

*Exploring the nature of Effective Customer  
Relationship Management Capability in the Irish  
hotel sector*

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in Business Studies by Research*



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## DECLARATION

I hereby declare that the work presented in this thesis has been carried out by the author, except where otherwise acknowledged. No element of this thesis has been previously presented for an academic award at this or any other institution.

Signed,

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Richard Drohan

18<sup>th</sup> June 2010

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## **ABSTRACT**

While effective Customer Relationship Management (CRM) is critical for firms to sustain competitive advantage, the academic literature provides little insight into the nature of CRM capability. The lack of a prescriptive focus is particularly problematic in high contact industries such as hospitality, where a strong guest focus is crucial to performance. The Resource-Based View of the Firm (RBV) literature provides a theoretical lens to examine CRM, and significant research has taken place on the customer-relating capability, which has provided a foundation for this research. Therefore, the aim of this study is to explore the nature of effective CRM capability within hotels.

While CRM is a tool that helps to build customer relationships, it has been noted that not all CRM implementations have been successful. The literature does point to the importance of organisational culture to explain effective CRM. However, there has been limited empirical examination of the role of culture in this context. It was determined that in-depth case analysis would provide the optimum research approach to diagnose an effective CRM phenomenon within a hotel context. The hotel which provides the research site for the study is one of Ireland's iconic examples of CRM effectiveness, and has not been subject to detailed empirical analysis to date. A detailed case protocol was developed and a number of sources of information were used for the case study including depth interviews, documentary analysis, observation and sustained researcher interaction with the hotel. Data was analysed using Nvivo.

The study found that the CRM-oriented culture in the hotel exhibits a strong sense of 'family', reinforced by respect and dignity, role-modelling, motivation and empowerment. This dynamic informs the interaction of the key actors, managers, front-line employees and guests. The CRM-oriented culture also informs and is supported by organisational systems such as technology, recruitment and training. The study has resulted in the development of a 'best practice' model for CRM in hotels, which makes a significant contribution to the limited research on CRM efficacy, and also addresses the need for a prescriptive approach to CRM in hotels. This model highlights that effective CRM capability is really composed of three key capabilities in customer-relating, employee-relating, and customer co-creation. This model also provides a number of important avenues for future research.

## **GLOSSARY OF TERMS**

<b>Acronym</b>	<b>Full Term</b>
CLV	Customer Lifetime Value
CRC	Customer-Relating Capability
CRM	Customer Relationship Management
DC	Dynamic Capabilities
HRM	Human Resource Management
IM	Internal Marketing
IT	Information Technology
MO	Market Orientation
RBV	Resource-Based View
RM	Relationship Marketing
SCA	Sustainable Competitive Advantage
SM	Services Marketing
SPC	Service-Profit Chain

# **Chapter 1 INTRODUCTION**

## **1.1 Introduction**

This chapter provides an introduction to this study on the nature of effective customer relationship management (CRM) in the hotel sector. In particular, the study will investigate the capability in CRM, identified as customer-relating capability (CRC) by Day (2003). While this capability is key to the story of effective CRM, it lacks empirical examination. Firstly, a rationale for the research from an Irish tourism perspective is offered. Then, the theoretical context of the research, including the research gap and the intended contribution will be discussed. This chapter also affords the researcher an opportunity to provide his personal perspective on the research. Following this, a brief description of the methodology employed will be presented. The research questions and objectives, which frame the study, will also be detailed. This chapter then finishes with an overview of the entire thesis.

## **1.2 Industry Rationale**

The Irish hotel industry is facing major challenges: rapidly increased bed capacity in the sector accompanied by an international economic downturn. Revenue generated from overseas visitors to Ireland has dropped over the past five years, from €3.9 billion in 2005 to €3.4 billion in 2009 (Tourism Ireland, 2010). This is reflected in the decreasing numbers of visitors over the same period of time (from 8.1 million in 2005 to 7.6 million in 2009). There are 1,056 hotels across Ireland, accounting for 19 percent of all bed nights during 2009. These hotels have 68,000 rooms between them, representing 55 percent of all rooms available in the country (Tourism Ireland, 2010). Thus, hotels account for a significant proportion of the tourism accommodation sector.

However, these statistics mask a greater problem that will have implications for the long-term performance of the sector. Hotel guests have increasingly high levels of expectation about the quality of their hotel experience, and are sharing these views through travel sites such as Tripadvisor.co.uk. This reinforces the need articulated in national strategy to enhance the business capability of Irish tourism firms (Tourism Policy Review, 2003; Fáilte Ireland 2004) and in particular, there is an imperative for Irish hotels to establish and maintain more effective relationships with their guests. Indeed, the tourism industry has experienced a significant loss in competitiveness due to

a lack of academic awareness in relationship capability development (Fáilte Ireland, 2004). This is despite the positive association between CRM capabilities and competitive advantage (Harmsen and Jensen 2004), coupled with many appeals for research to be conducted in the area. Because of the oversupply of Irish hotels built during the Celtic Tiger era, there is now intense competition between hotels, and effective guest relationship management can provide a much needed differential advantage. Therefore, there is a need for Irish hotels to develop CRM initiatives in order to be competitive in times of economic regression.

### **1.3 Theoretical Context**

The overarching goal of this work is to gain an insight into the characteristics of an effective CRM initiative within the context of an Irish hotel. The primary research for this study is situated within a hotel in the south-east of Ireland which has a long established reputation for guest excellence, and importantly, has an exceptional guest retention rate. Therefore, the results obtained can serve as a ‘best practice’ example for the Irish hospitality sector.

CRM represents the organisation’s ability to create and maintain profit maximising relationships with its customers (Zablah et al., 2004). However, CRM programmes frequently fail (Sigala, 2005). However, this is not the case for all organisations: many companies have failed to forge customer relationships through utilising CRM (Sigala, 2005), which may be due to an over-reliance on the technology aspect (Campbell, 2003; Reinartz et al., 2004). The objective of this study is to examine how a Resource-Based View of the Firm (RBV) perspective (Wernefelt, 1984), which links company actions directly to performance (Harmsen and Jensen, 2004) can assist Irish hotels in implementing more effective CRM programmes. The rapid evolution of CRM technologies grants organisations the motivation and the instruments to create strong relationships and enhance customer value (Day and Van den Bulte, 2002).

The RBV is proposed as a theoretical perspective to address the failures of CRM in this study. The RBV is a strategic management framework that aims to elucidate the link between idiosyncratic firm resources and differentials in firm performance (Hatch and Dyer, 2004; Gibbert, 2006). It focuses on how specific resource and capability pools are employed to create and sustain competitive advantage. Firms possessing sustained

competitive advantage (SCA) will enjoy profit earnings exceeding that of their competition. However, while the RBV shows potential as a theory for examining strategic issues, an understanding of RBV is necessary before implementation efforts are considered (Fahy and Smithee, 1999). Significant work by Day and Van den Bulte (2002) and Day (2003) on CRM within the RBV framework has identified that the CRC provides a more satisfactory model of CRM; they argue that the acknowledgement of the cultural context to developing more effective customer relationships in this capability explains its positive relationship with performance. However, this capability has had limited empirical exploration. Therefore, this study will explore the characteristics of effective CRM capability within the Irish hotel industry. Research will encompass the perspectives of both senior managers and front-line staff, important for gaining the optimum view of an organisational capability (see Ulrich and Smallwood, 2004). This will make a significant contribution to the academic literature in further understanding of this key capability, and address a pressing need for insight into more effective CRM in the Irish hotel sector.

### **1.3.1 Gap in Literature and Contribution of the Research**

Affirming associations have been made between CRM and competitive advantage (Harmsen and Jensen 2004; Hooley et al 2005). Despite this, empirical examination of such a connection has been limited and capability research is still in its infancy. If enterprises believe that the customer is “*the central unit of analysis and action*” (Kumar and Reinartz 2006: 4), then building relationships with customers requires firms to possess a CRC. A low level of CRC will inevitably lead to a lack of competitiveness (Zeithaml and Bitner, 2000). This study will close the aforementioned research gap by focusing attention on a firm’s relational approach to customers. More specifically, this will involve the exploration of the nature of effective CRM from a management and front-line staff perspective. In addition to making a first contribution to bridging the existing literature gap through an extensive literature review of the RBV and CRM streams, the thesis also makes useful practical and methodological contributions which are detailed in the final chapter.

## **1.4 Personal Perspective on the Research Problem**

The purpose of this section is to outline the motivation for the study in addition to detailing a general description of the researcher’s values and experiences. Considering

this, the researcher shall refer to himself in the first person. For me, the process began in 2008 when I saw an advertisement on the Waterford Institute of Technology website for a postgraduate research role in exploring the nature of effective CRM capability in the Irish hotel sector. I completed a BA (Hons.) in Languages and Marketing in 2007. Soon after my application, I was invited for a detailed interview with two potential research supervisors, and was then offered the postgraduate position. During my first meeting with my two assigned supervisors, I was given a general overview of the research plan as well as a list of seminal works relating to the domain of research, the theoretical underpinning of the RBV.

Reading the works of various RBV authors allowed me to understand the structure of the RBV, and, in particular, the concept of how collections of resources and capabilities work together to make firms more competitive. Given the aim of the thesis is to explore the nature of customer relating capability centralising the interaction between employees and customers, I realised I had covered several related topics at undergraduate level, most particularly, the area of CRM, as my undergraduate dissertation involved the use of CRM to resolve customer complaints in Waterford City supermarkets. However, I learned that, even though CRM has been successfully used to develop meaningful relationships with profitable customers, not all firms have successfully been able to maintain these relationships. Then, I asked myself the following question: why do some companies succeed in using CRM to build strong relationships with customers whilst others fail? In other words, *what are the characteristics of an effective CRM initiative?*

Further exploration of CRM literature of Chen and Popovich (2003) revealed that successful CRM initiatives require firms to integrate their workforce, technology, and business practices. This reinforced the potential of RBV as a theoretical perspective to CRM, considering that these aforementioned elements are examples of firm resources.

## **1.5 Methodology**

In order to explore effective CRM within the Irish hotel industry, a detailed case study was carried out in an Irish hotel. To ensure rigour, several sources of evidence were used: semi-structured interviews with front-line employees and managers, documentary analysis, researcher observation, including sustained contact with the hotel through

attendance at staff development and an overnight stay at the hotel. A detailed case protocol was developed to control the study. The data obtained from the interviews was subsequently analysed through the Nvivo software program.

## **1.6 Research Questions and Objectives**

As with any type of research, there must be a set of objectives that are set out in order to be able to effectively address the major research questions. Given that empirical examination of this topic is limited, it is crucial that a comprehensive approach is implemented with regard to setting out research objectives that result in creating outcomes that will benefit both academic and practitioner understanding of effective CRM capability in the Irish tourism and hospitality sector.

A research question (or questions) must be recognized as the foremost step of doing research. It is absolutely necessary for researchers to generate questions since it forms the base from which research objectives can be written, clearly demonstrating purpose and direction of the research. For the study, a question was formulated with the intent of focalising on the main themes of the study:

*What are the characteristics of effective CRM in the hotel sector?*

This question evokes a set of research objectives that can give support to adopting a more thorough approach towards achieving theoretically sound research goals. A comprehensive list of research objectives has been compiled below.

- To investigate the nature and characteristics of a CRM-oriented culture.
- To identify the interrelationships between key actors in a CRM-orientated culture.
- To identify the CRM capabilities that lead to sustained competitive advantage.
- To develop a CRM model of ‘best practice’.

## **1.8 Thesis Overview**

This thesis is divided into seven chapters, excluding this one. A brief description of the content of each chapter, in order of appearance, is outlined below.

Chapter two introduces the RBV theory - the theoretical basis for this study. Its intention is to draft the underlying fundamentals of the perspective to be studied as well as providing a solid foundation upon which theory can be built. Core issues such as difficulties with establishing universally accepted definitions of key terms within the RBV as well as tautology will be examined.

Chapter three entails the second chapter of the Literature Review, where the researcher will examine the CRM literature. The nature of CRM will be examined. In particular, a review of the efficacy of CRM will be incorporated into this chapter, which will bridge into the following chapter on Customer-Relating Capability. The aim of chapter 4 is to integrate examination of CRM and its limitations within the context of the CRC.

The following chapter details the research methodology for the study. The philosophical basis to the study will be developed, followed by justification of the case study approach taken to address the research question. Full details of the data collection methods chosen with justification will be outlined. Substantial attention will be paid in this chapter to data legitimisation and a fully developed case protocol will be presented in the Appendices.

Following on from the methodology, the sixth chapter presents the findings obtained from the primary research site, Kelly's Resort Hotel and Spa in Rosslare, County Wexford. Data is gathered from several sources such as interviews with both managerial and front-line staff members, documentary analysis, and observation. Chapter seven is the discussion chapter, which will examine the findings, in the context of the literature.

The eighth and final chapter will conclude on how the study has contributed to the study has addressed the research objectives. The contributions to research will be divided into three streams - theoretical, practical, and methodological. Limitations of the study will be outlined and avenues for future research emerging from the thesis will be presented.

## **Chapter 2                    THEORETICAL PERSPECTIVE**

### **2.1     Introduction**

The purpose of this chapter is to extensively examine the use of the resource-based view (RBV) as the theoretical basis of this thesis. The importance of establishing a theoretical basis for research is paramount as it aids in the generation of research questions, and the resulting methodology (Jugdev, 2004) which should support a better understanding of the fundamental principles being applied to the study. Indeed, Fahy and Smithee (1999) state that RBV is a promising paradigm for contemplating strategic marketing issues provided it is fully understood before putting it into practice. As with many theory-based frameworks, issues arise with respect to designing a logical structure which can be utilized as an empirical research template. The RBV is no exception, considering the differing viewpoints on defining the RBV's core constructs (Fahy and Smithee, 1999; Ray and Ramakrishnan, 2006). Clarifying the terminology used in RBV literature can lead to positive developments in how these constructs are interconnected.

RBV is a strategic management framework that aims to elucidate the link between idiosyncratic firm resources and differentials in firm performance (Hatch and Dyer, 2004; Gibbert, 2006). The core principle of RBV is that the basis for competitive advantage of a firm rests principally on the application of the valuable resource base available to the firm internally (Wernerfelt, 1984; Peteraf 1993; Runyan et al., 2007) rather than external industry factors (Conner, 1991; Teece et al. 1997; Capron and Hulland, 1999). Citing previous research, Chmielewski and Paladino (2007) consider that the RBV defines firms as distinctive clusters of resources and capabilities, which enables them to surpass their competitors over a prolonged timeframe, in the form of sustainable competitive advantage (SCA).

SCA exists when competitors cannot match the value created by a specific firm nor be able to profit from the firms' effort (Barney, 1991). In order to achieve SCA, resources must exhibit heterogenic characteristics and be imperfectly mobile (Barney, 1991; Lado and Wilson, 1994; Mata et al., 1995; Coviello and Cox, 2007). Resources can accomplish these crucial requirements by fulfilling four key criteria: value, rarity, inimitability and non-substitutability (Barney, 1991; Meso and Smith, 2000; Runyan et al., 2007). If these above conditions persist, the firm's collection of resources can assist

it in sustaining durable surplus returns, allowing it to earn economic rents or above-average returns (Fahy and Smithee, 1999).

The earliest origins of RBV can be traced back to classical economics. In David Ricardo's (1817) publication entitled *The Principles of Political Economy and Taxation*; he introduces two major concepts that form the basis of the core outcome of RBV: comparative advantage and economic rents. Comparative Advantage refers to 'the fact that one country has a comparative advantage over another in producing a specific good if the production consumes less complementary goods to create the product or service than compared to other countries, resulting in an opportunity cost' (Sloman, 2006: 637). The term economic rent describes '*the earnings of any factor over and above its supply price, by what it obtains from its opportunity cost*' (Harvey, 1998: 269-270). Rents are realized through scarce, valuable factors that are difficult or impossible to imitate (Ricardo, 1817) such as a unique geographical location, complex organizational routines, or strong corporate reputations (Collis and Montgomery, 1997: 39). Hence, the rent amassed according to RBV is Ricardian in nature, as the qualities of rarity, value and low chance of imitation are essential to create competitive advantage, which, in turn, leads to rent accrual.

The modern foundations of RBV first came into academic examination through Edith Penrose's (1959) work entitled, *The Theory of Growth of the Firm*. Its relevance to modern RBV still endures, contributing directly and indirectly to RBV thinking (see Kor and Mahoney, 2004; Pitelis, 2005; Nair et al., 2008). Penrose (1959) made seminal contributions to academic knowledge of competitive advantage creation and maintenance, isolating mechanisms and economic rents (Kor and Mahoney, 2004). Another researcher, Polanyi (1966) introduced the concept of tacit information. This type of information is frequently derived from unique experiences of an organisation's individuals (Falconer, 2006), and attempts to transfer or copy it can be problematical (Reed and DeFillippi, 1990, Schneider and Lieb, 2004).

Through a review of RBV literature, there are two integral causal components of the RBV framework: resources and capabilities. Understanding how their interrelationships and individual contributions succeed in creating superior and sustainable performance for organizations will be outlined. However, a major shortcoming for the RBV is that

the terminology regarding these constructs is ambiguous and inconsistent (Fahy and Smithee, 1999; Ray and Ramakrishnan, 2006) with their resultant interrelationships also suffering as a result (Priem and Butler, 2001). Terms like resource, capability and competence have all been used interchangeably to convey analogous ideas (e.g. Wernefelt, 1984; Peteraf and Bergen, 2003; Ray et al., 2004), resulting in deficiencies in accurately defining them (Savory, 2006). Indeed, further confusion is created within RBV with the addition of competencies as an important construct for SCA generation (see Ray and Ramakrishnan, 2006; Ljungquist, 2007; Smith, 2008). On the other hand, others see competencies and capabilities as one and the same (e.g. Day, 1994).

Within the RBV literature, there seem to be two deviating views about resources and capabilities: one view considers them identical and the other as distinct entities (Oladunjoye and Onyeaso, 2007). Yet Daft (1983: 101, cited in Barney, 1991) makes no distinction, classifying resources as “*all assets, capabilities, organizational processes, firm attributes, information and knowledge etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness*”. Conversely, Amit and Schoemaker (1993: 35) make a clear-cut contrast between both terms: “*Resources are stocks of available factors that are owned and controlled by the firm*” while “*capabilities, in contrast, refer to a firm’s capacity to deploy resources*”, a dissimilarity supported by Makadok (2001). For Ray and Ramakrishnan (2006), a clear and singular demarcation of these two terms must be established, so that their employment can aid in the systematic theoretical and practical development of RBV.

To achieve this, an exploration of the core components that form the RBV concept is to be carried out. The concept of resources is discussed in the next section, followed by the conditions that enable them to bestow SCA upon firms. Then, literature pertaining to capabilities and dynamic capabilities are examined. Indeed, the RBV presupposes that better understanding unique resources and capabilities can improve the discernment of the relationship between a firm’s strategy and performance (Chmielewski and Paladino, 2007). Yet, Savory (2006) contends that clear distinctions must be established between these terms to facilitate RBV at the operational level. In Section 2.5, the notion of SCA and its impact on firm performance is studied. Subsequently, the importance of managerial influence in the RBV and criticisms of the theory are briefly discussed. Finally, the application of the theory to the research is outlined.

## 2.2 Resources

For Ray and Ramakrishnan (2006), comprehending the meaning of the term ‘resources’ in the context of strategic management is critical because it is the starting point for consequent discourse on competencies/capabilities. Resources are the inputs of a firm’s value process (Ljungquist, 2007). They are the determining factor in what firms are capable of doing (Collis and Montgomery, 1997). In essence, resources are ‘*the foundation of a firm and the basis for firm capabilities*’ (Wang and Ahmed, 2007: 35), whose development and selection often directly impact on a firm’s strategy and its competitive advantage (Toppinen et al., 2007). This idea is reinforced by Smith (2008: 52), who states that “*without sufficient resources, competencies and capabilities will be starved and incapable of satisfying the demands of the market*”. These statements suggest an accepted consensus that resources are the nucleus of the organisation upon which all firm actions are built and a requisite for long-term success.

