



Investigating the effect of the social customer relationship management (CRM) on customers and financial performance: Evidence from Iraq

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ABSTRACT

This research aims to investigate the effect of the social customer relationship management (CRM) process on achieving superior levels of costumers and financial performance. The object of this research is the Iraqi firms at the Iraqi environment market, while the subject is more than 200 respondents. Six variables from the research data were gathered through an instrument model invalid form that structured to be measured through reliable questionnaires. Statistical Analysis of the research data used partial least squares structural equation modeling with the significance in accordance with the output of SPSS 22.0. The findings indicate that the social CRM technologies of the firms improve the innovation activities on Both (services and products). This has a positive effect on the ability to achieve high performance through building customer-linking capabilities by adopting innovations, resulting in higher levels of efficiency. In exchange, higher levels of consumer contribution lead to having positive levels of customer and financial performance.

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Introduction

Although the customer relations management (CRM) has failed in many firms (Rahimi and Gunlu 2016), considering the strategic imperatives in the industry. Although previous research has recorded several explanations for the failure of conventional CRM technologies (Jayachandran et al., 2005; Trainor, 2012), the role of social technology for success is being investigated by the emerging CRM research.

The growth of social media has major consequences for the business. Social media have brought in a value-creation environment information-rich and empowered customer (Hennig-Thurau et al., 2010). "Social media have become a valuable resource for the experiences of tourists where they can show explicitly their experience and satisfaction / unhappiness with the tangible qualities of their destination" (González-Rodríguez et al., 2016, pp. 19-20). This user-generated content can influence other customers' decisions considerably (Viglia et al., 2016). Simply put, social networking sites (SNSs) are changing the business activities. They change and reverse the way in which consumers gather information in the decision-making process (Li and Chang, 2016).

Social networking tools give firms a way to track customer feedback but also to proactively respond to customer satisfaction (Kim et al. 2016; Xie et al. 2016). The major benefits of social technologies are the ability to draw on high-level, real-time interactions between consumer groups in social networks. Firms can now become part of such experiences and increase consumer participation by adding value (Trainor, 2012). Co-creation of value, a shared value creation for a company and its consumers (Vargo et al. 2008). Social CRM "the convergence of conventional customer-facing practices with new social media applications, including processes, structures, and technologies, to engage consumers in interactive conversations and improve customer connections," is therefore of particular significance to the firms' activities, considering the essential importance of customer experience for success. Therefore, it remains to be answered how social CRM contributes to improved efficiency. In other words, what are the effects of social CRM on customer and financial performance? It is important to understand this connection, because social media are often used by businesses

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without a clear understanding of how these technologies boost performance (Trainor et al., 2014). In addition, social media shortcomings have been due to the lack of programming for social CRM events (Rapp and Ogilvie, 2016).

In this review, we depend on the resource-based view (RBV), the theory of dynamic capabilities, and the service-dominant logic (S-D) to fill the gap. Taking these views as a basis, we propose and test a structure offering a holistic view of how the social CRM technologies process improves customer and financial performance. The purpose of this research is therefore to address the following questions from the research:

- 1- What are the key outputs of the social CRM technologies?
- 2- What is the chain of effects resulting from the social CRM process leading to superior financial performance levels?

Responding to these questions is important given the lack of research to guide Iraqi firms in the successful implementation and management of social CRM initiatives (Trainor, 2012; Trainor et al., 2014).

Literature Review

Social customer relationship management

This research in line with Diffley and McCole (2015), social CRM is conceptualized, following Jayachandran et al (2005). Diffley and McCole (2015) indicated that the process of social CRM reflects key organizational routines, including social networking activities, used by a corporation to build long-term relationships by engaging consumers in efforts to gain value. This draws attention to the role of resources and capabilities in the creation of company innovation activities (Barney, 1991; Grant, 1991) and is the point of departure in our conceptualization of the chain of effects by which success impacts on social CRM capabilities and use. As a crucial contribution to innovation initiatives, the tools and skills inherent in the social CRM process operate. Based on the RBV, the information tools accessible through the collaborative experiences enabled can be of benefit in company innovation activities when combined with information through consumer touch points (Trainor, 2012). As a dynamic capacity, in view of the competitive environment such as hotels, social CRM technologies will contribute to sustained innovation activity. As Lusch et al. (2007, p. 9) communicated:

