<td>1</td>
<td>.671**</td>
</tr>
<tr>
<td><strong>Service quality management</strong></td>
<td>.515**</td>
<td>.526**</td>
<td>.572**</td>
<td>.671**</td>
<td>1</td>
</tr>
</tbody>
</table>

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

From the above results, in table 1, the Pearson Correlation coefficient between the independent variable, organization culture and the dependent variable, performance, is positive. This correlation is equal to .520, which is also significant as indicated by the p-value of 0.000 which is less than 0.05 at the 5% level of significance. For organizational performance and customer retention strategies, the Pearson Correlation coefficient is positive. This coefficient was equal to .482, signifying a positive relationship between the two variables. For technology adoption and performance, the correlation coefficient was 0.555 whereas the service quality management and organizational performance indicated a positive correlation of 0.515 with a p-value of 0.000 less than 0.05 the critical value at the 5% level of significance. The table therefore illustrates presence of positive and significant relationship between organization culture, customer retention strategies, and technology and service quality management with organizational performance.
Regression Analysis

Regression analysis was adopted in this study to show the level of influence of the independent variables on the perceived organizational performance. The regression was conducted at the 5% level testing the significance of the relationship. The results are as presented in Tables 2, 3 and Table 4 showing the regression model summary, ANOVA and the regression coefficients respectively.

Table 2 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.725(^a)</td>
<td>.526</td>
<td>.515</td>
<td>.63476</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), Organization Culture, Customer retention strategies, Technology, Service quality management

The overall model showed that the coefficient of determination, R\(^2\)-square that informs the proportion of change in the perceived organizational performance that is caused by the variation of the explanatory variables is 0.526. This shows that the predictor variables used in the study explained 52.6% of the dependent variable (R\(^2\)=0.526). The remaining 47.4% is explained by other factors not reflected on the study statistical model.

Table 3 Analysis of Variance (ANOVA)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>97.060</td>
<td>5</td>
<td>19.412</td>
<td>14.209</td>
<td>.000(^p)</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>87.434</td>
<td>64</td>
<td>1.366</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>184.494</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: Perceived Organizational Performance
\(^b\) Predictors: (Constant), Organization Culture, Customer retention strategies, Technology, Service quality management

Table 3 shows that the F statistic is 14.209 with a corresponding p-value of 0.000. Therefore, the calculated F statistic is greater than the tabulated statistic at the five per cent level of significance. Thus the predictor variables are jointly significant in explaining variations in the perceived performance of the bank.

Since the p value (0.000) is less than \(\alpha\) (0.05) then the result were significant, implying that the explanatory variables explains the major variations on the dependent variable.

This led to the conclusion that independent variables which were Organization Culture, Customer retention strategies, Technology and Service quality management significantly explained the variations in the dependent variable (perceived Organizational performance).
## Table 4 Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.964</td>
<td>.321</td>
<td>3.000</td>
</tr>
<tr>
<td></td>
<td>Organization Culture</td>
<td>.058</td>
<td>.039</td>
<td>.081</td>
</tr>
<tr>
<td></td>
<td>Customer retention strategies</td>
<td>.180</td>
<td>.062</td>
<td>.178</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>.191</td>
<td>.065</td>
<td>.182</td>
</tr>
<tr>
<td></td>
<td>Service quality management</td>
<td>.336</td>
<td>.056</td>
<td>.408</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Perceived Performance

Results in Table 4 shows the coefficients of the multiple regression model for the explanatory variables. At 5% significance level and 95% confidence level, Organization Culture, Customer retention strategies, Technology, Service quality management were significantly influencing the perceived performance.

From the table, organization culture had a positive effect on perceived performance ($\beta = 0.058$) which was also significant at the 5% level of significance ($p=0.013$); customer retention strategies had a significant influence on perceived performance at ($\beta =0.180$, $p=0.004$), technology had a significant influence on the perceived performance at ($\beta =0.191$, $p=0.003$) whereas service quality management had a significant influence on the perceived performance at ($\beta =0.336$, $p=0.000$).

## SUMMARY, CONCLUSION AND RECOMMENDATIONS

### Introduction
This chapter represents the summary of the study, shows the research findings related to the research objectives. The results were also discussed with reference to the findings of other researches reviewed. It also gives conclusions which are drawn from the findings of the study and their related recommendations.