It is important to note that RBV makes two core assumptions about firm resources in relation to analyzing them as sources of competitive advantage (Barney, 1991; Peteraf, 1993). First, resources that firms, within a specific industry have at their disposal may be heterogeneous in that resource clusters can differ amongst firms (Martín-de-Castro et al., 2006). The second assumption assumes that resources are imperfectly mobile, the idea that firms encounter cost-related difficulties in acquiring, developing and utilizing a resource compared to a firm already possessing it (Mata et al., 1995). Simply put, rival firms must not be able to hire away valuable resources (Fahy and Smithee, 1999). These two assumptions result in unique, firm-specific resource sets (Ainuddin et al., 2007), implying that they are not easily or readily traded within factor markets (Hu, 1995). Moreover, Rugman and Verbeke (2002) recognize these two suppositions as fundamental for maintaining superior rents.

In general, resources can be categorised as either tangible or intangible assets (Afiouni, 2007). Examples of tangible resources are land, capital, labour, machinery, and technology (Collis and Montgomery, 1997) whilst intangible resources include know-how, reputation, organisational culture and knowledge (Hall, 1992). Furthermore, resources can be divided into four basic types: financial, physical, human and organizational (Barney, 2002). Prime examples of financial resources consist of funding obtained from banks and venture capitalists, retained earnings and revenue generated

through stock and bond acquisitions (Adams and Lamont, 2003). Physical resources include the technology used in a firm, its plant and equipment, geographic location and accessibility to raw materials (Barney, 1991). Human resources refer to the firm's ability to attain and retain managers and workers through training and development (Idris et al., 2003). Organisational resources include internal research, planning and motivation systems, their supporting processes or routines, knowledge, learning, reputation (Marino, 1996) and brand names (Chatterjee and Wernerfelt, 1992).

Particularly noteworthy is that not all resources are of equal importance nor does their utilisation guarantee a competitive advantage (López, 2003; Martín-de-Castro et al., 2006; Savory, 2006; Chmielewski and Paladino, 2007). Certainly, there are resources that have a null, or even, an inhibiting effect on generating competitive advantage (Barney, 1991). Consistent with this idea is Wernerfelt's (1984) notion that resources are sets of firm strengths or weaknesses. Although a simplistic definition, it reveals a vital aspect of resource management: resource screening. Marino (1996) stresses the importance of auditing resources to reveal the quantity of the resources available, their nature, and their uniqueness (Johnson and Scholes, 1999). Audits help employees involved in the process to identify resources capable of producing SCA (Marino, 1996), allowing organisations to select resources that should be further developed and those to which they should pay less attention (Jugdev, 2004). This practice of understanding the resource pool is likely to help organizations develop effective strategies (Andreu and Cibora, 1996).

Clulow et al. (2007) found that tangible resources, whilst valuable to the firm, do not fulfil the necessary criteria for achieving SCA due to their explicitly visible nature, making them subject to imitation. For these authors, intangible resources are difficult to decipher as they are not amenable to analysis by competitors, rendering them less prone to imitation. Indeed, competitive advantages created by most firms derive from intangible resources (Idris et al., 2003). As certain resources are not capable of maintaining a competitive advantage, firms can benefit from auditing their resource bases, allowing firm to determine which strategic assets they need. Based on the logic of the preceding statements, strategic assets are the only source of SCA and should be largely (but not exclusively) intangible.

Many terms have been used to describe the criteria that resources must fulfil in order for a firm to realize superior performance (see Chmielewski and Paladino, 2007). The most commonly used set of criteria is that of Barney (1991). He posits that such resources must meet four conditions; value, rareness, inimitability and non-substitutability. These four main attributes, commonly referred to as VRIN attributes (Eisenhardt and Martin, 2000) were espoused by Barney (1991: 99) as '*empirical indicators of the potential of firm resources to generate sustained competitive advantage*'. These four conditions are widely accepted as essential for generating SCA (Sheehan, 2006; Cavusgil et al., 2007; DeSarbo et al., 2007). Indeed, the questions raised by these criteria determine if resources are either strengths or weaknesses (Barney, 2002). Fahy and Smithee (1999) present a more parsimonious resource categorisation, suggesting three conditions: value, barriers to duplication and appropriability. It is intended that the determinants offered by Fahy and Smithee (1999) are to be used, as they permit a more concise examination on essential resource characteristics, whilst being complementary to Barney's (1991) VRIN model. To better understand the relevance of the attributes for creating and preserving competitive advantage, each of the three attributes is discussed subsequently.

## **2.2.1 Resource Characteristics**

### **2.2.1.1 Value**

Value to customers is an essential element of competitive advantage (Fahy and Smithee, 1999: 5). Barney (1991) states that valuable resources possess the ability to allow firms to conceive or implement strategies that enhance organizational efficiency and effectiveness. Resources can only be of value to a firm if they are capable of seizing opportunities and negating threats (Barney, 1991; Meso and Smith, 2000), thereby improving its market share compared to the competition (Hoopes et al., 2003). Therefore, resource value associates both the internal examination of strengths and weaknesses with the external study of threats and opportunities (Barney, 2002). Value creation is achieved when firms either reduce the cost of its product/service offering or by means of product/service differentiation, permitting the firm to charge an additional premium (Barney and Wright, 1998). Finally, if a resource is valueless to an organization, the fact that it could compensate this by demonstrating other vital characteristics is forfeit, as it can never become a basis for competitive advantage (Fahy and Smithee, 1999).

### 2.2.1.2 Barriers to Duplication

In RBV literature, there are three main barriers that prohibit competing firms from gaining the SCA of a specific firm: rarity, non-substitutability, and inimitability (Fahy and Smithee, 1999). Each of these is discussed below, starting with rarity.

*Rarity* is achieved when a firm enjoys competitive advantage through the utilisation of value-creating strategies not simultaneously used by other competing firms (Barney, 1991). Despite the possibility that such a resource may be exclusive to a single firm (Ainuddin et al., 2007), it is assumed that more than one firm will possess a specific resource at any given moment (Meso and Smith, 2000). So, if several competing firms possess an identical valuable resource or capability, it is improbable that any of these firms will enjoy competitive advantage (Barney, 2002). Indeed, these organisations will only have competitive parity at best (Barney, 2002). Despite this, competitive advantage is still possible providing that the number of firm possessing the resource in question is held by less than the number necessary to create perfect competition dynamics (Barney, 1991, 2001; Carmeli and Tishler, 2004). This condition is further qualified by Hoopes et al. (2003), who assert that resources must be scarce in supply proportionate to demand in order for rarity to exist. Furthermore, firms must realise that both value and rarity are necessary but not sufficient conditions for SCA; resources must satisfy other conditions to grant firms with SCA. Both value and rarity are necessary conditions for competitive advantage genesis (Barney, 1991). However, valuable and rare resources can only remain sources of SCA if firms that do not currently have them face cost-related difficulties in acquiring them compared to those that already have them (Barney, 2002). The duration of a competitive advantage is determined by the extent to which both inimitability and substitutability are possible, whose effect corrodes a firms' competitive advantage (Sirmon et al., 2008).

Barney (1991: 111) interprets the concept of *non-substitutability* or equifinality (see Bowman, 2001; Priem and Butler, 2001 for use of term) as the condition whereby '*there must be no strategically equivalent valuable resources that are themselves either not rare or imitable*'. Inherent in the term 'strategically equivalent', implies that the exploitation of two valuable resources or sets of resources, separate of one another; can lead to the implementation of identical strategies (Barney, 1991). This makes it possible for the existence of many resource combinations that could generate the same value for

firms (Barney, 2001, Priem and Butler, 2001). Hence, resource substitution directly impacts both the realization and preservation of competitive advantage (Peteraf and Bergen, 2003).

The concept of *inimitability* is described by Dierickx and Cool (1989) where firm resources are rendered imperfectly imitable due to one or a combination of three conditions: (1) unique historical events play a role in firms being able to obtain resources, (2) the link between a firm's resources and its sustained competitive advantage is casually ambiguous, or (3) the resources employed to generate SCA are socially complex. Physical and time-based factors can either allow or obstruct firms from acquiring and exploiting certain resources (Barney, 1991). The concept of "path dependencies" allow firms to evolve along unique trajectories to the degree that each firm creates its own distinct resource and capability bases conditioned by its unique experiences (Lockett, 2005). Moreover, exceptional historical conditions make it very difficult, if not impossible, for competitors to replicate resources (Marchington et al., 2003; Ainuddin et al., 2007). Mata et al. (1995) recognize that the capacity to develop resources and capabilities at lower costs could be thanks to simply being "in the right place at the right time" and future replication efforts by competitors could incur very high costs (492). Dierickx and Cool (1989) introduced the concept of time-compression diseconomies, a concept they compare to the law of diminishing returns. The crux of this notion states that competing firms are incapable of perfectly replicating a firm's value added activity quickly (Dierickx and Cool, 1989). Considering this, firms must be patient and fully committed to developing SCA-generating resources.

Causal ambiguity is prevalent in instances where the correlation between resources under the firm's command and its SCA is poorly understood or undecipherable (Barney, 1991; Capron and Hullan, 1999). When a link like this exists, firms attempting to imitate such SCA-generating resources will encounter serious difficulties in decoding them. Reed and DeFillippi (1990) mention that companies need to reinvest in resources of a causally ambiguous nature to counter competitive forces that can erode imitability barriers. These authors posit that three characteristics determine the extent to which resources create causal ambiguity explicitly: tacitness, complexity and specificity. Tacitness refers to the fact that portions of created knowledge from the innovation process are non-codifiable (Rao, 2005). It is embedded within individuals, and is

difficult to disseminate and can disappear if these individuals leave the organization (Meso and Smith, 2000). As employees gain increasingly idiosyncratic knowledge, they are able to make progressively inimitable contributions to a firm's learning performance, satisfying the necessary condition for human capital to be a source of competitive advantage (Hatch and Dyer, 2004). This tacit knowledge is rendered immobile even if the individuals possessing it are later recruited by rival firms (Fahy and Smithee, 1999). As a result, the causal link between actions and results is not as lucid or comprehensible by external entities (Reed and DeFillippi, 1990). This complicates the transfer and trading of knowledge and increases the cost of imitation (Rao, 2005).

Social complexity comes from the presence of many technologies, routines and both individual and team-based experience (Reed and DeFillippi, 1990). It occurs when resources become embodied in the organisational routines, systems and culture, and/or when their utilisation is distributed across multiple organisational functions (Dierickx and Cool, 1989). These embodiments of resources assist in establishing causal ambiguity (Ainuddin et al., 2007). Furthermore, these organisational aspects could be beyond the ability of firms to manipulate freely (Barney, 1991; Mata et al., 1995). Finally, the third condition of specificity refers to transaction-based skills and assets used in production processes and service provision for distinct client bases like government bodies and businesses (Barney, 1991). This condition exists when actions originating from resources and capabilities are highly specific and interdependent, involving internal and external transaction associates of any given firm (Reed and DeFillippi, 1990). The notion of specificity is linked with aforementioned concepts of time compression diseconomies (Dierickx and Cool, 1989) and path dependencies (Lockett, 2005), restricting the propensity at which identification and replication of a firm's activities is possible (Barney, 1991).

### **2.2.1.3 Appropriability**

Appropriability refers to the ability of transforming value added into profit (Kay, 1993; Fahy and Smithee, 1999). It concurrently poses the greatest challenge and opportunity for strategic planning (Rao, 2005). The academic discourse on appropriability is scarce. Nevertheless, it is important as it can help organizations identify those who benefit financially from their assiduous efforts. The rationale for this awareness is the fact that

simply possessing a superior resource capable of preserving a competitive advantage does not automatically bestow superior profitability to the firm that employs it (Becerra, 2008). Price setting plays an important role in the appropriation of value and this skill must be mastered in order to maximise rent earned (Dutta et al., 2003). Coff (1999) claims that resource stakeholders have bargaining power with respect to remuneration and this, along with other resource attributes, determines the amount of rent created by firms. Such payments to stakeholders would diminish firm performance despite the resources being sources of competitive advantage (Ray et al., 2004).

To put simply, appropriability seeks to answer whether profits generated by a firm's resources will be retained by the firm or be distributed to other parties (Tangpong, 2008). This concept has gained particular attention with respect to a firm's human resources (Fahy and Smithee, 1999). Employees' wages and benefits depress returns and can negatively impact the measure of organisational performance (Coff, 1999). Patent holders can also expect to earn a portion of the profit gained by licensees who benefit from the licensee's intellectual property (Wernefelt, 1984). Firms should be aware of these value slippages which occur when the party creating the value does not retain all the new value that is created, therefore providing little incentive for firms to continue their value creating efforts (Lepak et al., 2007). In essence, a resource can only be considered as key when its value is acquired within the firm rather than by potential claimants (Clulow et al., 2003).

### **2.3 Capabilities**

Based on the foregoing, there is a realisation that resources on their own will not achieve SCA; they must go through processes in order to become sources of SCA (Fahy, 2000; Ray et al., 2004; Branco and Rodrigues, 2006). This can be achieved through co-operation and co-ordination of resources, with the transformative process representing the capabilities of the firm (Grant, 1999; McGrath, 2008). Capabilities comprise of skills, tacit knowledge and social relationships rooted in the routines, managerial processes, communicative practices, and culture (Pandza et al., 2003). Their embedded nature in routines renders capabilities impervious to trade and imitation (Dierickx and Cool, 1989). According to Day (1994: 38), capabilities ensure 'superior coordination of functional activities'. They represent a firm's resource deployment and reconfiguration capacities (Grant, 1991; Amit and Schoemaker, 1993; Moran and

Ghoshal, 1999; Pandza et al., 2003; Ambrosini et al., 2007; Grewal and Slotegraaf, 2007). Capabilities are tantamount to the glue that combines resource endowments thereby enhancing their deployment (Day, 1994). In essence, they symbolize the capacity of a set of firm resources to be able to carry out a specific task or activity (Grant, 1999). With the long-term critical support of resources, capabilities are key requirements for successful product placement within a market (Smith, 2008).

Many academics see capabilities as a type of resource. Clulow et al. (2007) refers to both intangible assets and capabilities as resources essential for SCA generation. Makadok (2001) considers them special resources that make other resources more productive. According to Fahy (1996), capabilities have three key characteristics: (i) that they are idiosyncratic to firms, (ii) developed over a period of time and (iii) not easily tradable from firm to firm. Dutta et al. (2005) conclude that the inputs used and the outputs created by a firm should be clearly visible, but the ability needed to convert inputs into outputs should only be understood by that firm. This means that they satisfy the necessary conditions of rarity and imperfect imitability, conditions that form a strong foundation for competitive advantage creation (Stalk et al., 1992). Thus, given the development of the preceding logic, capabilities are the most likely form of SCA (Fahy, 1996).

What is particularly noteworthy is that inherent in most of the preceding definitions contain the words 'routines' and 'processes'. Routines constitute actions, increasing a firm's efficiency and effectiveness (Matthews, 2003), that can be very difficult to copy (Teece et al., 1997). Ljungquist (2007) labels capabilities as routines and systems that support organizational processes and activities, a belief echoed by Marino (1996). Collis (1994) fortifies this belief by defining capabilities as socially intricate routines that determine the efficiency with which firms create outputs from inputs. Capabilities need to facilitate the effectuation of business processes (Day, 1994). Routines embody the operational ability to deliver new products and services efficiently, repeatedly and in sufficient volume (McGrath, 2008; Smith, 2008). Essentially, capabilities have to allow workers to perform essential tasks well every time (Smith, 2008).

Capability-based literature places great importance on knowledge accrual and the learning process. Capabilities involve the development, accumulation and flow of

information (Ensign, 2004; Killen et al., 2008). They are intangible resources like know-how and skills which are developed by individuals in an organisation from tangible resources (Bhatt, 2000). Know-how and skills are knowledge components, embedded in a firm's workforce, therefore rendering them firm-specific, socially complex and systemic (Olavarrieta and Ellinger, 1997). The foundation of many capabilities depends on the skills, knowledge and functional expertise of organisations' employees (McGrath, 2008). Indeed, the process by which a firm develops capabilities cannot be divorced from the manner in which it accumulates knowledge (Pandza et al., 2003). This is because both resources and capabilities are altered whenever a firm's knowledge is modified (Pandza et al., 2003). Since the functionality of capabilities is reliant on knowledge accrual, they cannot be bought on factor markets: firms must create them internally (Teece et al., 1997). The RBV also affirms that a capability can increase in value when fused with other capabilities (Ordanini and Rubera, 2008). The combination of two or more capabilities can often enhance imitative barriers, permitting organisations to employ their resources more effectively (Dierickx and Cool, 1989). Indeed, Henderson and Cockburn (1994) refer to capabilities as an organization's aptitude to develop new ones.

#### **2.4 Dynamic Capabilities**

Some authors (Teece et al., 1997; Augier and Teece, 2007; Ambrosini and Bowman, 2009) believe that organisational capabilities themselves are not sufficient for SCA development, and that firms must focus on dynamic capabilities (DC). The emerging literature on DC attempts to redress the claim that RBV is self-verifying (see Tywoniak, 2007). In addition, DC attempts to tackle the issue of 'core rigidities' (Leonard-Barton, 1992) with regards to the development of valuable and unique resources and capabilities (Chau and Witcher, 2008). DC is widely considered as an extension of the RBV (Warner and Fairbank, 2008), and that DC theory is complementary of the principles of RBV (Govind Menon, 2008). DC seeks to aid firms with respect to their 'ability to integrate, build, and reconfigure internal and external capabilities to address rapidly changing environments' (Teece et al., 1997: 516). The main crux for DC is that, in dynamic markets, having the necessary resources is inadequate to preserve SCA; indeed, firms need to continually modify, attain and divest resources to satisfy the demands of changing markets (Daniel and Wilson, 2003), and to develop capabilities that form the basis for product/service offerings (Hou, 2008).

Therefore, if a firm possesses resources that satisfy the necessary conditions (as previously described in this chapter), but does not use any dynamic capabilities, superior returns cannot be sustained (Augier and Teece, 2007; Ambrosini and Bowman, 2009). Ambrosini and Bowman (2009) claim, that without dynamic capabilities, the financial returns attained by such an organisation may be only temporary if the market environment considerably alters. Cavusgil et al. (2007) offer a set of features that render DC distinct: routines, learning, path dependence, asset positions, and replication and best practice. These features represent the firm's capacity to create new forms of competitive advantage through various distinctive processes, organisational asset positions and selected evolutionary paths (Ayuso et al., 2006). The asset collection of a firm and the decision path that it adopts will influence how organisations develop DC (Teece et al., 1997).

It is clear that DC effectiveness requires the presence of resources and capabilities; however, they are also embedded in processes (Prieto and Easterby-Smith, 2006). Indeed, the term 'process' is prevalent in DC definitions (McGrath, 2008). For instance, Zollo and Winter (2002: 340) define DC as 'a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness'. While acknowledging difficulties in establishing how routines are created and developed, Zollo and Winter (2002) state that knowledge management can explicate the evolution of routines. Moustaghfir (2008) concurs with this statement; DC mould firm capabilities by means of assimilating new knowledge, and integrating it into organizational routines. Govind Menon (2008) proffers three core processes that form DC: learning, re-configuration, coordination and integration. Cavusgil et al. (2007) argue that such learning processes are essential for the creation of SCA. It permits organisations to execute the "process by which repetition and experimentation enable tasks to be performed better and quicker" (Teece et al., 1997: 520).