It is impossible for an organization to remain stagnant in its value propositions or services offered; service developments are therefore instrumental. These developments rely on the set of competencies that can be continuously refreshed, developed, incorporated, and transformed by the organization. This creative practice is accomplished by mutual experiences with customers by applying the S-D logic. In addition, the position of customers as co-innovators has led to innovation emerging in a service sense (Michel et al., 2008) in which innovation expands beyond tangible offerings alone to encapsulate intangible effects of customer partnerships (Vargo, 2008). This involves the development, from design to delivery, of new market offerings (Payne et al.2008); new mechanisms for servicing consumers (Mele, 2009); and marketing program creation (Mele, 2009); (Lusch and Vargo, 2006). It is important to recognize this link in the overall chain of effects from social CRM to business results, since CRM literature has emphasized the role of innovation in achieving a sustainable competitive advantage (Ernst et al., 2011). Given the interactive interactions created by the subsequent opportunity to hire customers as co-innovators and thus produce real customer-centered innovation" as CRM moves into a social context, this innovation capacity is strengthened (Woodcock et al., 2011, p. 50). This is of particular importance in industries and firms, where there is the potential to provide an environment of experience where innovations can be tested on experience of co-creation. While the innovation potential of collective customer experiences has been highlighted by hospitality literature (Shaw et al., 2011), empirical evidence to support this is missing (Santos-Vijande et al., 2015; Snyder et al., 2016). Accordingly:

H1. Social CRM technologies have a positive influence on the capacity of consumer linking.

A customer-link capability, drawing on the RBV, can be seen as a purposeful and knowledge-based combination of rare and inimitable tools that is a key source of competitive advantage for the business (Barney, 1991; Day, 1994; Hooley et al., 2005; Rapp et al., 2010). Dynamic capabilities and the S-D rationale also provide a key lens through which a customer-linking capability can be built and sustained in the age of social CRM, as evidenced in Sections 2.2 and 2.3. Research shows that the creation of a customer-link capability contributes to higher customer performance levels through greater loyalty and satisfaction (Hooley et al., 2005; Rapp et al., 2005; Al., 2010) and procurement (Rapp et al., 2010). Such results have important consequences for the current research, since CRM's main objective is to acquire and retain customers by creating and sustaining mutually beneficial relationships (Kim et al., 2010). This goal remains critical in the age of social CRM and the motivated client (Trainor, 2012). Although the direct effects of social CRM on customer success have been demonstrated in previous social CRM studies (Choudhury and Harrigan, 2014; Diffley and McCole, 2015; Trainor et al., 2014), this research proposes how to achieve these higher levels of customer performance. Through the creation of a customer-linking capability, the collective experiences provided by social CRM and the innovation opportunities provided as a result could lead to improved customer performance. This shows the second link in the chain-of-effects by which innovation is influenced by the client linking-capability process:

H2: Does customer-link capacity have a positive effect on service innovation?

H3: Does customer-link capacity have a positive effect on product innovation?

innovation, customers are central (Gomezelj, 2016); they are "co-innovators of experience, since innovation takes shape in their interactions and performance and in their outspoken ideas and comments" (Jernsand et al., 2015, p. 115). Co-innovation organizations play a vital role in obtaining access to this information (Parmentier and Mangematin, 2011). Business offerings (Payne et al., 2008), innovative customer service systems (Mele, 2009) and marketing campaigns (Lusch and Vargo, 2006) that arise from the co-innovation process are the application of customer needs and desires. These needs and preferences represent value ideas that serve as a means of constantly involving consumers in the co-creation of value (Kozinets et al., 2008; Lusch et al., 2007). Co-innovation is also a contribution to the creation of superior consumer value (Mustak et al., 2013). This dedication is the essence of a capacity for consumer interaction (Day, 1994; Rapp et al., 2010), an external capacity that reflects a greater awareness and willingness to adapt to changing customer needs and expectations (Day, 1994). Embedded inside the

Customer-link capabilities display many of the features of sustainable competitive advantage development" from the perspective of RBV and dynamic capabilities" (Hooley et al., 2005, p. 19).

A customer-link capability is based on the capacity of a company to master close customer contact, organize activities with customers and collaborate with them to distribute better products, representing how effective a company is in building and maintaining enduring customer relationships (Rapp et al., 2010), with social technologies playing a central role (Chen and Vargo, 2014). These superior offers are not only provided to customers in the era of social CRM, and based on S-D logic, but rather generated with them through co-innovation activities (Trainor, 2012). As Mustak et al. (2013, p. 353) outlined, "customer involvement leads to the creation of offers that are more closely aligned with the spheres of value creation of customers and ultimately help them to create superior value." Despite representing an important skill, few studies have examined the antecedents (and results) of a capacity to connect customers (Rapp et al., 2010). Thus, we postulate:

H4: Innovation in service has a beneficial impact on the efficiency of customers.