### Summary of the Findings
This study was undertaken seeking to determine the effect of customer relationship management on perceived organizational performance at Family bank limited. The study sought to answer four research questions as follows; how does change in the organizational culture affect the organizational performance of Family bank limited; what is the effect of customer retention strategies on the organizational performance of Family bank limited; how does technology affect the organizational performance of Family bank limited, how does technology affect the organizational performance of Family bank limited and what is the effect of service quality management on the organizational performance of Family bank limited. To answer this, data was collected from the staffs of the Family bank and the information analysed. The study achieved a response rate of 91%.
The study findings on the effect of organizational culture and its changes on the performance of the banks, the study findings established that changes in organizational culture can to a great extent affect performance of the Bank. The adoption of a customer centric culture would improve the overall performance of an organization. Similarly, the study established that changing the culture of an organisation in a way that implicates differently to different sections of the market might have adverse implications on the performance of an entity. Organisations should therefore work in ensuring that the organisational culture is upheld and maintained regardless of the dynamics that exist in the firm. Also in some cases it becomes necessary to revise or even change the organisational culture to suit new developments and needs in the market. The dynamics of the market and customer’s tastes and preferences may force a firm to consider altering their culture.

With regard to the customer retention strategies and its influence on the bank’s performance, the study found out that there is a relationship between customer retention strategies and organizational performance. According to the findings, customer relations management is a crucial part of strategic planning in the banking sector and efficient management of customer relations can lead to customer loyalty. It was also evident from the findings that firms with poor customer relations’ management are faced with underperformance. Further, findings illustrated that the change in customer retention strategies affected the performance of the bank according to the findings. The customer retention strategies have been found to have a very great extent of influence on organizational performance. According to the findings also, the bank had adopted customer retention strategies as part of the performance improvement strategy. Further, the study findings showed that different customer retention strategies impact differently on organisation performance to a very great extent. The findings as well indicated that offering of competitive services is the most highly preferred customer retention strategy in the bank. Other strategies were reported to include; lock in strategies, research on customer tastes and offering customized services in their order of decreasing preference.

Seeking to study the effects of technology on performance of the banks, the study findings indicated that adoption of technology in customer relations management affects the performance of the bank to a great extent. According to the findings also, adoption of technology in customer relations management is vital for improving the performance of an organisation. The use of mobile banking service was the most preferred technological approach of customer relations management in the bank. Others included the use of online service delivery approach, and automated service delivery strategy. The findings also illustrated that the adoption of database systems can impact positively on CRM due to the possibility of handling and retrieving substantial information about clients with ease.

The study findings on the effects of service quality management on performance illustrated that service quality management can affect the performance of the bank to a very great extent. According to the findings, the bank used suggestion forms majorly to collect customer feedbacks towards its review of customer service. Other methods used were customer service department surveys for feedback collection from the customers and the use of social media. These findings indicate that service quality management should encompass certain traits which include though not limited to, reliability, ability to be sufficiently responsive, and to provide assurance in relation to the expectations and wants of the clients.
Conclusions

The study findings provided under the summary above leads to the study conclusions which are based on the research objectives as follows;

The study found out that customer relationship management has a positive effect on the performance of the bank. The bank’s continued improved performance will depend on how well the customer relationship is managed and how the customers will be delighted with the level of their experience with the organization. A good relationship between employees and the management of the organization transfers to the relationship with customers as good relationship from the top management will automatically be passed to the chain leading to satisfying customer services.

The adoption of Information technology in the bank has greatly affected the operation process and affected the performance significantly. However, though the technology is working well for the bank, the study findings showed that its incorporation in customer relationship management would be of great impact and would result to increased performance of the bank. The staffs’ knowledge on technology as well as the ability of the organization to implement technology in its services have a great effect on performance.

Service quality management as a dimension of CRM had the most significant influence on the perceived organizational performance. A challenge however remains on how to meet the expectations of each and every client given that that tastes and preferences differ across individuals. Though the expectations of clients differ the disparities are minimal and therefore identification of an optimal point through standardisation should be sought.

Standardisation of customer service can be achieved through measures such as the institution of a customer service policy

Recommendations

There is a need for organizations especially banks to have a good relationship with their customers so as to sustain competitive advantage. The employees should also demonstrate commitment and loyalty towards achieving the strategy. The study also recommended that training and development that are directed at building enduring customer relationship should be periodically given to all employees.

The study revealed that the support of the strategy from all stakeholders is critical to its successful implementation. Banks should therefore create understanding of their organizational culture to attract and retain qualified employees that can contribute positively to bank performance and that bring about strong and positive relationship.

There is need for the banks also to adopt technological methods of measuring customer satisfaction as well as technology that would boost service delivery in the banks. Commercial banks should also continue monitoring and evaluating CRM while increasing customer feedback channels.

Recommendation for Further Research

Although this study was successfully undertaken achieving its objectives, the researcher recommends that a similar study be carried out to establish the levels of customer satisfaction among other Kenyan banks as a result of CRM strategy. Replicate studies can also be carried out in the different industry segments such as the hotel industry; telecommunications and manufacturing to see the relationship between CRM strategy and performance of these organizations.
REFERENCES