Essentially, its logic is based on the organisation's capacity to create, mould, broaden, and adjust its resources and capabilities, in particular knowledge-based intangible assets, so that it can react to changing needs and wants in markets (Winter, 2003; Kyläheiko and Sandström, 2007). While the operative nature of DC can be standardised, its value originates from the resource combinations they create; they are the

organisational routines which lead and assist the development of its organizational capabilities by alteration of the firm's resource base (Eisenhardt and Martin, 2000). Concisely, DC are indirectly responsible for the creations of a firm's output, by positively impacting upon operational capabilities (Helfat and Peteraf, 2003).

Chau and Witcher (2008) view DC as a higher-order capability that manipulates lower-level capabilities. Therefore, DC can be employed to enhance current resource combinations to create SCA (Eisenhardt and Martin, 2000), ensuring the renewal and development of organisational capabilities, which permit firms to create outputs (Hou, 2008). In essence, DC enable the firm to innovate beyond its current set of routines (Lee and Kelley, 2008). However, DC is of permanent relevance, not just when countering vigorous changes in the business environment (Carbonara and Caiazza, 2008). Wang and Ahmed (2007) suggest that DC is the 'ultimate' capability for generating long-term performance.

## **2.5 Sustainable Competitive Advantage**

Teece et al. (1997: 509) claim that 'the fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage'. The RBV assumes that the desired outcome of managerial effort within the firm is SCA (Fahy, 2000). The RBV examines competitive advantage in terms of a company's resources, both tangible and intangible (Jugdev and Mathur, 2006). SCA transpires in instances where a firm creates a unique core competency (Hoffman et al., 2006), something a firm does better than any of its competitors. This competency has the potential to become a resource that can be a durable source of rents, provided that access to that resource is restricted (Wernerfelt, 1984). Indeed, Mooney (2007: 112) interprets competitive advantage as '*a capability or resource that is difficult to imitate and valuable in helping the firm outperform its competitors*'. This superior performance is visibly reflected in a firm's rent accrual (Fahy, 2000). However, in order for firms to capture the rent-accruing benefit of SCA, they must first succeed in creating competitive advantage (Peteraf and Barney, 2003). Porter (1985) contends that competitive advantage is achieved in one of two ways: either by becoming the industry leader in cost reduction or by product/service differentiation.

When this is achieved, organisations must seek to preserve this competitive advantage. However, the sustainability of competitive advantage cannot be temporally estimated or predicted nor does it last *ad infinitum* (Gunther McGrath et al., 1995). SCA can only transpire when a firm implements a value creating strategy not concurrently being imitated by other businesses, unable to duplicate the benefits of this strategy (O'Shannassy, 2008). This suggests that episodes of competitive advantage that last 'shorter than forever' are ultimately unsustainable (Piccoli and Ives, 2005: 749). Moreover, Chakraborty (1997) stresses that SCA cannot endure ceaselessly, and mention that being capable of re-creating SCA is a more feasible strategy, rather than trying to preserve a single SCA over time. Despite the above fact, the existence of duplication barriers is necessary for the preservation of competitive advantage (Fahy, 1996). Hence, SCA is likely to originate from different places at differing points of time across different industries (Collis, 1994). However, its preservation is only possible if competitors cannot match the SCA holder for value (Barney, 1991). To put simply, the advantage is prolonged on the condition that the implemented strategy is providing value to customers (Busbin et al., 2008), and that the resource is scarce in supply, cannot be perfectly replicable by rivals, and not substitutable (Barney, 1986). Indeed, the condition of SCA exists when rival firms face significant challenges in obtaining, developing, and employing resources needed for value creation (Mata et al., 1995).

## **2.6 Importance of Managerial Influence in the Resource-Based View**

The RBV has important practical implications for managerial staff of organisations (Barney, 2001). Referring to research carried out by various academics at the Harvard Business School, organisational success is dependent on managers (Connor, 2002), as their decisions greatly influence firm performance (Barney, 2002). Manager-based processes are crucial to achieving competitive advantage (Cavusgil et al., 2007). For managers to fulfil this role, they have to choose which resources and capabilities should be utilised in upcoming time phases and in situations where their value becomes uncertain (Pandza et al., 2003). Indeed, the creation of value and SCA resides in the ingenuity of managers to craft unique and inimitable advantages in markets (Connor, 2002).

However, decisions pertaining to resource and capability use are possibly the most difficult for managers, as they are influenced by high uncertainty, complexity, and

interorganisational conflict (Amit and Schoemaker, 1993). Given that managers, each with varying skill sets, control facilities with resources of diverse quality. Moreover, managers may face corporate restrictions that limit their abilities to manage effectively. Additional responsibilities include analysing the firm's competitive environment, cataloguing the firms' strengths and weaknesses and selecting value-maximising strategies (Barney, 2002). With these knowledge transformation processes, managers are capable of producing, articulating, and codifying new resource and capability configurations, representing the basis by which firms increase their operations (Cepeda and Vera, 2007). Williams (1992) suggests that it is the role of managers to convert resources into something of value to a firm's customers. Based on the foregoing, the RBV can be utilised to aid managers in fostering and sustaining their firm's current SCA-generating resources (Barney, 2001).

## **2.7 Criticisms of the Resource-Based View**

Typical of any theoretical framework, the RBV is not without perceived flaws. Several authors have raised the issue of tautology as a major stumbling block for the development of RBV. One of the leading critics of the theory, Priem and Butler (2001) outline reasons why the RBV is currently not suitable as a tool for strategic analysis:

- The RBV developed in Barney (1991) is tautological or self-verifying.
- The concept of equifinality makes it possible for other firms to generate the same value and thus SCA would not be possible.
- The RBV has limited prescriptive implications.

Priem and Butler (2001) draw upon Thomas and Tymon's (1982) concept of operational validity as another issue with which the RBV must contend in order to avoid being tautological. Priem and Butler (2001) interpret this concept as the capacity of a firm's manager to influence key independent variables to test prescriptions proposed by a theory. They focus on Barney's (1991) definition of competitive advantage as a strategy of value creation based on the utilization of resources that are, among other traits, valuable. Priem and Butler (2001) argue that this definition, in accordance with the principles set by Thomas and Tymon (1982), is tautological.

The RBV is unable to prescribe courses of action in the event where organisational threats and opportunities change in a rapid and unpredictable manner (Barney, 2002). This results in value changes of a firm's resource base; such phenomena can transform strengths into weaknesses and vice versa (Barney, 2002). This has implications for the preservation of sustained competitive advantage as firms who hold it, will lose it through major environmental changes which are beyond the control of individual firms (Barney, 2002). Priem and Butler (2001) also argue that resource value is moulded by forces exogenous to the RBV model. Their justification for this is that resources are considered valuable to firms when they exploit opportunities and neutralise threats in a firm's environment (Wernerfelt, 1984). Moreover, the ever dynamic nature of the competitive environment will result in constant value fluctuations of resources (McGrath, 2008). Such value fluctuations will therefore produce indeterminable outcomes in RBV analysis (Priem and Butler, 2001).

Apart from Priem and Butler's (2001) contribution, other academics have raised hindering issues with the RBV. The unit of analysis for the RBV is the firm itself (Barney, 2002) as it sees firms as bundles of resources and capabilities (Penrose, 1959). The analysis of the return potential of these resources must be conducted one resource at a time (Barney, 2002). Access to this type of information is problematic, especially when resources and capabilities are sources of SCA due to their tacitness, causal ambiguity etc. (Barney, 2002). Collis (1994: 147) further expands on this issue: a high level of ambiguity could be detrimental to SCA as the workforce "*may not know what it is doing correctly*". Indeed, such an external change could annul the benefits or convert into a disadvantage (Peteraf, 1993). Infinite regress (Collis, 1994) must be also considered with respect to capabilities as no one 'ultimate' capability exists, and that a capability will continually be superseded by superior higher-order capabilities and that this cycle will continue incessantly. Collis (1994: 148) concedes that "*this analysis implies that we can never disprove the importance of capabilities as sources of SCA*", and recommends that firms should strive to create a meta-capability, the capability that develops the capability to innovate indefinitely, as a means to assert continued competitive dominance. Indeed, this proposition links well with the DC literature; the function of DC is to extend, alter, or forge capabilities (Winter, 2003). The thesis addresses these criticisms by highlighting characteristics of effective CRM capability in an Irish hotel setting. Most notably, the empirical work in this thesis addresses the

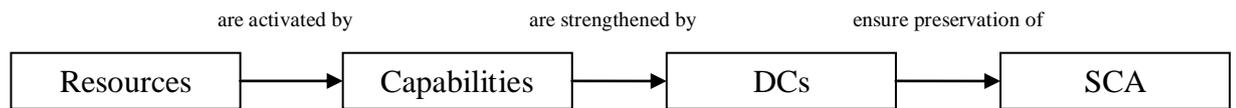
charge of tautology in the RBV by interrogating the underlying forces which are driving the CRM capability, thereby obviating the charge of self-evidence against the capability.

## **2.8 Application of the RBV to the Research**

The RBV views firms as distinct clusters of resources and capabilities and that these resources and capabilities are key proponents for the varying performance levels of firms (Khandekar and Sharma, 2005). From the examination of the literature, resources are the collection of a firm's inputs that can be used to achieve its strategy. The performance differentials rest upon two key axioms: resource heterogeneity and immobility (Barney, 1991; Peteraf, 1993). Valuable resources are therefore dispersed across firms and cannot move easily between them (Barney, 1991). This performance manifests itself in the form of competitive advantage and can be achieved in one of two ways: either by becoming the industry leader in cost reduction or by product/service differentiation (Porter, 1985, 1998; Robbins, 2000).

In order for firms to generate SCA, resources must be valuable, possess barriers to duplication and the rents must be appropriated by the firm (Fahy, 2000). However, resources in themselves are necessary but insufficient for the creation of SCA (Fahy, 2000; Ray et al., 2004; Branco and Rodrigues, 2006). Firms need capabilities in order to co-ordinate resources to achieve and maintain competitive advantage. Capabilities are bonding mechanisms that combine resource endowments which enhance their deployment (Day, 1994). They denote the aptitude of a of firm's resource pool to be able to effectuate an essential task or activity (Grant, 1999). However, the power of capabilities can become less effective over time, and become 'core rigidities' (Leonard-Barton, 1992). To counteract this, the creation of DC have been publicised as special capabilities that constantly change other capabilities in order to maintain competitive advantage. The model (Figure 2.1) below, illustrates how the various constructs of RBV work towards achieving SCA.

**Figure 2.1 RBV Operationalisation Model**



*Source: Author*

The literature analysis suggests all-encompassing definitions of both resources and capabilities. Resources refer to the collection of firm assets whose use will contribute to the creation of SCA. Capabilities, on the other hand, represent the composition of skills, routines, and processes necessary for consistently effective resource utilisation. Using the RBV as the study's theoretical underpinning lays out a strong foundation, and helps the author to focus on literature streams relevant to the CRC. The concept of the CRC, designed by Day (2003), is a function of how firms develop and manage its organization (Day, 2003). It involves the amalgamation of skills, abilities, processes, and procedures essential for a prompt and cost-effective response to customer needs (Rao, 2005) which are vital for the establishment and maintenance of close, mutual customer relationships (Day, 1994). These relationships are not easily understood nor imitated by rivals, giving firms the possibility of developing SCA (Borges-Tiago, 2008). Despite this, only a handful of companies are proficient in this capability which rewards them with competitive advantage (Day, 1994). Day's (2003) work was limited to three dimensions of CRC, and their relationship with performance. This study seeks to gain a deeper understanding of the nature of CRC, specifically within a hotel context, as context is critical for examination of organisational capabilities (Collis, 1994).

However, before a conceptualisation of CRC is attempted, the following chapter introduces Customer Relationship Management (CRM). It is intended that the CRC will be designed upon the principles of CRM, and therefore requires study. CRM is a concept that emphasizes the creation of meaningful and durable customer relationships (Zablah et al., 2004). Given the purpose of this research is to explore the capability capable of creating, nurturing, and managing relationships, it is logical to review the CRM literature. For this, the researcher intends to examine the CRM concept and, more particularly, its implementation within firms. This is of importance because many efforts to successfully implement CRM have not delivered (Kale, 2007), and understanding CRM before implementation efforts are executed is vital.

## **Chapter 3                    CUSTOMER RELATIONSHIP MANAGEMENT**

### **3.1     Introduction**

The concept of CRM emerged in the mid 1990s when it was used as an Information Technology (IT) tool for customer data collation (Lassar et al., 2008). The increased focus on CRM can be mainly attributed to the advances made in technology (Chen and Popovich, 2003) and increased competitive pressures (Xu et al., 2002). CRM focuses on improving the creation and management efforts of firms with respect to their relationships with customers (Geib et al., 2005). It accomplishes this by analysing and using marketing databases and leveraging communication media to establish practices and methods that will maximise the lifetime value of each individual customer to the firm (Kumar and Reinartz, 2006). These practices should create an optimum fit between a firm's investments and satisfying customer needs as a means to maximise profits (Gebert et al., 2003; Schierholz et al., 2007). According to Payne and Frow (2004), this is achievable through creating, developing, and enhancing relationships with the firm's most profitable customers. Such relationships have the potential to increase customer retention (Zindelin, 2006), resulting in greater loyalty and profitability (Chen and Popovich, 2003). Therefore, CRM is a powerful tool in gaining a competitive advantage.

However, CRM means many things to many people. This has created ambiguities in how it is defined, as there is no universally accepted definition of CRM (Ngai, 2005). Nonetheless, attempts to precisely define CRM have revealed three key approaches: the functional level, the customer-facing level and the company-wide level (Zablah et al., 2004; Kumar and Reinartz, 2006; Valsecchi et al., 2007). Lack of clarity about CRM's definition frequently contributes to its failure in instances where organisations view CRM from a limited technology perspective or undertakes a fragmented implementation of CRM (Foss et al., 2008). Despite this, most definitions converge on two things: relationships and IT (Kennedy et al., 2006). Campbell (2003) concurs and highlights a commonality shared by all definitions: the necessary leveraging of technology-based tools as a means to engage in meaningful dialogue with customers, assisting firms in customising their product/service offerings to attract, develop and maintain customers.

Indeed, the rapid evolution of CRM technologies has granted organisations the motivation and the instruments to create strong relationships and enhance customer value (Day and Van den Bulte, 2002). However, there is more to CRM than just technology: Chen and Popovich (2003) inform that considering CRM purely as a technological solution is likely to be ineffective, as its successful implementation also requires people and processes. Indeed, a synchronised fusion of business processes, IT, and human capital augments customer acquisition and retention efforts, in addition to profitability (Peppers and Rogers, 2004). Day and Van den Bulte (2002) define CRM as a cross-functional process that allows recurrent dialogue with customers, across all access points, with personalized treatment of the most valuable customers, to increase customer retention and the effectiveness of marketing initiatives.

The literature reveals two major steps that all organisations must perform if CRM is to reach its potential: strategy and implementation. In order for CRM to be successfully implemented, a firm needs, as a pre-requisite, a solid strategy (Kumar and Reinartz, 2006). Despite the identification of common factors that comprise CRM strategy (Sigala, 2005), the literature provides no guidelines on the implementation of CRM processes (Reinartz et al., 2004). Therefore, the key goal of this chapter is to clarify the concept of CRM strategy and implementation as an idea that grants firms with SCA. The chapter is to be divided into several sections. First, the nature and conceptualization of CRM is studied. Next, methods of CRM implementation will be explored. Third, difficulties with respect to strategy and implementation will be discussed. Finally, the last section will comprise of assessing the contribution and limitations of CRM.

### **3.2 CRM Strategy**

According to Özgener and İraz (2006), there are two major phases to CRM practice. The first stage requires firms to establish a strong strategy that will facilitate CRM implementation efforts. Successful CRM is dependent on devising a strategy before installing any software (Seland and Pockard, 2003). If a clear CRM strategy is not set out, its consequent implementation is unlikely to be beneficial for both customers and businesses. The *raison d'être* of CRM rests upon the notion of customer-centrism, which focuses on two aspects: a profound understanding of customers, and a willingness to consistently create memorable experiences for a firm's valued customers across all its contact points (Kale, 2004). This concept of CRM is not innovative: its

strategic principles have always existed (Ahn et al., 2003). Its ideology evolved from both relationship marketing (RM) literature (see Gummesson, 1991; Zablah et al., 2004), and the marketing orientation (MO) concept (see Kohli and Jaworski, 1990; Narver and Slater, 1990). Indeed, Langerak and Verhoef (2003) highlight that CRM theory and practice incorporates both these aspects of marketing in addition to database management.

### **3.2.1 Relationship Marketing and Origin of CRM**

The goal of Relationship Marketing (RM) is to establish, preserve, and augment lasting relationships between customers and organisational stakeholders, like customers and suppliers (Berry, 1983). It relates to the way in which firms manage and improve their client relationships to achieve sustained profitability (Kennedy et al., 2006). It advocates that organisational interaction with other parties should augment profitability and contribute to the achievement of objectives for all involved (Grönroos, 1994), and that such relationships should be built on trust and commitment (Veloutsou et al., 2002). Trust is a 'positive belief, attitude, or expectation of a party concerning the likelihood that the action or outcomes of another will be satisfactory' (Andaleeb, 1992, cited in Walter, 2003:723). Commitment is an attitudinal component signifying a durable intention by the parties to develop and sustain a long-term relationship (Anderson and Weitz, 1992). These two notions are considered key variables in reducing the customer perception that the firm has an ulterior motive as well as eliminating structural relationship controls (Achrol, 1997).

RM places emphasis on the positive effect customer retention has on profitability: it is more cost efficient for firms to maintain current customer relationships as opposed to creating new ones (Payne et al., 1999). Indeed, Reichheld (1996) notes that rising customer retention by five percent can increase profitability by between 25 and 85 percent. Moreover, the principles of RM render marketing efforts more efficient and effective by inviting individual customers into a close partnership with the firm (Sheth and Parvatiyar, 1995). By initiating strong relationships, firms learn more about their customers over time; they will reduce their costs by serving them more efficiently (Reichheld, 1996). In addition to enhanced profits, such relationships with clients allow firms access to marketing intelligence, resulting in improved marketing strategy preparation (Ndubisi, 2005). This knowledge gathering presents the opportunity for

providers to understand more about customer requirements thereby acquiring the competence to customise and modify solutions that fully satisfy customer needs (Richard et al., 2007).

This should reduce defection rates and improve collaboration and commitment of the customer base (Andersen, 2001). Interactions with committed customers and stakeholders make firms less susceptible to the dynamics of market environments, and more resistant against competitive threats (Judson et al., 2007). The importance of RM can be summarised as the creation of reciprocal value through durable and solid relationships, which centre on understanding customers, managing resources and anticipating customers' needs (Richard et al., 2007). Relationship quality is the appraisal of the relationship's strength (Garbarino and Johnson, 1999), and comprises several components, notably trust, commitment, co-operation etc. (Dwyer et al., 1987). According to Crosby et al. (1990) satisfaction, trust, and commitment serve as key signs of the quality of a relationship. RM represents the precursor of modern CRM which seeks to improve long-term profitability by moving away from transaction-based marketing, with an emphasis on acquiring new customers and retaining them by means of effective relationship management (Christopher et al., 1991). Its evolution can be attributable to the following factors: advances in IT and data warehouses, increasingly sophisticated customers, the dynamism of modern markets, and heightened competition (Crosby, 2002). The most influential factor is that RM can be executed with the aid of computer applications (Ming Tseng, 2007). Indeed, CRM is often viewed as IT-enabled RM (Richard et al., 2007).