H5: Innovation of goods has a positive impact on the financial results of the company.

Research shows that the creation of a customer-link capability leads to higher levels of revenue, market share (Hooley et al., 2005), investment return and overall profitability (Rapp et al., 2010). Such results have major consequences for the present research. CRM is concerned with the creation and preservation of client relationships that are mutually beneficial and efficient (Herhausen and Schögel, 2013). A review of literature highlights a lack of research analyzing the effect of social CRM practices on financial results as CRM progresses into a social context. However, literature shows that in a social sense, the extension of CRM has in view of the greater consumer insight and positive impact on financial results, Commitment given by social technologies (Trainor, 2012; Woodcock et al., 2011). As Woodcock et al. (2011, p. 50) outlined:

Utilized with customer relationship management, social media will provide businesses with financial benefits no matter what industry. The advantages are based on increasing 'insight and involvement of the client' and are not secondary but central to driving business efficiency.

Therefore, through the creation of an innovation, the collaborative experiences created by incorporating SNSs into the CRM process, and the product innovation opportunities provided, as a result, should also contribute to improved financial results. This illustrates the fourth component in the chain-of-effects in which the invention of the product influences the company's client and financial results. Therefore:

H6: Innovation in goods has a positive impact on the consumer efficiency.

H7: Innovation of goods has a positive impact on the financial results of businesses.

The positive relation between client and financial results has been shown by studies (Hooley et al, 2005; Rapp et al., 2010). Given that CRM is concerned with developing and sustaining mutually beneficial client relationships that are profitable for the company, this correlation is to be anticipated (Herhausen and Schögel, 2013; Kim et al., 2010; Trainor, 2012). Therefore the benefits of customer success generated by creating the improved customer relationships fundamental to CRM should have a positive effect on financial performance (Rapp et al., 2010).

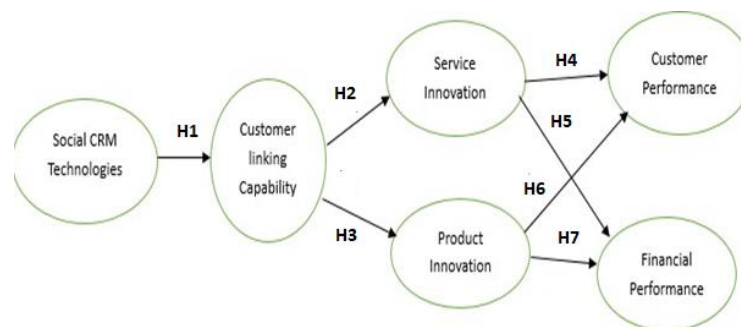


Figure 1: Research Model

Research and Methodology

Data analysis

Using SPSS, preliminary research was carried out. Non-response bias was tested using the extrapolation framework suggested by Armstrong and Overton (1977). No major differences were found in the distinction between early and late responses. When comparing Web and mail responses, this was also the case. Using Harman's single factor test, common method variance was measured. The solution to the factor showed that there was no single factor and that one factor was not responsible for any of the covariance between variables, suggesting that there was no issue with traditional method variance (Podsakoff et al., 2003).

Structural equation modeling of partial least squares (PLS-SEM) was used to evaluate the proposed model. The nature of this study is that of the development of theory, with the goal of proposing and testing a system that gives a holistic view of the way in which firm performance is enhanced by the social CRM process. PLS-SEM is suited to the prediction and hypothesis growth research objectives (Hair et al., 2011). For smaller samples, PLS-SEM is often suggested, showing a greater degree of statistical strength than approaches based on covariance (Hair et al., 2014). Research has shown that with samples of 213 using PLS-SEM, high statistical power can be achieved with (Reinartz et al., 2009). In many studies with similar or smaller sample sizes, PLS research has been conducted (Castellanos-Verdugo et al., 2009; Cohen and Olsen, 2013; Pavlatos, 2015). To analyze the data, SmartPLS 2.0 M3 software was used (Ringle et al., 2008).

The repeated indicator approach was used to estimate the model because of its success in research and the capacity to take the entire nomological network into account (Becker et al., 2012; Hair et al., 2014).

Measurement model

To analyze the data, a two-stage methodology was used (Hair et al., 2011). In order to determine reliability and validity estimates, the first stage involved an analysis of the measurement model. The average variance extracted (AVE) and composite reliability of the second-order latent social CRM and service innovation constructs were tested prior to evaluating the first-order constructs. Table 1 indicates that the values of AVE and composite reliability exceeded 0.50 and 0.70, respectively, thereby evaluating the validity and reliability of the latent variables of the model (Hair et al., 2014). In order to determine indicator reliability, composite reliability and Cronbach's alpha values were used for the first-order constructs (Cronbach, 1970). All values surpassed the minimum acceptable value of 0.70, as illustrated in Table I, thus establishing the internal consistency of these constructs (Hair et al., 2014).

