

CRM in the Public Sector – Towards a conceptual research framework

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ABSTRACT

Customer Relationship Management has been well discussed as a holistic concept for the private sector to start, maintain and optimize relationships to make customers more loyal/profitable – in sum to improve the relationship with the consumers. Many companies have invested into the customer driven CRM concept but research indicates varying outcomes. Recent publications, mainly driven by the private sector rather than academia, show a rising interest about the application of CRM in the public sector domain. There the term Citizen Relationship Management is also used. Since CRM is a concept enabled by technology this topic is closely connected to the Digital Government research agenda. Long term changes to the structure and organization of the public administration we know as of today, as well as the citizen government relationship are imminent and need further attention. In this paper, I review the latest findings in CRM research from the private sector and connect it to the public sector. The goal is to identify a framework for future research.

General Terms

Customer Relationship Management, Citizen Relationship Management, citizen orientation

Keywords

Public services, citizen government relationship, new public management, TQM, CRM, electronic government

1. CUSTOMER SERVICE IN THE GOVERNMENT

Improving the relationship with its constituents has been a goal of the government. The public administration is often overlooked in the classical references to the relationship between citizens and government. It plays a vital role in how the government exerts its power within society. Administrative practices and capabilities are often subsumed within the general discussions of government and governmental obligations to citizens. In fact, with a few exceptions, philosophical foundations of the administrative component of government are seldom discussed at all (Blanchard, Hinnant & Wong 1998). People experience direct

effects of policies and the structure of the state through their everyday contacts with the public administration, the latter being for instance the health care sector, law enforcement or the most prominent in the discussion, the public service agencies. The intense competition in the private sector and parallel growth of the service sector has fostered the research and focus on customer management related topics (Laing 2003; Bretthauer 2004). Furthermore, the customer service orientation in the private sector had an influence on the expectations towards public sector services. Improving public services is not a new idea. Throughout the late 1970s and since the emergence of New Public Management and its components like Total Quality Management (Walton 1986, Cohen & Brand 1993, Gaebler 1993, Lin 1996, Hood&Peters 2004), a “customer driven” government has been on the agenda for public servants and researchers. New Public Management (NPM) has become a normative model, especially on how we think about the role of public administrators, public services and their goals (Denhardt & Denhardt 2003). In fact, as shown by Schedler 2003 or Frederickson 2003 there is no common way or understanding of NPM. Unfortunately, many understood NPM to be one-sided and focused on the economic controlling possibilities, totally disregarding the service processes and their target group – the citizens (Lenk & Traunmüller 2002). Customer approaches to government service increased especially in the 1990s (Albrecht 1988, Barzelay 1992, Swiss 1992, Gore 1993, Fountain, Kaboolian & Kelman 1993, Radin & Coffee 1994, Barzelay 1994, Barnes 1995, Bogumil 1997). Especially true with the managerialist notion of deconstructing the citizen as a consumer raised concerns among some of the researchers (Barnes&Prior 1995, Carroll 1995, Fox 1996, Hood 1996, Lynn 1998, Box 1999). The first concern is that citizen as customer redefines the relationship between the government and the public as a passive commercial transaction, rather than an interactive political engagement. It strengthens the idea of elitist politics and reduces a complex relationship to a simplistic voluntary one (Box 1999). According to Barnes (1995), giving the citizens more choice to choose between channels or services would be beneficial but achieving mechanisms that improve their voice option should remain the main objective.

A detailed discussion of this issue can be found at (Roberts 2004). Improved public services and better quality affect citizen ship is discussed by Perry&Katula 2001. They come to the conclusion that there seems to be a positive relationship between service and citizenship/volunteering. However, they were only able to draw their findings on a limited number of studies (37) so generalization is risky and more research also needs to be conducted in that area.