### **3.2.2 Market Orientation and Origin of CRM**

The key tenet of MO is that firms should strive to gratify customers better than the competition (Pleshko and Heiens, 2008). Generally, MO has been construed in two ways: as a cultural perspective and a behavioural perspective (Hennig-Thurau and Thurau, 2002; Armario et al., 2008). Narver and Slater (1990) suggest that a firm's culture encourages the consistent creation and delivery of value for its clients. A customer-focused culture drives all employees to deliver satisfaction to customers (Battor et al., 2008). Narver and Slater (1990) state that MO comprises three components: customer orientation, competitor orientation and interfunctional coordination. Interfunctional coordination involves the synchronisation of firm

resources to deliver superior customer value (Reid et al., 2008). The second construct, competitor orientation, requires the firm to identify strengths and weaknesses of their rivals, their aims and strategies in order to understand the capacity of competitors to meet the needs and wants of their customers (Narver and Slater, 1990). Finally, customer orientation focuses on creating superior value by identifying and understanding consumers' needs (Pandelica et al., 2009). MO unifies and focuses suitable resources on the customer whose purpose is to form reciprocal relationships that are beneficial (Richard et al., 2007). According to Morgan and Berthon (2008), MO occurs in instances where firm capabilities are being continually modified with the purpose of maintaining competitive advantage.

On the other hand, Kohli and Jaworski (1990: 6) view MO as behavioural: they refer to it as 'an organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of intelligence across departments, and organisation-wide responsiveness to it'. Three core themes underline the operational definition: intelligence generation, intelligence dissemination, and responsiveness. Intelligence generation involves the continual compilation of data on customer needs and preferences (Battor et al., 2008). It concerns the analysis and anticipation of customer needs, preferences, and various market factors like government regulations, technology, competitors, and other environmental forces (Kohli and Jaworski, 1990; Matsuno et al., 2000). Intelligence dissemination refers to the transfer of information across all firm departments (Pleshko and Heiens, 2008). While, responsiveness entails the modification of offerings that satisfy varying customer needs through leveraging the generated and disseminated intelligence (Golann, 2006).

In spite of their differences, these two views are not mutually exclusive: they have complementarities (Armario et al., 2008). While most authors tend to view MO as a culture-based concept (Martin et al., 2009), both perspectives can be correlated: organizational culture is observed as a necessary antecedent of related behaviours (Hennig-Thurau and Thurau, 2002; Matsuno et al., 2005). Martin et al. (2009) suggest that behaviour is a core facet ingrained in culture that forges competitive advantage. Zhou et al. (2005) reinforces this idea: to them, MO is the collection of innate values and beliefs that promote performance-enhancing behaviours. Moreover, both approaches are based on a common belief that MO is a philosophy which integrates the

entire organisation into the customer-facing environment with the goal of creating SCA by offering superior value to customers (Pandelica et al., 2009), by modifying itself consistently with market changes (Jaworski et al., 2000).

Referring specifically to CRM, Liyun et al. (2008) mentions that MO improves the motivation of the firm to obtain information from both customers and competitors and to enhance its efficiency managing customer relationships. In addition, it can help them to think of value-creation activities in a customer-orientated place, and then pay more attention to create value with customer by unite measurement (Prahalad and Ramaswamy, 2004). Indeed, there is a strong connection between MO and RM (Garcia de Madariaga and Valor, 2006); Market-orientated firms should be capable of nurturing relationships built on trust and commitment (Helfert et al., 2002).

### **3.3 Towards a composite definition of CRM**

Given both the strong emphasis on MO and the recognition of RM as its philosophical base, it is surprising that a common definition of CRM within the literature is still elusive (Ngai, 2005). According to Valsecchi et al. (2007), the academic literature on CRM reveals three key approaches to its definition. These three levels of CRM are the following: functional, customer-facing, and company-wide (Moutot and Bascoul, 2008). First, the functional level views CRM purely as a technological solution that joins sales and marketing functions (Chen and Popovich, 2003). Second, the customer-facing level sees CRM as a tool that deals solely with customer interactions (Peppers and Rogers, 1999, cited in Chen and Popovich, 2003). Third, the company-wide perspective sees CRM as a strategy that seeks to create mutual value for both the customer and the firm (Boulding et al., 2005). For Zablah et al. (2004), these varying definitions identified five distinct perspectives of CRM; it has been delineated as a process, a strategy, a philosophy, a technology and a capability. The way in which CRM is defined affects how it is to be implemented. For the purposes of this thesis, a definition that integrates all of these five perspectives is offered. Prior to this, each perspective is briefly examined.

According to Zablah et al. (2004), the *process* perspective of CRM is one that extends over the entire firm, with the purpose of creating and leveraging relationships with external stakeholders. According to Reinartz et al. (2004), the CRM process is a

sequence of activities for acquiring, retaining, and expanding the relationship with customers. This viewpoint stresses the ability of firms to contact customers sensibly, and alter how the relationship is managed during each phase (Dwyer et al., 1987). Indeed, Kim et al. (2009) see the process perspective in terms of managing target relationships effectively at each stage.

The *strategy* perspective of CRM seeks to build and manage long-term relationships to create shareholder value (Payne and Frow, 2004). CRM is a business strategy evolved to manage the development of a company, the acquisition and retention of its customers and to create long-term value between them. The strategic view of CRM stresses the decision to devote resources to building and maintaining relationships with individual customers should be based on customer life-time value (CLV) to the firm (Kracklauer et al., 2001). According to Kale (2003: 51), CLV ‘is the estimated profitability of a customer over the course of their entire relationship with a company’. Knowledge of the CLV aids firms in deciding if it is financially viable to build relationships with individuals, and, if justifiable, offer customized offerings commensurate with their spend (Sin et al., 2005).

Many of the CLV’s metrics include profitability, lifetime revenue potential, servicing costs, interests, purchasing tendencies, and service requirements which can help organisations to create strategies (Thakur et al., 2006). Hansotia (2002) recognises the importance of leveraging this data for the design and implementation of strategies that accept customer differentials in value, needs and preferences. In the strategic CRM concept, a firm’s strategy, technology, processes and employees must be aligned towards the goals of acquiring desirable customers and understanding their needs (Mack et al., 2005). This viewpoint suggests that firms should be aware that not every relationship is homogeneously lucrative or wanted (Kale, 2004). Indeed, the CLV can advocate for the exclusion of financially unviable customers (Verhoef and Donkers, 2001). Fundamentally, this perspective centres on the significance for firms to choose relationships that enhance profitability (Zablah et al., 2004).

The *philosophy* perspective of CRM stresses that for relationships to be successful, firms must be customer-centric (Zablah et al., 2004). In addition, they must make efforts to continually understand customer needs, as such needs are dynamic in nature. Indeed,

firms must organize around and be responsive to their customers and their changing needs, a critical requirement for firms (Kohli and Jaworski, 1990; Narver and Slater, 1990). When defined as a philosophy, CRM refers to the idea that the most effective way to achieve such loyalty is by proactively seeking to build and maintain long-term relationships with customers (Zablah et al., 2004). Indeed, retention of customers through the establishment of such relationships is the crux of the CRM philosophy (Javalgi et al., 2005). This perspective recognizes that enduring relationships have to consistently deliver value which is better achieved by firms with a customer-centric culture (Wilson et al., 2002; Rigby et al., 2003). In conjunction with formal reward and recognition systems, such cultures promote staff behaviour that improves customer satisfaction, the dissemination of customer information and its conversion into actionable knowledge (Shumanov and Ewing, 2007). Moreover, this perspective effectively coalesce the marketing concept and RM and focuses on the importance of creating customer value, something that is only implied in the other perspectives (Zablah et al., 2004). According to the authors, this perspective requires daily firm activities to be driven by an understanding of the ever-changing needs of customers.

The rapid evolution of *technology* has contributed to the unprecedented adoption of CRM among firms (Massey et al., 2001). Some authors view CRM as simply a technological tool that incorporates both sales and marketing systems with the aim of creating customer relationships. For example, Peppers and Rogers (2004) define CRM as a database software solution that archives information acquired from customers with the aim of contributing to better customer service. Chen and Popovich (2003) inform that considering CRM purely as a technological solution is unlikely to be effective, as its successful implementation also requires people and processes. Indeed, IT over-reliance has contributed to the failure of many CRM programs (Sigala, 2005; Reinartz et al., 2004). Nonetheless, the successful realisation of a CRM strategy requires firms to have access to IT tools (Ngai et al., 2009).

Indeed, technology assists with many information and transactional exchanges that take place in relationships (Mitussis et al., 2006). Technological tools play a central role in supporting the smooth integration of multiple points of contact for the customer (Shumanov and Ewing, 2007), serving as a catalyst in the relationship bonding process (Plakoyiannaki and Tzokas, 2002). These tools facilitate the creation of knowledge from

the collected data, which can then be circulated throughout the entire firm. This grants ubiquitous access to knowledge for all staff members, essential for creating and maintaining customer relationships. The literature suggests that the importance of technology in CRM efforts should not be over-estimated nor should it be ignored (Zablah et al., 2004); it should facilitate relationships as opposed to determining them (Mitussis et al., 2006). Considering these perspectives, an integrated CRM definition is offered: CRM is a customer-focused strategy to long-term customer interaction, leveraged by technology.

### **3.4 CRM Implementation**

Having an appropriate strategy does not guarantee organisational success with CRM; its effective implementation is also necessary (Bohling et al., 2006). According to Payne and Frow (2006), the CRM implementation model has four key elements: readiness assessment, change management, project management, and employee engagement. Moreover, CRM's successful implementation rests on the employment of five cross-functional processes that integrate these four elements: strategy development process, value creation process, multi-channel integration process, information management process, and performance assessment process (Payne and Frow, 2005). Positive CRM implementation has proved to lower operational costs, increase customer satisfaction, enhance decision-making, and instil employee confidence (Reid and Catterall, 2005).

Osarenkhoe and Bennani (2007) suggest there are five dimensions to CRM implementation: the organisational structure for relationships, training programs for staff members who manage relationships, managerial behaviours, process-facilitating systems, and schemes that promote loyalty, retention, and constant customer interaction. CRM implementation needs an integrative approach towards technology, people, and processes (Chen and Popovich, 2003; Kumar and Reinartz, 2006; Thakur et al., 2006). The above mentioned definitions suggest that successful CRM implementation depends on technology tools, staff, and various processes that span the entire firm (Shum et al., 2008). In the interests of parsimony, the implementation process of CRM is examined under the three headings: people, processes, and technology.

*People* are the lifeblood of CRM implementation, as they are the building blocks of customer relationships (Chen and Popovich, 2003). Employees are necessary in order to

recoup investments made in processes and systems (Boulding et al., 2005). In order for CRM implementation to thrive, organisations must engage in change management, which aids employees of a firm to understand how changes affect them vis-à-vis CRM implementation (Kale, 2005). The concept of change management concerns both organisational and cultural change (Foss et al., 2008). It is a necessary aspect of CRM implementation which helps firms to develop a culture based on customer-centricity (Roberts et al., 2005). CRM change implies transitioning from a current state to a desired future state; this transition involves alignment of organizations' strategies, people, processes, systems, technologies, structure, skills and values to the goals of customer centricity, customer relationships and customer engagement (Desai and Sahu, 2008). More importantly, a proactive approach to change management is a determining factor of CRM success or failure (Kale, 2003).

The CRM literature reveals that leadership is an important aspect of CRM implementation. CRM implementation efforts will be unsuccessful without the presence of leaders (Kale, 2004). Research carried out by Bohling et al. (2006) reveals that positive managerial disposition towards CRM increases the perceived success of implementation. Given that firm leaders monitor the external environment, they are best placed to create strategic plans for CRM projects (Bull, 2003). However, for Chen and Popovich (2003), managers must go beyond praising CRM; they must show support and commitment throughout CRM initiatives (Chen and Popovich, 2003). Support and commitment from top management increases the probability that employees will perceive changing business processes and CRM technologies to be beneficial for successful implementation (Zablah et al., 2004). According to Lassar et al. (2008), leadership requires that managers are:

- Willing to invest in CRM.
- Constantly passionate about CRM.
- Involved in the implementation phase.
- Patient with the development of the CRM initiative.
- Always focused on CRM.

Culture is important to consider with regard to change management; the culture requires employees to accept the changes, and be ready for the consequences of the CRM implementation. This is significant when establishing an organisational structure which stresses the need for all members of the firm to focus on forging and nurturing strong customer relationships (Sin et al., 2005). According to Mack et al. (2005), successful cultural transformation is possible with incentive schemes and training. Cultural change is realised by adjusting employee behaviours, stressing that such change is favourable to firm performance (Shah et al., 2006). This is important as changing existing business practices with new procedures and technologies are certain to disrupt how organizations function (Shum et al., 2008).

Therefore, people may need to be re-skilled in order to be capable of delivering CRM's pledge (Chen and Popovich, 2003). Training is critical in helping employees overcome the uncertainty generated by organizational innovation efforts (Zablah et al., 2004). It ensures that a workforce has the sufficient skills and mindset to effectively use CRM technologies. Training should involve the importance of converting data into knowledge (Kumar and Reinartz, 2006), which is crucial to success (Coltman, 2007a). In addition, training programmes should explain how CRM is used and the benefits of its use (Kale, 2005). Indeed, education programmes encourage user acceptance of CRM, and promote a positive disposition towards CRM (Avlonitis and Panagopoulos, 2005). In a CRM context, rewards should focus on promoting internal team-based incentives based on concrete customer-focused behaviours (Campbell, 2003), as the traditional method of recompensing individual achievement could hinder effective CRM implementation (Kothandaraman and Wilson, 2000). The rationale for behaviour-specific incentive schemes is that they have proven to promote the carrying out of desired actions (Jaworski & Kohli, 1993).

*CRM processes* are the collection of activities involving customer interaction (Mendoza et al., 2006). In essence, the principles and aims of RM are exercised through processes (Chen and Popovich, 2003; Bueren et al., 2005). CRM needs customer-centric processes to be fully integrated (Geib et al., 2006), since their performance is determined by the availability of customer knowledge (Day, 2000). A holistic approach to CRM helps firms organize and preserve the growth of numerous communication channels (Bull, 2003). This is achieved through having cross-functional and customer-inspired

processes, leveraged by technology, that augment relationship building efforts (Goldenberg, 2000). Payne and Frow (2004) suggest that the realisation of CRM rests on five processes: strategy review, performance assessment, value creation, information management, and multi-channel integration. Bueren et al. (2005) list six processes necessary for effective CRM implementation: campaign management, lead management, offer management, contract management, service management and complaint management. In contrast, Thakur et al. (2006) offer a more frugal catalogue of CRM processes: (1) marketing, (2) sales, and (3) services, each of which is detailed below.

*(1) Marketing:* CRM is about the intelligent use of data as a means to implement customer-focused strategies (Hansotia, 2002). Nowadays, consumers can avail of multiple contact points with firms, most of which are electronically-enabled: Internet, E-mail, call centres, and voice response systems (Chen and Popovich, 2003). Chen and Popovich (2003) further state that CRM is an intricate application that stores data acquired from all touch points, creating a thorough view of customers. It can be argued that knowledge gained on customers will enable organisations to make intelligent decisions as to which customers to acquire and develop, what channels to use when contacting the customer, what products/services to sell, acquire and develop, and how to get the business to deliver excellence using the CRM strategy (Xu and Walton, 2005). In essence, marketing functions assist firms in organising themselves around the customer, not their offerings (Chen and Popovich, 2003). Created knowledge can be used in a firm's efforts to segment customers, predict their purchasing intentions, and make certain that product/service offerings are available to them on demand (Bolton, 2004). This process is called personalisation, granting firms the capacity to offer idiosyncratic packages to satisfy specific needs of individual customers (Sin et al., 2005). CRM guarantees that employees have access to the right information whilst engaging with customers; enabling them to make correct decisions in response to customer needs (Teo et al., 2006).

*(2) Sales:* Sales represent an important function in employee-customer interaction (Kincaid, 2003, cited in Ngai, 2005). Along with customer service, sales personnel have an equal responsibility to create and improve customer relationships (Nguyen et al., 2007). Therefore, they have to be motivated towards improving satisfaction and sales

levels (Zindelin, 2006). It concerns various tasks such as prospect management, account management, telemarketing, generating leads, creating sales quotations, and order placement (Kumar and Reinartz, 2006). There are two activities in sales: cross-selling and up-selling (Salazar et al., 2007). Salazar et al. (2007) make distinctions between the two terms; cross-selling occurs when customers purchase multiple offerings from a company. In contrast, up-selling involves enhancing a product or service that had already been bought in order to encourage continued consumption (Salazar et al., 2007).

(3) *Service*: Customer interaction efforts are essential if firms desire to maintain long-term relationships with customers (Yelkur, 2000). It is an intangible output of the firm created by direct engagement with the customer (Bueren et al., 2005). Payne and Frow (2005) proffer six broad categorisations of touch points available to organisations:

- Sales force, including field account management, service, and personal representation
- Outlets: retail branches, stores, depots, and kiosks
- Telephony: telephone, fax, and call centre contact
- Direct Marketing: direct mail, radio, and television
- E-Commerce: E-mail, Internet, and interactive digital television
- Mobile Commerce: mobile telephony, text messaging, mobile services (WAP, 3G etc.)

The integration of these channels is crucial for CRM; it is where the creation of customer value takes place (Payne and Frow, 2005). Decisions must be taken by firms regarding the combination of channel options they wish to use to interact with their customers; the choices must guarantee a positive customer experience with the touch points, and that the concurrent use of these channels can attain a universal view of individual customers (Payne and Frow, 2004). The goal of multi-channel integration is to strengthen the relationship bond between firm and customer by discovering profitable customers, differentiating offerings to individuals, interacting with them across numerous channels, and customising the customer experience (Sigala, 2005).

Bueren et al. (2005) add that customer interactions can involve the need to resolve complaints, which contributes to improving customer satisfaction. Stefanou et al. (2003) recommend that organisations should proactively seek complaints, since it gives firms beneficial feedback. However, the capacity of a firm to effectively implement the integration of multiple touch points relies on how it collates and uses information from its channels, and how the firm merges it with previously collected data (Payne and Frow, 2005). The authors add that performance assessment needs to focus on both historical results and future predictions. These CRM performance indicators for CRM should reflect the performance standards necessary across every CRM process to certify that CRM is practiced effectively and that continuous appraisal can maximize performance and organizational learning (Payne and Frow, 2005).

*Technological utilisation:* The role of technology in CRM is that it facilitates the effectiveness of business processes. Zineldin (2000) suggests that firms should utilise technology tools to enhance the reliability of relationship building, and to help them monitor and respond to the changing needs of customers. Technology allows firms to mechanise and enable CRM processes (Ngai, 2005). In addition, tools facilitate change management within organisations (Hansotia, 2002). There are three types of CRM technologies that can be implemented: Operational CRM, Analytical CRM and Collaborative CRM (Teo et al., 2006). Operational CRM systems store appropriate customer information in databases in order to facilitate business transactions (Teo et al., 2006). These systems are responsible for CRM's functionality (Kumar and Reinartz, 2006). They also improve the effectiveness of CRM delivery and supporting processes (Geib et al., 2005). Xu and Walton (2005) list examples of numerous technologies that help like call centres, fax, mail, and websites.

Analytical CRM help firms to understand their customers by employing various data analysing tools. Analytical tools draw from the information that their operational counterparts have stored. This type of component focuses on the evaluation of various data sources to gain an insight about customer needs and purchasing patterns (Bueren et al., 2005). In essence, these tools help firms to discover what they must know in order to make their customers more valuable (Peppers and Rogers, 2004). In fact, recognizing idiosyncratic traits of a firm's most profitable customers is the key to preserving competitive advantage (Xu et al., 2002; Ngai et al., 2009) The main software programs

associated with Analytical CRM are data warehousing and data mining (Geib et al., 2005). Data transmitted to data warehouse tools are then converted into a singular structure (Mendoza et al., 2006).