To test convergent validity, the loading of items on their corresponding constructs was examined. Both item loadings, as shown in the Appendix, exceeded the minimum acceptable value of 0.50 (Falk and Miller, 1992). A bootstrap procedure with 5,000 sub-samples showed that at the suggested 3.29 value, all t-statistic values were important. Furthermore, each construct's AVE surpassed 0.50. Convergent validity was thus established.

As shown in Table II, for each construct (in italics), the square root of the AVE is larger than the correlation pairs between each of the other constructs. This suggests that there is also evidence of discriminatory validity (Hair et al., 2014). The structural model was evaluated after determining the reliability and validity of the measurement model.

Table 1: Internal consistency and convergent validity

Social CRM Technologies	0.948	0.954	0.577
Information reciprocity	0.905	0.933	0.777
Information capture	0.899	0.929	0.767
Information integration	0.934	0.953	0.836
Information access	0.934	0.953	0.835
Information use	0.922	0.945	0.810
Value co-creation	0.936	0.954	0.838
Customer-linking capability	0.949	0.955	0.753
Service innovation	0.925	0.943	0.769
Product innovation	0.932	0.949	0.787
Customer performance	0.862	0.907	0.708
Financial performance	0.954	0.962	0.758

Table 2: Discriminate validity

	Social Technology	CRM	Customer-linking capability	Service innovation	Product innovation	Customer performance	Financial performance
Social Technology	<i>0.760</i>						
Customer-linking capability	0.528		<i>0.868</i>				
Service innovation	0.251		0.552	<i>0.900</i>			
Product innovation	0.245		0.621	0.534	<i>0.892</i>		
Customer performance	0.157		0.428	0.820	0.824	<i>0.841</i>	
Financial performance	0.268		0.195	0.435	0.678	0.596	<i>0.871</i>

Note: Diagonal elements (in italics) in the “correlation of constructs” matrix represent the square root of the average variance extracted (AVE); For adequate discriminant validity, diagonal elements should be greater than corresponding off-diagonal elements.

Structural model

Using R2 values and the q2 measure, the predictive value of the model was evaluated. In line with the cross-validated redundancy index (q2) for endogenous constructs, Table III shows the variance explained (R2) in the dependent constructs (Hair et al., 2011). R2 values surpassed the 0.10 (Falk and Miller, 1992) threshold and q2 values exceeded 0 (Hair et al., 2014), thereby establishing the model's predictive relevance. To produce standard errors and t-statistic values, a bootstrapping (5,000 re-samples) technique was used (Hair et al., 2011), enabling the statistical significance of path coefficients to be evaluated.

Table 3: Variance explained and cross-validated redundancy index

Construct	R² value	q² value
social CRM Technologies	0.2788	0.1608
Customer linking capability	0.6960	0.5180
service innovation	0.8032	0.6235
Product Innovation	0.7598	0.5931
Customer performance	0.3069	0.2478
Financial Performance	0.6726	0.4768

Support was found for H1, the positive association between social CRM Technologies and Customer linking capability (B = 0.528; t-values = 5.738) and H2, the positive association between customer linking capability and service innovation (B = 0.582; t-values = 7.701). Support was also found for H3, the positive association between customer-linking capability and Product Innovation (B = 0.584; t-values = 7.703).

Notably, H 4, the positive association between service innovation and customer performance was supported (B = 0.807; t-values = 22.238). H5, also has the positive association between service innovation and financial performance was supported (B = 0.827; t-values = 22.258). H6, the positive association between product innovation and customer performance (B =0.823; t-values = 22.233). Finally, H7, the positive association between product innovation and financial performance was supported (b = 0.733; t-values = 5.493).