The emergence of electronic government in the late 1990s added a new momentum to the New Public Management oriented reforms and especially research on how to improve public services through online applications (Caldow 1999, Cook 2000, Lucke von 2001, Fountain 2001, Gisler 2001, Ashford 2002, Abramson&Morin 2003). About the same time, the first publications about the application of the Customer Relationship Management concept in the public sector can be found in the literature (Deloitte Research 2000, Kable 2000, Souder 2001, Accenture 2002, Bauer et al 2002, Hewson 2002, Peoplesoft 2002, Accenture 2003, Herron 2003, Bleyer 2004, Hewson 2004). Nevertheless, the topic is still mainly dominated by private sector consulting companies rather than by academic community. At this point it is not possible to identify certain research streams on CRM in the public sector.

The paper aims to review the latest findings in CRM research for the private sector and connect it to the public sector. Finally, it tries to identify a scheme for future research. I will first outline the concept of Customer Relationship Management and how it could be transformed to Citizen Relationship Management. Thereafter, some experiences from the private sector will be discussed before I briefly elaborate on a conceptual research framework.

2. FROM CUSTOMER RELATIONSHIP MANAGEMENT TO CITIZEN RELATIONSHIP MANAGEMENT

Customer Relationship Management can be defined as a holistic management approach, enabled by technology with a broad customer focus, to start, maintain and optimize relationships and to make customers more loyal/profitable. CRM requires a customer centric business philosophy and culture to support effective marketing, sales and service processes. The main goal is to optimize the customer value within the customer lifecycle. (Bruhn & Homburg 2002). This is an aggregation of the many perspectives on CRM that exist (Payne & Frow 2003). For a detailed overview of definitions and research streams see Zablah 2004. Some authors emphasize the implementation of a single technological solution, others the implementation of a series of customer-oriented technology solutions and the final group stresses the holistic approach.

CRM builds on the principles of relationship marketing (Berry 1983). Unlike transaction marketing which focused on the selling process (a one time

transaction), relationship marketing is attracting, maintaining and enhancing customer relationships. Other influences come from Total Quality Management (TQM), Business Process Reengineering (BPR) which are already both included in New Public Management and Knowledge Management. Several trends like the developments in the ICT (e.g. decreasing costs, sophisticated software, higher speed), the rigid global competition, and growing knowledge in the marketing field (one-to-one marketing (Peppers & Rogers 1993) or permission Marketing (Godin 1999) had an impact on the CRM evolution.

Customer Relationship Management can be divided into three parts: Collaborative CRM, operative CRM and analytical CRM. Collaborative CRM is focused on channel management. Channel options are:

- Shop / outlets / counter
- Telephony (call center)
- Internet
- Mobile
- Sales force

Collaborative CRM involves decisions about appropriate combinations of channels or how to keep a single view on the customer and offers a consistent customer experience across channels. Electronic channels are very attractive as their self-service potential offers the chance to reduce costs. The integration of channels with operative processes in the back office is also a very important issue. The processes in the back and front offices are streamlined through operational CRM. Applications would be Enterprise Resource Planning (ERP), Sales Automation (SA) or Computer Aided Selling (CAS) systems. The organization and interpretation of customer data through data mining or OLAP are within the area of analytical CRM.

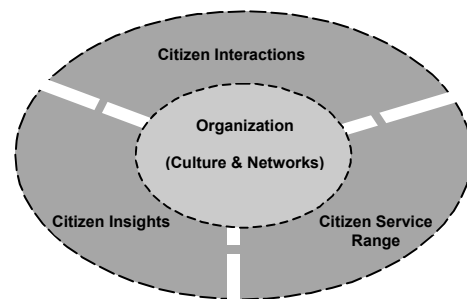


Figure 0: The CiRM framework

Basic principles of CRM are personalization (products, information, services), integration (planning processes, business process reengineering, product development), interaction (channels, long-term communication, surveys), and selection (identify the top 20% of customers who make 80% of the

profit). Moreover, change management and a strategy promoting customer oriented culture is vital to any CRM concept or project. **Figure 1** summarizes these principles and visualizes the importance of the holistic approach of a CRM/CiRM.