This accumulated data from customer interactions can be utilised to ascertain various metrics such as customer acquisition, retention and life-time value (Ngai, 2005). Data mining tools extract this organised information from customer databases and create knowledge to support decision making (Berson et al., 2000). These tools generate data that support the calculation of customer lifetime value for individual customers (Xu and Walton, 2005). Evaluating the CLV allows organisations to efficiently appropriate their limited resources on the most valuable customer relationships (Kumar and Reinartz, 2006). With this knowledge, future marketing communications can be much more focused, leading to higher hit-rates and higher donations with less marketing expenses (Mack et al., 2005) and, thus, can enhance firm performance (Liou, 2009).

Collaborative CRM comprises of various tools that assist the firm's effort with customer interactions (Teo et al., 2006). These systems manage and synchronize customer touch points and channels (Geib et al., 2005), by designing interfaces at all channels (Bueren et al., 2005).

### **3.5 Summary**

CRM is not without faults; there are a series of limitations with regard to its use in businesses. Kale (2004) states that there are seven key reasons for CRM failure:

#### *(1) Viewing CRM initiative as a technology initiative*

Whilst Kale (2004) acknowledges that technological tools can enhance marketing strategies for firms, the sole use of technology in garnering customer retention is ineffective. Indeed, IT over-reliance has contributed to the failure of many CRM programs (Reinartz et al., 2004; Sigala, 2005). Looking at CRM as a technology-based resolution is not likely to be successful because the success of CRM is also reliant on a firm's workforce as well as its processes (Chen and Popovich, 2003).

*(2) Lack of customer-centric vision*

It is often the case that firms do not realise the significance of the fact that the ‘C’ in CRM stands for the customer (Kale, 2004). Indeed, firms who do not possess a customer-centric culture before their efforts to implement CRM will certainly fail (Kale, 2003).

*(3) Insufficient appreciation of CLV metric*

Kale (2004) states companies who do not understand the concept of customer value are 60 percent less profitable than those that do. The author suggests that firms must be aware that not all relationships are equally profitable or desirable, and should concentrate on serving customers with high lifetime value potential.

*(4) Poor support from upper management*

Managers must express their support and commitment for CRM (Chen and Popovich, 2003) so that employees can understand the benefits of implementing CRM initiatives through modifying business processes and CRM tools (Zablah et al., 2004). Therefore, without managerial leadership, it is less likely for CRM implementation efforts to be successful (Kale, 2004).

*(5) Underestimating the importance of change management*

Altering business practices by introducing new processes and technologies can have a negative effect on organizational function (Shum et al., 2008). Indeed, employees need to be prepared for changes that are brought about by CRM implementation. Considering this, implementing CRM without change management is likely to end in failure (Kale, 2004).

*(6) Failure to re-engineer business processes*

When transforming business processes, firms must be conscious of the effect it can have on employees carrying out the processes as the CRM initiative will fail if employees become unable or reluctant to execute the newly-modified processes (Kale, 2004). The author advises firms to assess its main business processes within the organization in order to underline processes that could be enhanced with the use of technology-based tools.

*(7) Misjudging the difficulties involved in data mining and integration efforts*

Kale (2004) observes that data mining and integration is essential for firms who want to benefit from CRM. The author stresses the need for firms to determine what data is needed in order to maintain its valuable customers. Secondly, this data must be readily and easily accessible so that employees have a 360° view of the customer (Kale, 2004).

Not having a strategic orientation is the chief reason for CRM failures (Thakur et al., 2006). However, this could be attributable to thinking of CRM purely as a technological solution as successful implementation must be supported by both a firm's workforce and business processes (Chen and Popovich, 2003). Indeed, this has been the failure point for many firms (Campbell, 2003; Reinartz et al., 2004). Even if the business was strategically aligned towards creating customer relationships, it could still face the difficulty of sourcing CRM solutions; many organisations have little choice but to outsource a significant proportion of their CRM software as they cannot develop CRM software in-house (Bull, 2003). This is because managers generally have only a basic understanding of CRM, and the IT department has little time to research CRM or to develop tailored software solutions (Blery and Michalakopoulos, 2006).

This chapter has served to introduce the theory behind both CRM strategy and implementation. MO is considered a capability that enhances firm performance by evoking the willingness of employees to build and create durable relationships with clients. IT tools, an example of a physical resource, can be leveraged to store and retrieve this information more efficiently. The strategy perspective necessitates an efficient resource allocation to a firm's valuable customer base, which requires the use of capabilities (Kracklauer et al., 2001). The process view is inherent in the capability perspective; capabilities are the skills that activate business processes (Day, 1994). Indeed, CRM is best conceptualised as a higher-order capability that includes a fusion of people, technology and business-related activities (Coltman, 2007b).

The capability perspective on CRM states that organisations have to invest in developing and attaining a set of diverse resources that facilitate behaviour change towards individual customers when necessary (Peppers et al., 1999, cited in Zablah et al., 2004). Kim et al. (2009) propose the RBV as a solid foundation, viewing the

importance of technology, process, and people as vital elements for successful CRM implementation which should result in strong organisational performance. If these collections of resources and capabilities are utilised in a distinctive way, they have the potential to create and preserve competitive advantage for the firm (Osarenkhoe, 2008), provided that the resources used are resistant to both identification and imitation (Teece et al., 1997). Despite the lack of recognition within the literature of the conditions necessary for successful CRM implementation, it clearly emphasises that a specific blend of resources are required for the effective management of a firm's relationships with its clients (Zablah et al., 2004).

## **Chapter 4                    CUSTOMER-RELATING CAPABILITY**

### **4.1    Introduction**

This study has already reviewed the RBV literature, and examined scholarly work based on CRM. This chapter will now integrate our knowledge of effective CRM as an organisational capability within a hotel context. Customer-relating Capability (CRC) centralises the interpersonal interactions between an organisation's employees and its customers (Day, 2003). It relates to an organisation's capacity to forge and manage relationships with its clients (Day, 1994). Lin et al. (2009) refer to CRC as a market-based resource that can be instantaneously deployed in the marketplace to generate or sustain competitive advantage. The CRC involves the combination of skills, abilities, processes and procedures that deliver a timely, cost-effective response to customer needs (Rao, 2005). These include the ability to identify customer needs and wants together with the capabilities to create and build appropriate relationships with those customers (Hooley et al., 2005). They further state that CRC matures over time, requires a complex set of supporting resources to interact, is founded on tacit knowledge and interpersonal skills, and is resistant to duplicative attempts of rival firms. Thus, firms who lack emphasis on CRC will struggle to be competitive (Zeithaml and Bitner, 2000).

However, empirical examination of CRC is sparse: its conceptualisation is dominated by a managerial perspective (see Day, 2003; Day and Van den Bulte, 2002). As noted in the preceding chapter of this thesis, capabilities are the routines and processes that allow the creation of SCA (Day, 1994). For companies to benefit from their capabilities, it is imperative that organizations deploy resources that satisfy the criteria as covered in Chapter 2. The purpose of this chapter is to synthesise literature pertaining to both RBV and CRM, and to demonstrate how RBV can serve as the foundation to understand effective CRM strategy and implementation. In particular, an organisation capabilities perspective will be taken on CRM efficacy. This chapter is divided into six sections. Firstly, the antecedents needed for successful relationship marketing (RM) is examined. Following this, the characteristics of service quality is discussed. The third section details the importance of the relationship between management and staff with regard to organisational culture. Section 4.5 outlines the importance of the front-line employee in customer service. In the sixth section, literature revealing key themes pertaining to the

CRM capability development is developed. Finally, a brief summary of the chapter is offered.

#### **4.2 Managing Relationships for Loyalty**

The aim of relationship marketing (RM) is to establish, maintain and enhance relationship outcomes at a profit (Grönroos, 1994). Attaining, retaining, and nurturing customer relationships are essential to the success of RM initiatives (Harridge-March, 2008). Establishing strong relationships are considered a strong driver of customer loyalty (Castro et al., 2004), a key antecedent of customer retention (Dick and Basu, 1994). Indeed, Harridge-March (2008) highlights efforts to strengthen customer relationships as a precursor to customer loyalty. Retaining a customer base has three benefits for firms: (1) acquiring new customers is often costlier than maintaining current ones, who are more profitable long-term (Reichheld and Sasser, 1990), (2) retained customers are more tolerant of price premiums, and (3) loyal customers are more likely to engage in positive word-of-mouth (Wicks and Roethlein, 2009). A perusal of the literature reveals three antecedents needed for successful retention: customer satisfaction, affective commitment, and calculative commitment (Gustafsson et al. 2005).

Customer satisfaction is described as the assessment of the interaction between the customer and the service provider (Gustafsson et al., 2005). According to Schiffman and Kanuk (2004), satisfaction is derived from the customer's appraisal of the product/service performance compared to their expectations. Anderson et al. (1997) note that satisfaction has constructive outcomes on customer loyalty. It arbitrates the effects of product/service quality, and the setting of an appropriate price on loyalty (Bolton and Lemon, 1999). In a relationship, the roles assumed and performed by service providers serve as the criteria for the appraisal of satisfaction (Crosby et al., 1990). Expanding on the relationship context, Rust and Oliver (1994) illustrate satisfaction as a valuation of emotional pleasure, measuring the degree at which consumption of a service evokes a positive feeling.

Unsurprisingly, it is also regarded as a requirement for customer retention and loyalty, in addition to enhanced profit accrual and market share (Meng and Elliott, 2009). It can be assumed then that firms which meet the needs of their customer base benefit from

better levels of retention as well as enhanced profitability (Wicks and Roethlein, 2009). In addition to customer satisfaction, RM acknowledges the importance of relationship commitment as an ingredient of customer loyalty (Bendapudi and Berry, 1997). Commitment is referred to as a willingness to continue a relationship (Moorman et al., 1993), a pact between its participants (Dwyer et al., 1987). According to Gustafsson et al. (2005), relationship commitment establishes a bond which strengthens customer loyalty to a company, even in instances of poor satisfaction. Customer satisfaction can potentially encourage positive behavioural intentions and customer retention (Anderson and Srinivasan, 2003), therefore becoming a precursor for preserving customer relationships (Chen et al., 2008). The commitment construct is comprised of two distinct dimensions: affective and calculative commitment (Hansen et al., 2003).

Calculative commitment concentrates on the rational, economical reliance on product and service benefits brought about by insufficient choice or switching costs (Anderson and Weitz, 1992). It is determined by calculating the invested costs and benefits of the relationship, and is not influenced by the current state of the relationship (Allen and Meyer, 1990). Calculative commitment is thus a constrictive structural mechanism which binds the firm and the customer together where relationships only endure on a cost-benefit basis or if it is not possible for customers to terminate the relationship (Gounaris, 2005). Put simply, this type of commitment arises in situations where relationships are only maintained due to problems in changing service providers (Menon and O'Connor, 2007).

Affective commitment, on the other hand, is the emotion-based aspect of commitment which is enhanced by customer interaction with an organisation, producing increased levels of trust and commitment (Morgan and Hunt, 1994). It assumes that relationships are strengthened by mutuality and trust, and indicates shared recognition of the shared values and affinity of both parties which may create an emotional bond between them (Menon and O'Connor, 2007). It exists in circumstances where customers develop a sense of belonging with their preferred firm (Achrol, 1997). Relationships founded upon affective commitment are easier to maintain; this is because customers have a positive disposition towards the firm with whom they interact (Fullerton, 2005). Trust is traditionally conceptualised as an expectation of an individual that the word of another can be relied on (Morgan and Hunt, 1994). In the RM context, trust represents the

willingness of the customer to confidently rely on the exchange partner, and that the partner will honour their obligations within the relationship (Moorman et al., 1993). It is a major antecedent for the creation of durable relationships (Ojasalo, 2008). Indeed, the higher the level of trust between both the firm and the customer, the more likely that the relationship will continue (Morgan and Hunt, 1994).

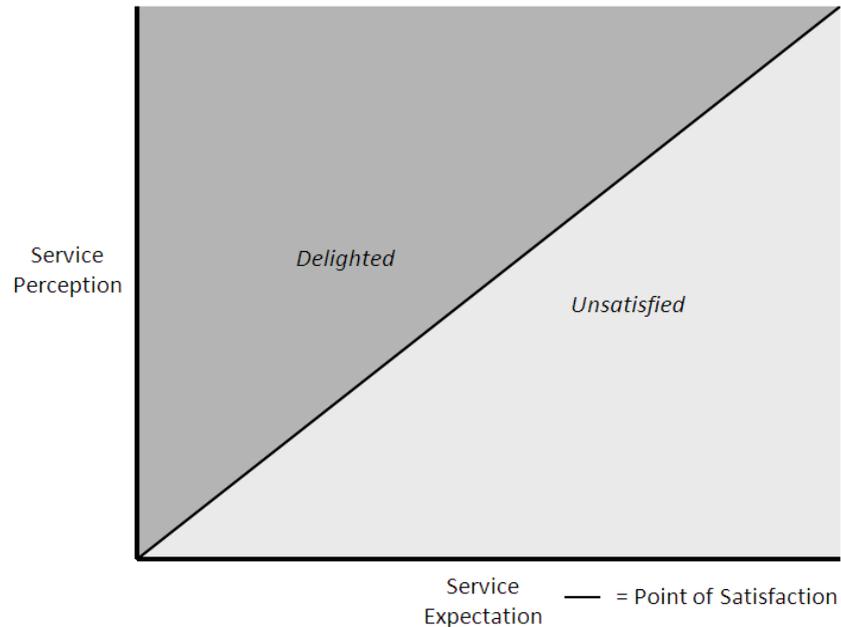
### **4.3 Delivering quality service**

The Service Profit Chain (SPC) stresses the use of customer survey analyses to identify core service characteristics that enhance the quality of the service and encourage customer retention (Kakamura et al., 2002). The purpose of the SERVQUAL model is to measure customer perception of service quality (Kumar et al., 2009). Parasuraman et al. (1985; 1988; 1994) discovered that service quality perception depends upon the magnitude and path of the disparity between the anticipated and perceived service levels. Therefore, the quality of a service is characterised as the difference between customers' expectation of service and their perception of the service experience (Kumar et al., 2009). Over time, these attributes were compressed into five key dimensions of service quality (Parasuraman et al., 1988). Indeed, SERVQUAL is universally accepted as a five-component construct (Kumar et al., 2009). These constructs of service quality can be directly influenced by employees in the front lines (Wilson et al., 2008) as customer perceptions of service quality are moulded by the behaviour of front line staff (Brady and Cronin, 2001). These five components are the following: tangibles, reliability, responsiveness, assurance, and empathy.

The intention of these characteristics is to measure the level of customer expectation against customer perception (or outcome) on service delivery (Kumar et al., 2009). Gilmore and McMullan (2009) present and explain the three results that using SERVQUAL creates: satisfied, unsatisfied, and delight. As exemplified in Fig 4.1 below, if the outcome corresponds with expectations, then the customer is satisfied. If expectations exceed the outcome, then the customer is unsatisfied. If the outcome exceeds expectations, then customer delight may result. However, despite its acceptance as a service quality measurement technique, SERVQUAL has been noted to be limited in areas; notably, its complex nature, management issues, and its incompatibility with certain research contexts (Gilmore and McMullan, 2009). Zeithaml et al. (1996) suggest that loyalty intentions are associated with a service provider's ability to get its

customers to say positive things about them, to act as advocates on their behalf to other consumers, to remain loyal to them, to increase their spend with the company and, to pay a premium for its service.

**Figure 4.1 Service Rating Graph**



*Source: Adapted from Gilmore and McMullan (2009)*

#### **4.4 Linking marketing and culture**

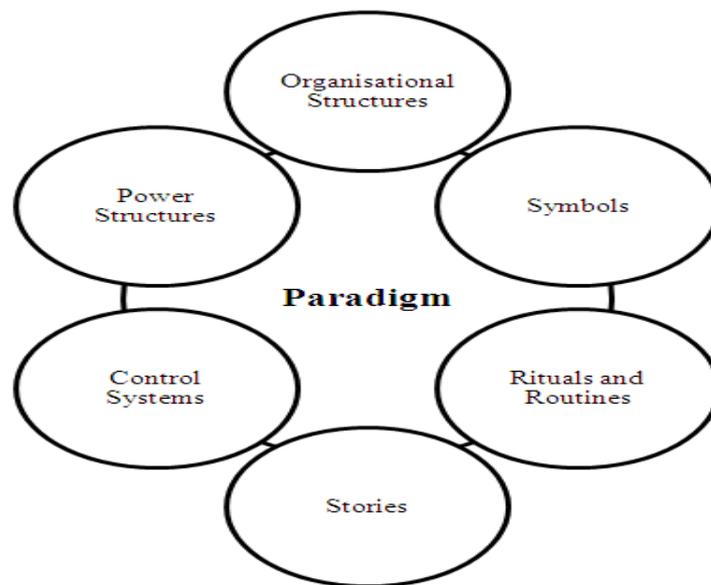
In linking both marketing and culture, it is firstly important to understand the cultural web devised by Johnson et al (2008), shown in Figure 4.2 overleaf. According to the authors, the cultural web is used by firms to understand organisational culture thanks to the visible manifestations (stories, symbols, power structures, organisational structures, control systems, and rituals and routines) of culture which inform the cultural paradigm<sup>1</sup>. Employees tell stories to show their loyalty to a firm and to convey the enjoyment derived from good work performance (Kemp and Dwyer, 2001). The use of stories to describe work-related experiences emphasises existing work practices within an organisation (Linde, 2001). Symbols are objects, events, acts, and people that transmit meanings, and are representative of important historical and contemporary aspects (Johnson et al., 2008). For Losekoot et al. (2008), the concept of organisational

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<sup>1</sup> The paradigm refers to the set of commonly held values and beliefs of the organisation (Sun, 2008).

structures involves two key issues: the overall structure of firms (hierarchical vs. flat, collaborative vs. confrontational etc.), and the distribution of power in firms. For example, flat organisations are generally represented by the clan concept which encourages the provision of supports for the firm’s workforce where employees are treated as if they are members of a family and the organisation is more important than vested interests (Richard et al., 2009). The idea of control systems put emphasis on what should be monitored in the organisation (Kemp and Dwyer, 2001, Johnson et al., 2008) with Johnson et al. (2008) giving examples such as measurements and reward systems. Finally, rituals and routines refer to methodical processes carried out on a regular basis such as meetings and celebrations (Gbadamosi, 2005).

**Figure 4.2 The Cultural Web**



*Source: Johnson et al. (2008)*

Indeed, the cultural web is inherent in the principles of Internal Marketing (IM), which centres on people inside firms and emphasises the importance of satisfying employee needs (Ahmed and Rafiq, 2003). Justification for its adoption is attributable to the growing importance of the role of the employee in the services industry (Papasolomou and Vrontis, 2006). Jou et al. (2008) reveal that implementing IM greatly impacts on the capacities of service employees: both service quality and customer loyalty are influenced by the behaviour of staff members. This belief builds upon seminal concepts of IM (Berry, 1981), who view IM as an instrument that enhances job satisfaction

amongst workers by promoting both the position and the firm to workers as valuable products, with the purpose of subsequently increasing customer satisfaction.

Thus, IM complements the principles of both marketing and human resource management (HRM) initiatives (Lee and Chen, 2005). This is because HRM programs serve to strengthen the significance of achieving customer satisfaction by making an emotional connection with employees (Lashley, 1995). Indeed, formal training, managerial involvement, and reward systems can encourage front-line staff to deliver excellent levels of service (Elmadag et al., 2008). These initiatives should instil the responsibility of the marketing role in all firm employees; the workforce should be encouraged to exploit instances of customer interaction as a means of creating new business opportunities (Kale, 2007). This is achieved by providing employees with the necessary skills, resources and motivation to satisfy customer needs and wants (Elmadag et al., 2008). As part of the training, IM initiatives should emphasise the importance of cross-interaction of employees in order to enhance efficiency and customer satisfaction (Gounaris, 2008a), given that organisational silos are not as effective if they function as independent entities (Ahmed and Rafiq, 2003). In fact, such implementation efforts of IM create relationships within the firm, resulting in facilitated information transfer across the entire business (Hayton, 2005).