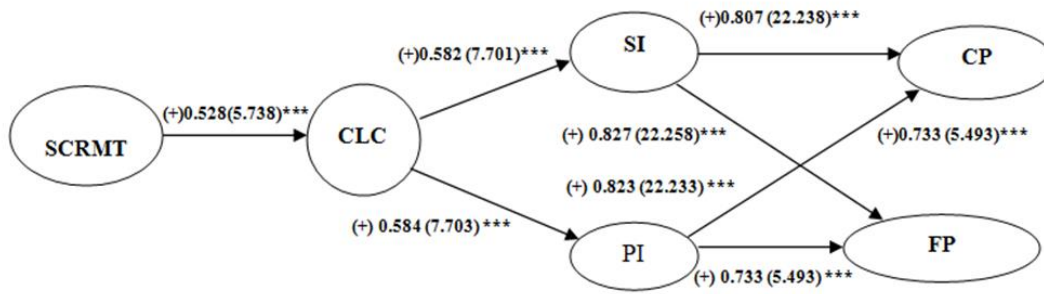


Figure 2: Shows the path coefficients (B) and t-statistic values for the model

Table 4: Items, loadings, t-values and descriptive

Construct	Measurement items	Loading	t-value	Mean	Standard deviation
Social CRM technologies	SCRMT1	0.930	64.373	5.95	1.449
	SCRMT2	0.895	43.224	6.00	1.287
	SCRMT3	0.830	20.473	5.82	1.360
	SCRMT4	0.871	28.525	5.96	1.360
Customer linking capability	CLC1	0.884	39.876	5.84	1.069
	CLC2	0.890	29.868	5.85	1.082
	CLC3	0.893	28.950	5.73	1.255
	CLC4	0.932	61.837	5.96	1.088
	CLC5	0.884	42.714	4.77	1.694
Product innovation	PI1	0.853	30.563	5.57	1.543
	PI2	0.874	27.414	5.70	1.326
	PI3	0.909	46.318	5.65	1.436
	PI4	0.882	35.077	5.58	1.326
Service innovation	SI1	0.918	50.448	5.78	1.381
	SI2	0.931	52.610	5.88	1.294
	SI3	0.925	45.608	5.93	1.228
	SI4	0.829	21.396	5.58	1.570
Customer performance	CP1	0.809	22.515	5.92	1.081
	CP2	0.887	45.298	5.72	1.124
	CP3	0.806	19.189	5.52	1.250
	CP4	0.862	34.693	5.53	1.069
	CP5	0.817	19.745	4.62	1.385
Financial performance	FP1	0.888	31.607	5.24	1.277
	FP2	0.877	26.223	5.30	1.287
	FP3	0.909	43.343	5.25	1.190
	FP4	0.898	39.080	5.08	1.453
	FP5	0.886	35.604	4.79	1.582

Conclusions

The objective of this study was to propose and test a framework that provides a total View of the style in which the social CRM process enhances firm performance. While prior research findings have established a direct and positive link between social CRM and firm performance (Choudhury and Harrigan, 2014; Diffley and McCole, 2015; Trainor et al., 2014), research investigating the chain-of-effects through which social CRM technologies results enhances firm performance is missing. Given the correlation between social media Failures and a require of social CRM planning (Rapp and Ogilvie, 2016), a greater understanding of social CRM from this strategic perspective provides valuable insight in a firm where SNSs are having a substantial effect (Li and Chang, 2016).

This study makes a major contribution to the emerging social CRM literature by identifying Service innovation, product innovation and customer-linking capability as key variables in the chain-of-effects from the social CRM technologies process to performance improvement in a firm’s management Context (Rapp and Ogilvie, 2016; Trainor et al., 2014). Identifying this chain-of-effects

contributes to knowledge regarding how social CRM strategy may be developed and Implemented in the Iraqi firms. The RBV, dynamic capabilities and S-D logic play a key Role in conceptualizing social CRM technologies and identifying this chain-of-effects through which social CRM results in enhanced performance.

Moreover, each of the links in the chain-of-effects through which SCRMT leads to enhanced performance makes valuable contributions. The positive association between SCRMT and innovation (on both products and services) contributes to the lack of research pertaining to the relationship between CRM and innovation (Ernst et al., 2011); social media and innovation (Bugshan, 2015); conceptualizations of service innovation (Snyder et al., 2016); and the firm innovative activity that emerges from collaborations with customers (Santos-Vijande et al., 2015). Despite the dynamic nature of the firm sector (Shaw et al., 2011) and centrality of innovation to success (Campo et al., 2014), research is lacking (Snyder et al., 2016). This first link demonstrates how innovation can occur through the application of social CRM technologies initiatives and the central role of customers in innovation activities. These findings also lend important support to the S-D logic as a suitable theoretical underpinning of the social CRM process and the co-innovative activity that emerges from this process. The positive association between service innovation and customer-linking capability provides critical insight into the performance-enhancing capabilities provided by social CRM (Trainor et al., 2014). Nasution and Mavondo (2008) highlight that firms should invest in the development of customer-linking activities to maximise customer value. Given that few studies have investigated the antecedents of a customer-linking capability (Rapp et al.2010).

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