While identifying and retaining the most profitable customers in a commercial sense can not be the objective of public sector CRM (Rocheleau 2002), delivering high quality citizen oriented public services is on the agenda of the government. In fact, the psychology of the citizen as a customer of public services is poorly understood in comparison to the consumer. The concept of the customer in public services is complex and multi-dimensional (Laing 2003). Citizens can be service recipients, partners in service provision, performance supervisors or taxpayers (Hirschman 1999). Citizens have competing demands and engage in different types of relationships with the government (Ryan 2001). There is also very likely a difference in their ability to influence and communicate with the government. A CiRM system enables the public service employees to have access to citizen profiles while they are in contact with the constituents or build other databases. In this way, they can offer more personalized information and services and also identify possible emerging problems. (O'Looney 2002). Beyond that, the systems can give the clerks low in the hierarchy more accountability as the rules they are to follow are embedded within the software and not the decision maker (Fountain 2001). As claimed by Janowitz 1957) such a system might finally connect the substantive knowledge (e.g. clients, face-to-face contacts) of lower level employees with the functional knowledge (e.g. strategy, communication, management) of upper-level administrators and avoid their isolation and at the same time give them clear information.

Therefore, **Citizen Relationship Management (CiRM)** can be defined as a strategy, enabled by technology with a broad citizen focus, to maintain and optimize relationships and encourage citizenship. Since we are currently in the early stage of the emergence of CiRM this is a working definition. CiRM could be part of the New Public Management just like TQM or seen as an additional concept to the eGovernment framework.

One-Stop Government also (Hagen 2000, Wimmer 2001, Fountain 2001) has a lot in common with the concept of CiRM. Successful implementation requires a network oriented organization, collaboration between government levels, multi channel options, and a reengineering of public services and the underlying laws. The internet channel has the potential to reduce government information, communication and transaction costs and plays a vital role in the One-Stop concept as well as IT and the Internet in CiRM.

3. CRM LESSONS FOR THE PUBLIC SECTOR

Technology is not needed to improve the citizen orientation in the public sector. Changing office hours, the redesign of the waiting areas or the opening of one-stop service centers are just some examples that have had an impact on citizen satisfaction/citizen orientation (Bogumil 1997). Recent empirical studies suggest that CRM technology only has a moderate to weak impact on the overall success of companies' relationship building efforts (Reinartz, Krafft, Hoyer 2003). Electronic Government and CiRM make a difference and open totally different opportunities. However, the reported success rate of CRM solutions in the private sector varies between 30 to 70 percent (Verhoef & Langerak 2002). The organizational challenges inherent in any CRM initiative and the diversity of people involved pose another threat. Many projects fail because of the lack of coordination between strategy and processes. Public Administrations have to understand all processes in great detail which might not be possible due to human resource constraints. Another very important issue for the public sector are costs due to budget constraints especially at the local level. It can take up to 24 months until a full CRM system is implemented, a rather long time in the political sphere, and costs usually run from 60 to 130 Mio. USD (Rigby & Reichheld & Scheffer 2002). Therefore, sunk costs are another important factor that have to be considered before a CRM approach is chosen. Switching between systems is not possible. **Table 1** illustrates some major differences between in the private and the public sector and the constraints on the use of CRM.

CRM systems rely heavily on databases and establishing connections to legacy systems. To be efficient, information systems should be able to talk horizontally and vertically on all state levels. How far and where this is optimal is yet to be determined. The chances of creating more, rather than cutting red tape are high if we consider a paper by Peled (2000).

A government connected (a term also being used is joined up) at all state levels and data bases with citizen profiles are on the one hand much more efficient and imply major improvements but raise a vast array of questions from a democratic viewpoint. These include questions on the control of the data access and how to protect it and again on the effect of the role of the citizen within the state. At its very core such a scenario also underpins the collectivist concept of citizenship, which places primary needs on the broader needs of society and social justice rather than the narrow needs of individuals.