The goal of IM is vividly demonstrated in the Service Profit Chain (SPC). The key belief of the service-profit chain (SPC) is that financial performance of firms can be enhanced by means of connecting employee satisfaction, customer orientation, customer satisfaction, and customer loyalty together (Homburg et al., 2008). It credits the performance of a service firm to its associations with both customers and employees (Heskett, 2002). Indeed, empirical evidence shows that employees have a substantial effect on the service experience; there is a solid connection between satisfied employees, satisfied customers and strong business performance (Heskett et al., 1997). SPC programmes concentrate on retention, related sales and referral plans as a means to garner customer loyalty (Maritz and Nieman, 2008). Employee satisfaction stems from the capacity of businesses to deliver service quality from within the firm represents the basis of the model; it has a catalytic effect on an organisation to achieve superior performance (Silvestro, 2002).

In sum, the logic of IM initiatives focuses on stimulating front-line staff performance and increasing customer satisfaction by means of enhancing employee satisfaction (Gounaris, 2008b). That is, if firms treat employees as internal customers, greater employee satisfaction is ensured which subsequently leads to customer satisfaction and relational development (Lee and Chen, 2005). Sansone and Harackiewicz (2000, cited in Manolopoulos, 2008) describe motivation as either intrinsic or extrinsic in nature. Intrinsic motivation occurs when employees feel rewarded for carrying out a task (Milne, 2007). Conversely, extrinsic motivation is based on rewards and punishments controlled by the organization (Quigley and Tymon, 2006). Manolopoulos (2008) note that employee motivation can be achieved by use of both extrinsic and intrinsic factors as a means to satisfy and reward employees.

#### **4.5 The importance of staff**

Employees, in particular front-line staff, are a prerequisite to the success of any service organisation (Wilson et al., 2008). They are a critical resource of service-based organisations given the interactive nature of the service industry (Chung and Schneider, 2002). For customers, service employees are the entities that deliver the desired characteristics of service quality (Brady and Cronin, 2001), which results in an increase of customer satisfaction (Loveman, 1998). Indeed, their interaction with customers, with the help of contact points, is critical for the creation of meaningful relationships (Stading and Altay, 2007). This employee-customer interface represents the beginning of the service delivery process: it is the point where employees and customers interact (Keeffe et al., 2008). More importantly, these “moments of truth” (Grönroos, 1990) form the building blocks for customer perceptions of a firm, and are a critical determinant of customer satisfaction and loyalty (Wilson et al., 2008).

This is because customer interaction efforts are the fundamental action by which service quality and value are created (Li and Ho, 2008). Encounters are opportunities for businesses to introduce themselves to potential customers, to strengthen service offerings, and to gratify customers (Bitner et al., 2000). Additionally, they offer firms opportunities to hold customers in high regard, which can exceed their expectations, creating an emotional bond between customers and the firm (Berry and Carbone, 2007). Research reveals that encounters affect vital outcomes such as intention to repurchase, referrals (Ha and Jang, 2009), and relationship quality (Li and Ho, 2008). The rationale

for this is that there is a strong link between the quality of both the customer interaction and the formed relationship, which consequently is strongly associated with customer value (Li and Ho, 2008). This argument suggests that service encounters have strong links to SCA (Tseng and Huang, 2007, cited in Stading and Altay, 2007), given that service encounters form the foundation of the RM process (Grönroos, 2004).

Bitner (1992) considers how the service environment or servicescape has an effect on both the customer and the service provider. It is an effective predictor of service quality and influences a customer's appraisal of the intangible elements of a service (Reimer and Kuehn, 2005). The servicescape mainly consists of tangible attributes like physical appearance of the setting, ambience, and environmental aesthetics, and are assessed as part of service quality (Tuzovic, 2008). Indeed, the physical clues permit consumers to decipher both context and meaning from analysing the service delivery (Kwortnik, 2008). In addition to the servicescape, the actions and appearance of employees like the use of words, tone of voice, enthusiasm, body language, tidiness, and apt dress influence customer perception of service delivery (Berry and Carbone, 2007). Literature suggests employee performance and interaction as important determinants of creating positive customer experiences (Berry and Carbone, 2007). The quality of the service encounter is a strong basis for customer's appraisal of the service experience (Hennig-Thurau, 2004). This is reflected in research emphasising the positive association between employee behaviour and the customer's perception of the service (Zeithaml et al., 1996). With respect to performance, perceived employee effort in socialising with customers is deemed more important for customer satisfaction than perceived abilities (Specht et al., 2007).

#### **4.5.1 Boundary-Spanning Role**

Contact is necessary for the creation and transfer of knowledge between customers and the firm (Grönroos, 2004). This is an interesting point: service providers are the primary contact with customers; this bestows upon them a boundary-spanning role. This means that they are responsible for serving both internal and external entities: they must respond to customers and, at the same time, satisfy the demands of their management (Chung and Schneider, 2002). The main responsibility of boundary spanners is to execute various service-based functions in instances where the firm and its environment interact (Stock, 2006). They form the link between external customers, the market

environment, and the internal actions of the firm (Wilson et al., 2008). Chung and Schneider (2002) reveal that boundary-spanning roles serve two core purposes for organisations.

First, in line with the principle of inseparability, services are only produced in collaboration with customers (Bateson, 2002). Second, customers depend on using the behaviour of boundary spanners as a criterion in appraising the overall service quality of the business; this is because boundary spanners are, for the most part, the only point of firm contact for the customer (Berry, 1995). Boundary-spanning roles flourish when firm departments utilise resources as information channels (Adler et al., 2003). Indeed, they have an important role as arbiters of information flow external to the organization (Hazy et al., 2003), especially in instances where vigorous market changes occur and when the interlinked networks in which the firm functions are socially complex (Wilson et al., 2008). In particular, boundary spanners can acquire information about the capacity (or lack thereof) of the firm to satisfy individual customer needs (Zeithaml and Bitner, 1996).

Chung and Schneider (2002) refer to previous research, illuminating the importance of emotional proximity between boundary spanners and the customers with whom they interact. Schneider and Bowen (1985, cited in Chung and Schneider, 2002) discovered strong links between the employee perception of the quality of service delivered and the customer evaluation of the service received. Given the interpersonal and interorganisational demands placed upon boundary spanners, they need to possess high levels of emotional labour. Emotional labour refers to the feelings expressed by front-line staff members that have regular and prolonged contact with customers (Wilson et al., 2008). Wilson et al. (2008) stress the need for employees to regulate their emotions in order to provide a positive customer service experience. Its premise is that enhanced service quality is dependent on the existence of a meaningful bond between the service provider and the customer (Varca, 2009). For such a bond to develop, Gummesson (1987: 24) recognises the need for all employees to be “*well-attuned to the mission, goals, strategies, and systems of the company*”.

## 4.6 Development of CRM capability

The previous sections in this chapter give an overview on the concept of the customer-relating capability. Indeed, the literature examined in these sections has aroused the development of several key themes. Figure 4.3 below outlines these key themes, which are then discussed in turn. The figure below also lists authors that were quoted in this section.

**Figure 4.3 Key Themes and Authors**

Key Theme	Supplementary Reading
<i>Management support</i>	Gounaris, 2008b; Jackson and Sirianni, 2009; Lee and Chen, 2005; Mayo, 1997; Sigala, 2005
<i>Role of the front line</i>	Bitner, 1995; Grönroos, 1990, 2004; Karatepe and Uludag, 2007; Keeffe et al., 2008; Stading and Altay, 2007; Tseng and Huang, 2007; Wilson et al., 2008
<i>Relationship strength</i>	Clark et al., 2003; Claycomb and Frankwick, 2008; de Ruyter and Semeijn, 2002; Donaldson and O'Toole, 2002; Dwyer et al., 1987; Gassenheimer et al., 1994; Heide, 1994; Jap and Ganesan, 2000; Larson, 1992; Morgan and Hunt, 1994; O'Toole and Donaldson, 2000; Ring and Van de Ven, 1992; Scanzoni, 1979; Scheer and Stern, 1992; Sheth and Shah, 2003; Terawatanavong et al., 2007; Wilson, 1995
<i>Co-operation</i>	Anderson and Narus, 1990; Baker et al., 1999; Canning and Hammer-Lloyd, 2007; Gundlach et al., 1995; Håkansson, 1982; Heide and John, 1992; Herington et al., 2009; Joshi and Stump, 1999; Leonidou et al., 2006; Macneil, 1980; Metcalf et al., 1992; Powers and Reagan, 2007; Stanko et al., 2007; Terawatanavong et al. 2007; Wilson, 1995
<i>Commitment</i>	Allen and Meyer, 1991; Anderson and Weitz, 1992; Barry et al., 2008; Bendapudi and Berry, 1997; Cater and Zabkar, 2008; Dwyer et al., 1987; Evanschitzky et al., 2006; Fullerton, 2005; Fynes and Voss, 2002; Geyskens et al., 1996; Gounaris, 2005; Gustafsson et al., 2005; Hansen et al., 2003; Kohli and Jaworski, 1990; Menon and O'Connor, 2007; Moorman et al., 1992; Morgan and Hunt, 1994; Powers and Reagan, 2007; Richard et al., 2007; Ruyter et al., 2001; Selnes, 1998; Shi et al., 2008; Terawatanavong et al., 2007; Verhoef, 2003; Wilson, 1995
<i>Communication</i>	Anderson and Narus, 1984, 1990; Anderson and Weitz, 1989; Bitner et al., 2000; Cater and Zabkar, 2008; Claycomb and Frankwick, 2008; Duncan and Moriarty, 1998; Fynes and Voss, 2002; Gounaris, 2005; Grönroos, 1990, 2004; Ha and Jang, 2009; Jain et al., 2009; Jayachandran et al., 2005; Li and Ho, 2008; Mitrega and Halliday, 2008; Mohr and Nevin, 1990; Mohr and Spekman, 1994; Ring and Van de Ven, 1992; Selnes, 1998; Stanko et al., 2007; Wilson et al., 2008
<i>Trust</i>	Akrout and Akrouf, 2007; Andaleeb, 1996; Anderson and Narus, 1990; Canning and Hammer-Lloyd, 2007; Cater and Zabkar, 2008; Dwyer et al., 1987; Ganesan, 1994; Geyskens et al., 1996; Gounaris, 2005; Leonidou et al., 2006; Molm et al., 2000; Moorman et al., 1993; Morgan and Hunt, 1994; Ojasalo, 2008; Rousseau et al., 1998; Selnes, 1998; Sheppard and Sherman, 1998; Smith and Barclay, 1997; Wilson, 1995; Zaheer et al., 1998
<i>Role of technology</i>	none
<i>Customer advocacy</i>	Lacey and Morgan, 2009; Lawer and Knox, 2006; Seiling, 2008; Urban, 2004
<i>Customer co-creation</i>	Frow and Payne, 2007; Hollebeek and Brodie, 2009; Lusch and Vargo, 2006; Payne et al., 2008; Prahalad and Ramaswamy, 2004; Sheth et al., 2000

Source: Author

### *Management support*

Employees must be encouraged to deliver customer service that surpasses expectations (Mayo, 1997, cited in Kuo, 2009). The rationale is that IM initiatives stimulate the performance of front-line staff and customer satisfaction by means of enhancing employee satisfaction (Gounaris, 2008b). Treating employees as customers increases

their level of satisfaction, consequently resulting in enhanced customer satisfaction and relationship development (Lee and Chen, 2005). Indeed, investing in IM-based programs for front line employees improves their motivation and performance, and also strengthens customer satisfaction and loyalty (Jackson and Sirianni, 2009). Moreover, successful CRM implementation requires support from top-tier management. They can learn more about customers by conversing regularly with front-line staff about specific customers (Sigala, 2005).

#### *Role of the front line*

The employee-customer interface represents the point where employees and customers interact (Keeffe et al., 2008), and is critical for the creation of meaningful relationships (Stading and Altay, 2007). In the hotel context, front line employees, because of their boundary-spanning roles, find themselves in regular contact with customers, and are expected to satisfy their needs and requirements (Karatepe and Uludag, 2007). These “moments of truth” (Grönroos, 1990) form the building blocks for customer perceptions of a firm, and are a critical determinant of customer satisfaction and loyalty (Wilson et al., 2008). Indeed, these encounters are the foundation of the RM process (Grönroos, 2004). This is because they present firms with opportunities to demonstrate their quality, build trust and commitment with customers, and to increase customer loyalty by means of enhancing relationships (Bitner, 1995). The previous statement suggests that service-based encounters have strong links to SCA (Tseng and Huang, 2007, cited in Stading and Altay, 2007).

#### *Relationship strength*

Relationship strength represents the propensity of the interaction between the parties (O’Toole and Donaldson, 2002). It is measured by appraising both the levels of belief in and actions taken in the relationship (O’Toole and Donaldson, 2002). According to O’Toole and Donaldson (2000), there are four relationship types: discrete, hierarchical, recurrent, and relational. Discrete relationships exist where firms do not seek to build relationships with customers, and concentrate purely on transactions between the firm and its customers (Donaldson and O’Toole, 2002). The rationale for this is that trust is seen as unnecessary, and is therefore low (Ring and Van de Ven, 1992). Parties generally prefer to keep distant, achieve their own goals independently, and depend on economic and legal regulations to guarantee execution of obligations (Heide, 1994).

Consequently, there is scant emphasis on communication in such relationships (Dwyer et al., 1987). Ring and Van de Ven (1992) suggest firms to refrain from opportunistic behaviours if they no longer want to have a discrete relationship with customers. However, it is important to note that discrete relationships form the origin of all relationships (Dwyer et al., 1987).

Hierarchical relationships occur when one partner decides the nature of interaction between both parties (O'Toole and Donaldson, 2000). It is common for the smaller partner to develop a sense of distrust in such relationships (Gassenheimer et al., 1994, cited in O'Toole and Donaldson, 2000), and, as a result, demands more from the dominant partner in terms of actions (Donaldson and O'Toole, 2002). Recurrent relationships allow for trust building between both parties through mutually beneficial actions (Ring and Van de Ven, 1992), and are generally a fusion of both discrete and bilateral types (Donaldson and O'Toole, 2002). In these relationships, emphasis is placed more on operational issues and business transactions (O'Toole and Donaldson, 2000) where regular purchasing patterns occur (Donaldson and O'Toole, 2002). Whilst a strong social bond exists amongst parties, communicative efforts occur less often and are not as complex as interactions in relational relationships (O'Toole and Donaldson, 2000). The possible rationale for this is that both associates do not believe it is beneficial to further enhance the relationship (O'Toole and Donaldson, 2000). Given this, the execution of committed actions is therefore low (Donaldson and O'Toole, 2002).

Relational or bilateral relationships exist when both parties work together for mutual benefit through collaboration and communication, and can confer a competitive advantage to firms that nurture them (Donaldson and O'Toole, 2002). Partners in such relationships must take into account both previous interaction episodes and the social context (Dwyer et al., 1987). Sheth and Shah (2003) observe this relationship type as characterised by considerable investments by parties, elevated termination costs, and prolonged life span. There is thus a strong strategic emphasis in relational relationships, and interactions often involve a combination of economic and societal elements (Sheth and Shah, 2003). These activities engender both trust and commitment in relational exchanges (Morgan and Hunt, 1994), diminishing the desire for parties to find another suitor, organisations can generate 'monopolies' within markets (Sheth and Shah, 2003).

Jap and Ganesan (2000) recognize five key phases by which relationships evolve: (1) awareness, (2) exploration, (3) buildup, (4) maturity, and (5) decline/deterioration. Literature pertaining to relationship evolution suggests that important attributes like trust and commitment change in intensity as relationships change from one phase to another (Terawatanavong et al., 2007). In the awareness phase, the buyer and supplier recognise independently that they are feasible exchange partners (Dwyer et al., 1987; Claycomb and Frankwick, 2008). According to Clark et al. (2003), awareness is generally achieved through firm communications about the benefits and attributes of their offering. Sometimes, the reputation of the firm may persuade the buyer to want to know more about the supplier and vice versa (Terawatanavong et al., 2007).

Once awareness has taken place, exploration begins which consists of a trial period (Dwyer et al., 1987). In this phase, partners test their levels of complementarity, evaluate overall performance, and exercise power by means of negotiation (Wilson, 1995). These interactions between partners create mutual trust and foster norms governing business exchanges (Dwyer et al., 1987). Important in this stage are the establishment of fixed conventions for interaction as well as the expectations held by both parties of the future relationship (Clark et al., 2003). It follows then that this stage establishes if both parties are willing to further develop the relationship (Claycomb and Frankwick, 2008).

The expansion or build-up phase involves strengthening the relationship by increasing the level of common dependence (Dwyer et al., 1987). In this stage, transactions between parties increase with prolonged contracts being negotiated, reinforcing the desire to obtain benefits from current partners as opposed to finding new ones (Claycomb and Frankwick, 2008). For this to occur, both partners have to enjoy a heightened sense of mutuality and satisfaction derived from previous encounters (Terawatanavong et al., 2007). Complementarity advocates partners to allow mutual trade of resources such as capital and information (Scheer and Stern, 1992). This consequently impacts positively on trust given the sentiment that each partner equally benefits from the relationship (Scanzoni, 1979). This is thanks to parties building mutual trust and dependence (de Ruyter and Semeijn, 2002).

In the commitment phase, all members of a relationship take an overt or inherent oath to preserve it by showing an inclination to compromise in order to maintain their relationships, exuding a confidence in its endurance (Claycomb and Frankwick, 2008). When relationships reach this stage, all other potential partners are generally no longer considered (Dwyer et al., 1987). In this stage, relationships are maintained through strong communication and consistently positive interactions which further strengthen trust and dependence of both parties (Clark et al., 2003). Even though there is significant potential in both risk and opportunism, uncertainty remains low given that a proven performance history bolsters the consistency of future performance (Larson, 1992, cited in Claycomb and Frankwick, 2008). Dwyer et al. (1987), in line with Scanzoni (1979), lists three measures of commitment: the resources invested into the relationship, the current longevity of the relationship, and the consistency with which mutual investment of resources is carried out. Finally, the justification for the inclusion of dissolution as a stage is that relationships can end at any of the aforementioned stages, having implications for advanced relationships (Dwyer et al., 1987). This arises when one or both of the partners are not satisfied with certain aspects of the relationship (Clark et al., 2003). In such cases, the relationship is phased out and parties find more suitable partners to start new relations with (Clark et al., 2003).

### *Co-operation*

Co-operation is delineated as harmonized actions taken by firms in relationships to achieve mutual goals, permitting both parties to collaborate with the aim of profiting from the relationship (Anderson and Narus, 1990). The essence of the conceptualization is that the nature of the buyer-seller relationship should be supportive rather than antagonistic (Håkansson, 1982). Herington et al. (2009) indicates two key activities inherent within co-operation: collaboration and mutual conflict resolution. Indeed, Metcalf et al. (1992) categorise co-operation as the level by which the actions of both partners correspond. Recognising mutual goals requires ascertaining the objectives of all involved parties and the degree to which a partner can help the firm achieve them through preserving the relationship (Powers and Reagan, 2007). This is achieved through co-operative actions (Wilson, 1995), and alteration of business practices (Metcalf et al., 1992). Referring to previous research, Terawatanavong et al. (2007) note that these inputs should be built around common expectations relating to appropriate

behaviours carried out to achieve goals. Such established norms represent the rules for interaction which promotes mutuality and self-regulation (Gundlach et al., 1995).