Tab. 1 Major differences between CRM in the private and the public sector

Private Sector	Public Sector
Competition (some)	Monopoly
Market orientation	Jurisdiction
Million relationships	Millions / Billion relationships
Homogeneous product range / controllable quantity	Huge number of heterogeneous products (services) / uncontrollable due to political decision making
Personalization	“One size fits all” approach
Segmentation (Pareto rule 20-80)	Segmentation possible / no termination of unprofitable customers
Budget / sunk costs	Budget / sunk costs
Legacy systems (IT)	Legacy systems (IT)
	Poor service image
Organization culture	Organization culture
	Human resources (lack of knowledge, salaries not competing with private sector)
Laws	Laws
	Accountability/ Federalism
	Political influence (planning cycle)
Profit orientation / maximising the shareholder value	Democratic understanding / philosophy

4. TOWARDS A CONCEPTUAL FRAMEWORK OF CiRM RESEARCH

With greater research emphasis being placed on public sector CRM and its capabilities, the following scheme can be considered for future research. While talking about improving public services and using the rhetoric of “customer orientation” is necessary, a broader understanding or goal of these two concepts should be defined. Of course democratic decision can only be reached through an open discussion in the area of politics. In order to be able to understand citizens better research should be done in the following areas:

Citizen

- Psychology of citizen a customer
- What constitutes a good citizen as customer experience
- How to measure citizen satisfaction?
- Will improved public services will have an effect on citizenship / public deliberation?

- How to define and identify customer? And channel users?
- Segmentation
- Quality assessment
- Which effects would a fully implemented CiRM on all horizontal and vertical levels of government have on the citizen government relationship.
- Which data would citizens allow to be shared across the public administration with respect to the success of reward cards?

Interdisciplinary transfers from consumer research to the public sector might provide interesting insights and starting points for further and deeper research.

Channels

- How one channel can compromise efforts on other channel
- Processes understanding, volumes, costs
- Which data of citizens should be collected for a single citizen profile file?
- Review of channel economics

Agencies

- Structure, Costs or Time of public processes
- Networks between public agencies
- New ways of organizational structures for public agencies or the public sector.
- Which data would improve processes and services
- Which data is already accessible

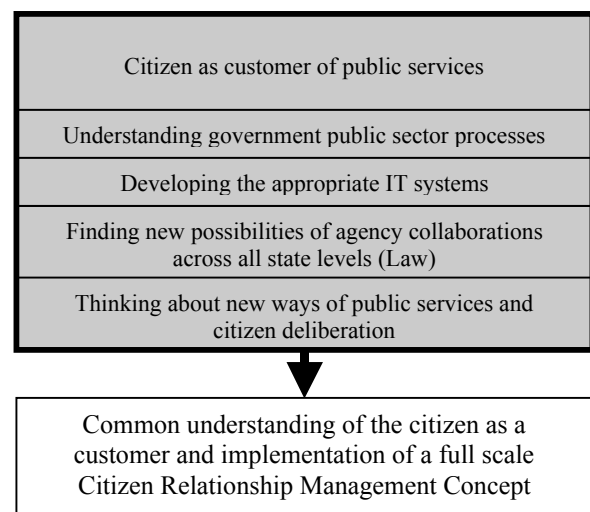


Figure 1: Towards a CiRM research framework

Other topics should include organizational factors, public law and the link to electronic government. **Figure 2** summarizes these questions into different research areas. The goal is to come to a common understanding of citizens as the customer. The list presented is by no means complete and is related to ongoing research.

5. CONCLUSION

Customer Relationship Management is a holistic management approach, enabled by technology with a broad customer focus, to start, maintain and optimize relationships to make customers more loyal/profitable. Citizen Relationship Management (CiRM) can be defined as a strategy, enabled by technology with a broad citizen focus, to maintain and optimize relationships and encourage citizenship. Although many facts and case studies encourage the use of CiRM, experience from the private sector shows that the government needs to do a detailed assessment of the concept. On the one hand, it facilitates new ways of thinking about public services and the government citizen relationship in general. On the other hand, it is prone to failure. There is also a gap of knowledge about citizens in the public service administrations that can only be filled by academic research. Especially the research complex of the citizen as consumer of public services and its relation to citizenship.

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