Anderson and Narus (1990) indicated the strong link between co-operation and trust, in that co-operative actions increase trust. They further stress the subsequent willingness for partners to liaise in the future, engendering trust which continues the cycle *ad infinitum*. This supports the need for co-operative activities to occur so that the relationship can continue to flourish (Powers and Reagan, 2007). Anderson and Narus (1990) emphasise that co-operation requires input from both sides to achieve acceptable compromises that produce outcomes better than one party would have accomplished independently. Alterations to organisational structures, processes, or strategies strengthen the relationship, enhancing its durability and attractiveness for both parties, and lessen the incidence of conflict (Leonidou et al., 2006). These actions can show that the member is committed to the relationship which can increase the other partner's trust (Canning and Hammer-Lloyd, 2007). Thus, it follows that co-operation is a prerequisite for these adaptive actions to occur (Metcalf et al., 1992). In sum, co-operation is based on the principle that both parties work together to achieve individual goals without opportunism (Baker et al., 1999). Indeed, high levels of reciprocity can augment customer confidence in service providers, increasing commitment (Stanko et al., 2007).

### *Commitment*

Commitment is a necessary element to create, build, and maintain relationships (Bendapudi and Berry, 1997), and is regarded as necessary for strong relationship performance (Gounaris, 2005). It symbolizes a firm's response to customer needs and is a key dimension of being market oriented (Kohli and Jaworski, 1990), establishing the parties' expectations of the relationship that, if met, brings about a sensation of satisfaction (Selnes, 1998). Commitment is referred to as a willingness to continue a relationship (Moorman et al., 1992), and a pact between its participants (Dwyer et al., 1987). It is the 'desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship' (Anderson and Weitz, 1992: 19). Indeed, a willingness to make sacrifices demonstrates that the true goal of the partner is to create a fulfilling relationship (Terawatanavong et al., 2007).

Commitment suggests that relationships can be forged to withstand moments of conflict between parties (Fynes and Voss, 2002). According to Gustafsson et al. (2005), relationship commitment establishes a bond which strengthens customer loyalty to a company, even in instances of poor satisfaction. Moreover, commitment is essential for promoting collaborative actions where both parties profit from the relationship (Wilson, 1995). Moorman et al. (1992) suggest that committed customers feel they have an obligation to be proactive in the relationship to reciprocate commitment. Indeed, commitment is present in situations where each partner will do what is necessary to assure that the relationship lasts (Morgan and Hunt, 1994), signifying that commitment arises when relationships have matured (Powers and Reagan, 2007). Within the RM literature, the construct of commitment is comprised of two distinct dimensions: affective and calculative commitment (Hansen et al., 2003). Whilst both dimensions relate to mental states, they each have distinct stimuli for relationship preservation (Geyskens et al., 1996).

Calculative commitment concentrates on the belief of partners that relationships should be preserved on an economic basis (Shi et al., 2008). It is determined by taking into account the invested costs and benefits of the relationship, and is not influenced by the current state of the relationship (Allen and Meyer, 1990). It is prevalent in situations where relationships are only maintained due to problems in changing service providers (Menon and O'Connor, 2007) or switching costs (Anderson and Weitz, 1992). This proposes that customers may not have a genuine desire to continue the relationship (Evanschitzky et al., 2006). Therefore, calculative commitment could be perceived as a negative motivation (Geyskens et al., 1996), as it is a constrictive structural mechanism which unites parties (Gounaris, 2005).

On the other hand, affective commitment refers to the emotional attachment shared between partners in a relationship (Shi et al., 2008). This aspect of commitment is enhanced by customer interaction, producing increased levels of trust and commitment (Morgan and Hunt, 1994). Relationships founded upon affective commitment are easier to maintain; this is because customers have a genuine positive disposition towards the firm with whom they interact (Fullerton, 2005), a sentiment equally felt by firms towards customers (Cater and Zabkar, 2008). Barry et al. (2008) stress such motivations for wanting to continue relationships generally precede intentions to act. It assumes that

relationships are strengthened by reciprocity and trust, and indicates recognition of the shared values and affinity of both parties which may create an emotional bond between them (Menon and O'Connor, 2007). Relationships built upon trust are desired by both parties, creating a mutual desire to preserve and nurture such relationships (Barry et al., 2008). Research by de Ruyter et al. (2001) confirms the positive connection between trust and both affective commitment and intentions to re-patronise. Indeed, retention is considered the key outcome of affective commitment (Verhoef, 2003), given that it symbolises the eagerness of parties to sustain the relationship (Gounaris, 2005). The outcome that CRM implementation efforts have on both commitment and relationship performance is tenuous, signifying a substantial research gap (Richard et al., 2007) which this thesis attempts to address.

### *Communication*

Communication is the adhesive which binds parties together in relationships (Mohr and Nevin, 1990), playing an important role in relationship development (Ring and Van de Ven, 1992), and is a strong determinant of trust (Anderson and Narus, 1990). Customer interaction efforts are the fundamental action by which service quality and value are created (Li and Ho, 2008). Encounters present opportunities for businesses to introduce themselves to potential customers, to strengthen service offering to current customers, and to gratify customers (Bitner et al., 2000). These “moments of truth” (Grönroos, 1990) form the building blocks for customer perceptions of a firm, and are a critical determinant of customer satisfaction and loyalty (Wilson et al., 2008). Indeed, these encounters are the foundation of the RM process (Grönroos, 2004). The rationale for this is that there is a strong link between the quality of both the customer interaction and the formed relationship, which consequently is strongly associated with customer value (Li and Ho, 2008). More importantly, research reveals that encounters affect vital outcomes such as intention to repurchase, referrals (Ha and Jang, 2009), and relationship quality (Li and Ho, 2008).

Interaction approaches help associates to collaborate (Grönroos, 2004) in instances such as information transfer and conflict resolution (Mohr and Spekman, 1994). Additionally, Claycomb and Frankwick (2008) recognise the importance of communication as the basis for establishing what individual parties are willing to invest in the relationship over time. Anderson and Narus (1984: 44, cited in Anderson and

Narus, 1990) describe as “*the formal as well as informal sharing of meaningful, timely and frequent information between firms*”. Prompt and precise communication can decrease uncertainty with regards issues of information deficiencies as well as positively influencing partner selection decisions (Claycomb and Frankwick, 2008). Furthermore, Mitreğa and Halliday (2008, cited in Mitreğa and Katrichis, 2009) observe that customers attributed more significance to informal communication as opposed to its formal counterpart. Indeed, workers who exhibit affective traits like friendliness, responsiveness, and enthusiasm have a positive effect on the customer’s assessment of the service experience and its quality (Jain et al., 2009). These actions result in high level of affective commitment (Gounaris, 2005). Cater and Zabkar (2008) observe that social bonds serve as a driver for parties to continue relationships based on affective reasons like fondness and recognition.

Stanko et al. (2007) reveal that initial communicative efforts permit both partners to be aware of their individual goals, concerns, and preferences, and become important with regard to the development of common values and co-ordination of various activities in its latter stages. Without communication, relationships will not flourish (Duncan and Moriarty, 1998), and is vital for effective co-operation (Fynes and Voss, 2002). Selnes (1998) notes the effect that communication has both on trust and satisfaction, strengthening the relationship and increasing the likelihood of re-patronising. These efforts permit both the development of mutual trust and increased loyalty to the firm (Jain et al., 2009). Trust increases by means of customer query resolution, the alignment of both perceptions and expectations, and the encouragement of expressing each party’s mutuality (Anderson and Weitz, 1989). From a CRM perspective, communication can be enhanced if firms incorporate software in their interaction processes (Jayachandran et al., 2005).

### *Trust*

Trust has a vital role in the creation of meaningful customer relationships (Morgan and Hunt, 1994). It is a major antecedent for the creation of durable relationships (Ojasalo, 2008) as it has been proven to promote commitment and long-term orientation (Ganesan, 1994). Indeed, the higher the level of trust developed between both the firm and the customer, the more likely that the relationship will continue (Morgan and Hunt, 1994). It is developed by means of direct, regular dyadic communication (Selnes, 1998).

Cognition-based measures of trust include the perceived credibility and benevolence (Molm et al., 2000, cited in Canning and Hammer-Lloyd, 2007). First, credibility is present when customers have faith that a firm has the capacity to perform business tasks (Cater and Zabkar, 2008). This compliments the definition of Moorman et al. (1993), who delineated credibility as a willingness to rely on an exchange partner in which the firm has confidence. This willingness stems from an exchange partner's proficiency, dependability, and intentions (Ganesan, 1994). Accordingly, it is interesting to observe that placing faith in a partner assumes an expectation that their word can be relied on (Morgan and Hunt, 1994).

In a customer-client interface, delivering on promises made to customers significantly enhances trust (Ojasalo, 2008). The importance of credibility for trust building emphasises the potential of risk during exchanges (Sheppard and Sherman, 1998). Indeed, a tendency to partake in risk-inducing behaviour is inherent in trust (Smith and Barclay, 1997). This concept of risk within trust is explained by Zaheer et al. (1998) who delineate it as an individual's perception of uncertainty, drawn from their expectations, in the future actions of a partner. Attempts at risk aversion convey a confidence that one party will not exploit the other party's vulnerability, regardless of the inability to observe such behaviour (Dwyer et al., 1987). The concept of trust can thus be operationalised as the set of established expectations regarding behaviours of party members in an ongoing relationship (Zaheer et al., 1998). This notion of behaviour expectation is emphasised by Rousseau et al. (1998): trust is a fundamental emotional disposition that brings about or is a product of behaviour (395).

In contrast, benevolence represents the authentic concern of one party in the other's wellbeing, motivated by mutual gain (Canning and Hammer-Lloyd, 2007). Wilson (1995) suggests that developing trust involves acts of compassion where the seller takes into consideration the interests of the buyer during interactions. Expressing empathy with the other party and respecting their opinions can bring the relationship closer thanks to more dyadic interaction, creating a feeling of friendship which helps to get accustomed to the uniqueness of the partner (Leonidou et al., 2006). Such examples of empathy, reflecting the emotional aspect of trust, are more important than its rational counterpart (Akrouf and Akrouf, 2007, cited in Mitreğa and Katrichis, 2009).

The affective aspect of trust consists of the emotional bonds that develop between individuals (Molm et al., 2000, cited in Canning and Hammer-Lloyd, 2007). This element of trust permits a cordial approach to dispute resolution, reduces tension, and prevents the development of aggressive behaviour, thus minimizing the likelihood of dysfunctional conflict emerging (Anderson and Narus, 1990). When parties trust one another, conflict adverse behaviours that encourage constructive outcomes are more likely to ensue, which in turn increases reciprocated satisfaction (Andaleeb, 1996). However, when levels of trust are low, organisations are prone to inspect and monitor the behaviour of the other partner in the relationship (Gounaris, 2005). Therefore, the choice to maintain the relationship is more likely to be based on calculative commitment (Geyskens et al., 1996) which can result in its termination if it is not costly for the customer to leave the relationship.

#### *Role of technology*

CRM software packages have the capacity to render process effectuation more effective and efficient. Since capabilities reside within the firm's workforce (Olavarrieta and Ellinger, 1997), and are the force responsible for the activation of customer-interacting processes (Day, 1994), it is logical to assume that the use of technology will help front-line staff to be able to perform the necessary CRM processes better and faster (Plakoyiannaki and Tzokas, 2002). Moreover, the software packages can be used to store data acquired from interactions with customers. This information can then be retrieved by back-room staff, in particular, managers who can exploit this information in their IM efforts with front-line staff (Hansotia, 2002). This can continue the cycle of improvements with respect to process delivery.

#### *Customer advocacy*

The concept of customer advocacy endeavours to create stronger relationships by strengthening not only trust and commitment, but also by developing openness, discourse, and collaboration (Lawer and Knox, 2006). According to Urban (2004), customer advocacy is an alliance built upon two-way communication presupposing that if the company advocates for its customers, they will respond with trust, purchases, and long-lasting loyalty. Themes of communication for advocacy promotion involve asking probing questions to intensely explore individual customer needs, as opposed to just satisfying articulated needs, so that true satisfaction can be delivered (Seiling, 2008).

CRM initiatives play a supportive role in the development of customer advocacy; they can provide the necessary tools to understand individual customers and subsequently customise relationships with them (Urban, 2004).

Lacey and Morgan (2009) outline positive behaviours that result from customer advocacy: information transfer between parties, ease of carrying out market research, and an increase in both word-of-mouth advertising and repatronage intentions. Given this, it is not surprising that Lawer and Knox (2006) stress that customer advocacy presents opportunities to develop strong levels of customer commitment which consequently improves trust, relationship strength and customer loyalty.

#### *Customer co-creation*

Co-creation occurs in instances where customers and employees interact in relation to the design, production, and consumption of product/service offerings (Sheth et al., 2000). Co-creation has an important role to play in seeking to develop memorable customer experiences (Frow and Payne, 2007). It presents the opportunity to create value through tailored, co-produced offerings (Payne et al., 2008), by allowing customers to give input into decisions regarding creation of the proposed offering, price setting, delivery process, and communication (Sheth et al., 2000). Value co-creation can help firms to incorporate the customer point of view in improving front-end processes that reveal their needs and wants (Lusch and Vargo, 2006). This can subsequently augment customer loyalty and reduce business costs (Sheth et al., 2000). However, co-creation does not necessarily have to occur with front-line service employees (Hollebeek and Brodie, 2009). Citing previous research, Hollebeek and Brodie (2009) observe interactions between customers themselves can produce co-created value. To achieve this, Prahalad and Ramaswamy (2004) recognize four elements necessary for successful co-creation: dialogue, access to information, risk-benefit analysis, and transparency of information.

#### **4.7 Summary**

In following from the establishment of a theoretically sound interpretation of the RBV theory, as well as CRM literature, this chapter has identified a number of key themes to guide the empirical examination of effective CRM capability. These features of a CRM-oriented culture include management support, the role of the front line, relationship

strength, cooperation, commitment, communication, trust, technology, customer advocacy, customer advocacy, and customer loyalty. The next chapter will provide detail of the research design and programme to empirically examine the characteristics of an effective customer related culture.

## **Chapter 5                      RESEARCH METHODOLOGY**

### **5.1 Introduction**

The purpose of this chapter is to outline and develop the research methodology for this study. First, the philosophical perspective of the research is discussed with consideration of equivalent approaches as a means to validate the chosen methodology. Next, the range of research strategies available to the researcher are outlined, followed by the rationale for the strategy employed to address the research objectives. Then, the research design implemented to conduct this research is examined. Related to this, data collation and analysis methods for the purposes of the research are subsequently described. Overall, a case study strategy, underpinned by an intermediate perspective, is to be implemented for the study.

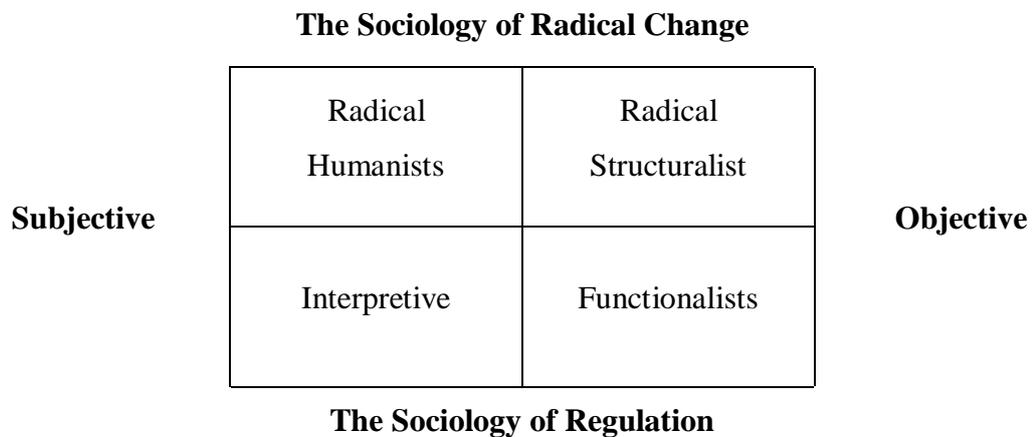
### **5.2 Philosophical Stance of the Study**

The philosophical perspective of research relates to the pre-existing notions about society and how the social world is studied. According to Burrell and Morgan (1979), there are two major dimensions of philosophy: societal and scientific. Within these two dimensions exist four paradigms which, according to the authors, act as “meta-theoretical assumptions which underwrite the frame of reference, mode of theorising and *modus operandi* of the social theorists who operate with them” (23). All social research approaches focus on the interconnected assumptions that support the social science disciplines, and encourages the methodology chosen by the researcher. There are two paradigms within the sociological dimension: regulatory and radical change. Regulatory change supposes that society evolves logically, and that society is considered unified whilst radical change views society as conflicting in nature, as people endeavour to liberate themselves from dominating social structures (Burrell and Morgan, 1979). These societal changes form the basis of modernism (regulatory) and post-modernism (radical).

In contrast, the scientific viewpoint concerns whether the research approach is either subjective or objective in nature. These two stances are generally assumed as polar opposites. The four core research assumptions (ontology, epistemology, human nature, and methodology) are outlined next. Regardless of their sociological point of view, the researcher will find that these assumptions are quite significant; i.e. that their view of

ontology affects their epistemological outlook, which in turn influences their view of human nature (Burrell and Morgan, 1979). The philosophical viewpoint reveals that the social world can only be comprehended through acquiring knowledge directly from the studied subject. Burrell and Morgan (1979) integrate these dimensions to define four paradigms: radical humanistic, radical structuralist, interpretive and functionalist as depicted in Figure 5.1.

**Figure 5.1 Paradigms for Social Theory Analysis**



*Source: Burrell and Morgan (1979)*

Despite the appearance of distinct perspectives, it is rare for modern researchers to adopt a wholly extremist view. Indeed, Morgan and Smircich (1980) argue that relegating the philosophical argument to two extremes is over simplified and suggest that there are several perspectives that exist amongst the spectrum of both extremes. It is unsurprising, thus, that the majority of business researchers take a more temperate objectivist viewpoint given that *“it is often the case that the advocates of any given position may attempt to incorporate insights from others”* (Morgan and Smircich, 1980: 493).

**Figure 5.2 Research Method Assumptions – The Subjective/Objective Dimension**



Source: Burrell and Morgan (1979)

### 5.2.1 Ontology

Ontology refers to assumptions about the nature of reality. This stance expresses individual beliefs with respect to ‘the nature of being and purpose of existence’ (Somekh and Lewin, 2005: 345). Holden and Lynch (2004: 399) stress the importance of ontology in research, as it ‘*is the cornerstone to all other assumptions*’. There are two key stances with regard to ontology: nominalism and realism. Nominalists see the societal world as an entity constructed by the individuals within it (De Búrca, 1995), while realists take the view that a singular reality exists, a hard and knowable reality divorced from individual appraisal (Burrell and Morgan, 1979: 4). In view of these perspectives, it seems that a nominalistic ontology is the best approach given the research objectives. The rationale for this decision is that the customer relationship management dynamic is inherently based upon a relationship structure, a ‘reality’ that is jointly created by front-line staff and customers.

### 5.2.2 Epistemology

The term epistemology describes the collection of assumptions regarding knowledge; more specifically, how it is obtained and subsequently disseminated (Burrell and Morgan, 1979). In general, epistemological views take one of two extremes; researchers either take a positivist or an interpretivist view. The underlying principle of positivism is that reality is static in nature and should be measured objectively, which involves the researcher being independent from the research subject. Indeed, the need for researchers to distance themselves from the studied phenomenon is a key feature of positivistic research (Gummesson, 1991). The positivist epistemology emphasizes the importance of understanding and designing the structure of the social world by means of analysing

the relationships that form the studied structure (Morgan and Smircich, 1980). However, a positivistic research stance is not conducive to the arousal of deep-rooted insights into intricate issues, given that positivism seeks to generalise the phenomenon (Remenyi et al., 1998). On the other hand, the core belief of interpretivism states that reality is created by social agents, which needs context to render it comprehensible. It places emphasis on the principle that knowledge is subjectively acquired, and not discovered (Lynch, 2008).

### **5.2.3 Human Nature**

This supposition concentrates on the relationship between human beings and the environment in which they interact. The two extremes in this concept are determinism and voluntarism. Determinism relates to the fact that the relationship between humans and the society in which they interact is manipulated by the external forces located within that society (Easterby-Smith et al., 1991), a view held primarily by positivists. On the other hand, voluntarism refers to the principle that human free will plays a role in the environment. Interpretivist research has focused on comprehension and interpretation (Gummesson, 1991).

### **5.2.4 Methodology**

Methodology refers to the set of strategies that can be employed by researchers to inspect phenomena (Burrell and Morgan, 1979). The choice of methodology taken is predisposed by the researcher's perspective relating to ontology, epistemology, and human nature. Indeed, these aforementioned views greatly influence the course of action selected to investigate and acquire knowledge about the studied phenomenon. Its discourse focuses on two distinct approaches: ideographic and nomothetic (Lee, 1991). An ideographic approach involves subjective analysis of events in its natural setting where the subject can express itself freely during the research process (Burrell and Morgan 1979: 6). Data analysis techniques like case studies and focus groups are prime examples of ideographic methodologies. In contrast, nomothetic approaches are those that seek to create general theories that predict human behaviours (Gill and Johnson, 2002). They are characterised by the use of structured techniques, mainly quantitative data collection methods like surveys and questionnaires. In specific reference to the chosen methodology for this thesis, a strong philosophical justification must be elucidated.

Ontologically speaking, the researcher shares the view that the social world implies that customer relationships are constantly being modified as a result of shared learning and compromise through human action and exchange. That is, reality is a realm where symbolic discourse occurs (Morgan and Smircich, 1980). Regarding stance on epistemology, the researcher must emulate the scientific rigour of the natural sciences in the social sciences, while at the same time recognising the importance of human subjectivity in the quest to understand human action and behaviour. Thus, knowledge although not absolute, can be accumulated, tested, and either retained or discarded. Reality is embedded in a social world of subjective meanings of actions, reactions and appropriate adjustments that renders itself to others as appropriate behaviour. Thus, the researcher views human nature as voluntaristic. That is, societal structures evolve and change through human interaction. Indeed, humans as information processors are constantly engaged in receiving, interpreting and acting on the information received through social exchange. They are social actors, interpreting their reality through the symbolic significance of the information received and that is meaningful to them.

And, finally in terms of methodology, the subscription of this study to the outlined intermediate assumptions on ontology, epistemology and models of human nature, have guided the realisation that for certain research problems either a quantitative or qualitative methodology may be better suited. The following sections justify this position and the methodological assumptions of the present study.

### **5.3 Research Design**

For any researcher, conducting research without a detailed outline is likely to produce findings that do not solve the research problem. Thus, it is essential that a basic strategy be adhered to which provides details of each step in the research process and ensures that the study will be relevant to the problem at hand (Gill and Johnson, 2002). Yin (2009) defines the research design as a proposal to answer the key research questions by drawing up conclusions. Thyer (1993: 94, cited in Kumar, 2005: 84) defines a research design as:

*“A blueprint or a detailed plan for how a research study is to be conducted – operationalising variables so that they can be measured, selecting a sample of*

*interest to study, collecting data to be used as a basis for testing hypothesis and analysing the results”.*

The research design of the study is to take the form of exploratory interpretative research with an intermediary philosophical position. The exploratory nature of the research study is evident in its general objective which is to gain insights and understanding into how various resources work together in order to develop strong customer relationships. Moreover, research exploring the customer relating dynamic is scant. Thus, research methods have to be flexible, unstructured, and qualitative given that there are no solid preconceptions as to what will be discovered (Kumar et al., 2002). In exploratory research, sample sizes are generally small and unrepresentative. Furthermore, the research process has a flexible and informal nature. Action research, ethnography and case studies are key examples of exploratory research methods.

Even though the term ‘interpretative research’ has been equated to qualitative research, this is necessarily not the case. Indeed, Lynch, (2008) mentions that qualitative research can incorporate both subjectivist and objectivist aspects. This is because modern qualitative data analysis tools like Nvivo enable researchers to quantify themes by using a coding process that allows for statistical analysis of case study data. This is in contrast with the observation of Remenyi et al. (1998), who remarked that research employing in-depth interviews was considered to be purely interpretive in nature. Research into customer relationship management can be considered interpretative if it is assumed that our knowledge of reality is rooted in a world where meanings of actions are subjective. Further justification for the interpretative viewpoint is because the research explores a complex phenomenon and attempts to build a clear image of it in its natural setting by interpreting the meanings created by both the actors within it and the researcher (Creswell, 2003).

### **5.3.1 Justification of Research Approach**

Whilst many different types of interpretive approaches exist (ethnography, action research etc.) it was decided that, in order to understand the phenomenon of customer relationship management within an Irish hotel, a case study strategy is seen as the most suitable approach. The researcher considered other methods but these were deemed unsuitable. For example, an intervention on the part of the researcher would not be

appropriate to study the research phenomenon in its natural environment, thus excluding action research as a research method, and ethnography cannot be considered as it takes a 'grounded' perspective. Similarly, the use of a survey requires the development of hypotheses, which is not possible considering the lack of literature specific to the customer relating dynamic.

Justification for employing the case study approach is based on a number of factors. First, the exploratory nature of the research question necessitates the research to adopt an approach which permits the simplification of a composite collection of related factors (Yin, 2009). Indeed, case studies are desired in instances when comprehending the dynamic nature of events is a requirement (Eisenhardt, 1989). Second, case studies are more preferable over other approaches when examining phenomena where the researcher has limited or zero control which gives the opportunity to exploit numerous sources of evidence (Yin, 2003), allowing the researcher to further explore the occurrence. Indeed, they are capable of offering insights that may be unachievable with other approaches (Rowley, 2002).

Third, case studies method allows the research question to be addressed in the context of the hotel setting. The advantage of the case study approach with regard to contextual restrictions of alternative methods is highlighted by Yin (2003: 13): 'A case study is an empirical inquiry that investigates a contemporary phenomenon within a real-life context, especially when the boundaries between phenomenon and context are not clearly evident'. Fourth, the case study is the best method in instances where the research question requires comprehensive examination (Remenyi et al., 1998). Sixth; the case study method permits the fusion of both qualitative and quantitative techniques. Certainly, the case study is described as the "all-encompassing method" that employs "multiple sources of evidence." (Yin, 2003: 13). This makes it possible to acquire information from interviews with management and front-line staff members, documentation relating to the company and customer opinions relating to the hotel experience, and general observation (Eisenhardt, 1989). Furthermore, the validity of findings is enhanced as data obtained from each source of evidence can be cross examined. As the study seeks to develop insight into the effective implementation of customer relationship management in hotels, this created a clear imperative to examine in depth an hotel which has a strong profile in this context, with a case approach

providing the optimum lens. In sum, this research adopts a case study approach because it will allow the investigator to develop an understanding into complex phenomena.

#### **5.4 Sampling**

Sampling involves choosing who (or what) from the population will be considered as research subjects. Population is the term which characterizes the whole amount of possible cases of the type which correspond to the subject of study (Walliman, 2001). However, using the entire population of interest is impractical due to resource constraints. Moreover, entire population coverage may not necessarily be more advantageous than a smaller sample. Thus, a more feasible idea is to take a sample of the population, a chosen group of individuals who represent the population, to provide data from which researchers can draw conclusions (Jankowicz, 2000). Sampling allows firms to gather results quicker, requires less effort and is more cost-effective than carrying out research with the whole population.

In light of these two broad categorisations, it must be established that sampling process is not purely determined by statistical probability (Mason, 2002). An interpretive case study necessitates the use of purposeful sampling. For this research, criterion sampling is employed. In this type of sampling, cases are selected on satisfaction of a set of pre-set criteria, guaranteeing the quality of each case used for research (Patton, 1990). This occurs when information-rich cases whose study will effectively address the research question are deliberately chosen (Miles and Huberman, 1994), and comprises “procedures used to identify, choose, and gain access to relevant units which will be used for data generation by any method” (Mason, 1996: 83). Case choice is the primary stage of the sampling process. Patton (1990: 181) points out that ‘the underlying principle that is common to all these strategies is selecting information-rich cases’ that will allow the researcher to test theory. Indeed, Eisenhardt (1989) succinctly justifies the use of deliberate selection, stating that ‘random selection is neither necessary, nor even preferable’ (537). Case selection was based on satisfaction of the following criteria:

- The hotel has a retention rate of 80 percent or more.
- There is evidence of good customer service e.g. awards.
- The hotel has a strong employee-focused culture e.g. training programs, support.

- The hotel uses a computerised data management system.
- The hotel has been in business for a long period of time e.g. several generations.

Using the above criteria as a reference, a screening of Irish hotels was conducted to identify hotels that satisfy the criteria requirements for the research. Following the screening process, one hotel, Kelly's Resort Hotel and Spa, met the established criteria most completely. However, given the research question and objectives, it was decided that a detailed single case would be sufficient. The main reasoning for this is that Kelly's is held in high regard among Irish tourism organisations such as Fáilte Ireland and the IHF, and is seen as a 'best practice' example in customer service. Furthermore, no published empirical research has ever been conducted on Kelly's. It was envisaged that the richness of information derived from the case would be enough to make inferences about the nature of the customer relationship management process within the greater hotel context. The exploratory nature of the research study is evident in its general objective, that is, to gain an understanding of the sub-processes occurring in a customer relating dynamic. Given that the nature of the research is to test theory, and not to build it, a single case methodology is justifiable. This is thanks to the "how" nature of the research question and the emphasis on contemporary events (Yin, 2003). Considering the lack of empirical examination of the research topic, using a single case study is recommended by Birley (2002).

#### **5.4.1 Sampling units**

The researcher, in examining the purpose of the research, identified a number of employees for interviewing, spanning three levels of the organisation: senior managers, front-line managers, and front-line employees. In order to facilitate selection of the individuals, the researcher approached the Front of House Manager who recommended a selection of respondents for interviews. These included the managing director and the human resource manager (senior managers), the front of house Manager and the marketing manager (front-line managers), an accommodations supervisor, a receptionist, the pool manager, a waitress, and a chef (front-line employees). One manager could not be interviewed due to not being available at the time of interviews.

### **5.4.2 Profile of Selected Hotel**

The hotel selected for the case study is Kelly's Resort Hotel and Spa, located in Rosslare, Co. Wexford. This four star property, founded by William J. Kelly in 1895, has 118 rooms and suites. The hotel has stayed within the Kelly family for four generations. In 1995, the hotel published a book ('The Book of Kellys') to commemorate its centenary which outlines the history of the hotel. It has a vast array of facilities for its customers, among which there are three award-winning restaurants of which two are equipped with bars, a fitness centre with 2 indoor swimming pools, hair salon, and many leisure amenities (tennis courts, snooker rooms etc.). In addition, there are various facilities and amenities nearby such as Rosslare Golf Club and windsurfing on the nearby beach. Since 2003, it has won 16 national and international awards, such as BBC's 'Top 10 Family Resort Hotels in the World' in 2005 and The Sunday Times' '20 Top Seaside Resorts Hotels in UK and Ireland' in 2004.. The average length in service of the current workforce of 200 people is eight years.

This hotel was chosen because it satisfied all the necessary sampling conditions set out in the previous section of this chapter. The property is a four-star resort hotel and spa, and meets the minimum three-star requirement. With regard to the use of data programs, it utilises a software package called Portfolio in order to gather, store, and retrieve customer information for interaction episodes. A key rationale for why this hotel was chosen is that it has a retention rate of 90.5 percent. This is very significant: the data gathered from the research can give insights into how service provision strategies that nurture high retention rates can be developed.

In terms of duration, the researcher carried out 4 interviews on the 25<sup>th</sup> November 2009, and a further five interviews on the 30<sup>th</sup> November 2009. After conducting the interviews on the 30<sup>th</sup> November 2009, the researcher then stayed for one night in the hotel as a guest to make observations relating to the hotel's execution of customer service. This gave the researcher ample time to examine many aspects of customer service within Kelly's Resort Hotel (welcoming at reception, room service, restaurant and bar service etc.). On the 9<sup>th</sup> February 2010, the researcher then attended an annual briefing by the MD of the hotel addressing a group of front-line employees which was followed by a sales, marketing, and customer service workshop facilitated by Fáilte Ireland. Finally, the researcher was able to get access to various documents relating to

training programs, information pamphlets etc. A full research agenda can be seen in Appendix A of this thesis.

## **5.5 Data Collection Methods**

In relation to the gathered data, all respondents were assured that information provided by Kelly's would be treated in strict confidence, and that no individual would be recognised in any publication resulting from the research project<sup>2</sup>. Thus, names used are fictitious. The data collection project ceased when theoretical saturation was achieved; in particular when insights gained from supplementary interviews proved insignificant. The collection methods employed were: interviews, documentary analysis, and observation. Each of the methods is discussed in turn below.

### **5.5.1 Interviews**

Interviews were carried out during the month of November 2009. All in all, 9 personal in-depth interviews were conducted. Table 5.1 provides an overview. The researcher designed two sets of semi-structured interviews: one for managerial staff and another for front-line staff. The dates and duration of time with each staff member are outlined in Table 5.1 below. The selection process for the interviewees was a relatively simple one. Once agreement was verified within Kelly's, initial discussions identified key players within the hotel. The face-to-face interview is regarded as a valuable research tool, enabling the interviewer to attain direct feedback and guarantee a more in-depth response from interviewees.

There are three forms of structural layout for interviews: structured, semi-structured, and unstructured. Structured interviews are formal and consist of a set of predetermined questions ensuring that responses from multiple interviewees are easily comparable. This approach ensures that all interviewees are given the same questions, in the same order. Secondly, there is the semi-structured interview, which can result in variation of questions from interview to interview. However, interviewers should have a 'grouping of topics and questions that the interviewer can ask in different ways for different participants' prepared in advance (Lindlof and Taylor, 2002: 195). This facilitates the

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<sup>2</sup>Please refer to Appendix E to view the copy of the signed Consent Release Form.

interviewers to concentrate on important topics without being restricted to a rigid format. This freedom can help interviewers to adapt questions to the interview situation as well as to the interviewee (Lindlof and Taylor, 2002). Finally, the unstructured interview is very informal and can be used to deeply examine a general area of study without the use of pre-set questions. Questions can be modified in accordance to inferences gathered by the interviewer with regard to the respondent's intelligence, understanding or belief.

**Table 5.1 List of Interviewees**

<b>Employee Type</b>	<b>Job Title</b>	<b>Date</b>	<b>Duration (mins)</b>
Management	Managing Director	25/11/2009	70
Management	Front Line Manager	25/11/2009	45
Management	Human Resources Manager	25/11/2009	45
Management	Marketing Manager	30/11/2009	40
Front-Line Employee	Accommodations Supervisor	30/11/2009	30
Front-Line Employee	Senior Receptionist	30/11/2009	20
Front-Line Employee	Pool Manager	30/11/2009	20
Front-Line Employee	Waitress Staff	30/11/2009	15
Front-Line Employee	Chef Staff	30/11/2009	15

*Source: Author*

For the purposes of this thesis, semi-structured interviews with both management and front-line staff in Kelly's Hotel were employed. The purpose of this is to develop an understanding of the respondent's environment (Easterby-Smith et al., 2002: 87). The researcher outlined a set of issues to be explored with each participant before commencing the interview (Patton, 1990: 280), incorporating a set of broad questions for both managers and front-line staff (Appendices B and C respectively). Related probing questions were added below each broad question for both sets of interviewees. Having a set of questions available at hand during the interview process allowed the researcher to ensure that every issue was covered, and that pertinent data was gathered. For purposes of data integrity, all interviews were taped and subsequently transcribed immediately following the interviews.

### 5.5.2 Documentation

The researcher analysed both printed and electronic documents as additional data sources for the case study, detailed in Table 5.2 below. In total, 81 documents have been used. Information relating to the hospitality industry and, more specifically, the hotel provided better insight into how they deliver customer service through using CRM. Additionally, reading various documents helped the researcher to obtain sufficient knowledge of the industry-specific terminology and its context which was important. Documents attained for the purpose of the thesis included company brochures, publications about the hotel, presentation materials, company information on various hotel comparison websites like tripadvisor.com. The information gathered from documents was analysed in conjunction with interview and field notes as a means to ensure consistency with the findings. The most discussed type of triangulation refers to the use of multiple methods in the examination of a social phenomenon (Denzin, 1978: 294-307).

**Table 5.2 List of Documents Employed**

Document Type	Number of Documents
Advertising pamphlets*	7
Application Form to return to Kelly's*	1
Books*	2
Detailed hotel résumé	1
Event information pamphlets*	3
External Training documents*	2
Order documentation*	1
Presentation made to Fáilte Ireland	1
Staff induction material*	2
Training Documents*	2
Web – home page	1
Web – TripAdvisor articles	58

\* Documents acquired from Kelly's

Source: Author

### **5.5.3 Direct Observations**

Observations facilitated the researcher in observing the products and production process “in use”. Thus, a greater contextual understanding of the customer relating dynamic of front-line hotel employees in action was observed. In total, 10 hours of observations were executed in the hotel. The researcher observed many instances of front-line staff servicing the customer; for example, making first contact with the guest at the reception desk or when guests request service from other staff members in the hotel. Such observations provided clarity to the researcher on issues that seem unclear at ‘face value’. Moreover, instances where contact at the reception desk was made allowed the researcher to experience the CRM system in use, as the practical use of CRM systems was unclear to the researcher prior to research. In order to generate rich data, the researcher observed instances of customer relating episodes for 60-90 minute intervals. At the end of each interval, the researcher moved to a quiet area and noted what happened in each episode. Whilst note taking in the servicescape would result in more accurate descriptions, this was not done because of the possible perception by front-line employees of being ‘rated’ whilst performing their duties, enabling them to perform in their natural environment. A detailed reflective log of the observations is in Appendix D.

In addition to observing customer service episodes, the researcher attended the annual briefing by the MD which was immediately followed by a sales, marketing, and customer service workshop facilitated by Fáilte Ireland for a group of front-line staff. This allowed the researcher to experience the interaction between the front-line staff and management, and also, the nature of the training courses available to front-line staff. All on-site observations granted a profound insight into knowledge that can only be gained through experience which enriched the researcher’s understanding of the CRM concept, as explained by the participants.

## **5.6 Data Analysis**

The case study comprised qualitative techniques. Therefore, the author used the Nvivo software program for data analysis. Coding as a technique can interpret qualitative data in a way which allows it to be treated effectively as quantitative data. Most coding requires the analyst to read the data and demarcate segments within it. Each segment is labeled with a “code” – usually a word or short phrase that suggests how the associated

data segments inform the research objectives. When coding is complete, the analyst prepares reports via a mix of: summarizing the prevalence of codes, discussing similarities and differences in related codes across distinct original sources or contexts, or comparing the relationship between one or more codes. In these cases, codes are often applied as a layer on top of the data. Quantitative analysis of these codes is typically the capstone analytical step for this type of qualitative data.

Contemporary qualitative data analyses are sometimes supported by computer programs. These programs do not supplant the interpretive nature of coding but rather are aimed at enhancing the analyst's efficiency at data storage/retrieval and at applying the codes to the data. Many programs offer efficiencies in editing and revising coding, which allow for work sharing, peer review, and recursive examination of data. A frequent criticism of the coding method is that it seeks to transform qualitative data into quantitative data, thereby draining the data of its variety, richness, and individual character. Analysts respond to this criticism by thoroughly defining codes and linking those codes to the underlying data, therein bringing back some of the richness that might be absent from a mere list of codes.

## **5.7 Data Legitimation**

According to Easterby-Smith et al. (1991), legitimation is the term that refers to the validity, reliability and generalizability of the employed data. However, this set of criteria is unsuitable for research of an interpretivist nature. Indeed, Morgan (1983: 396) deems the use of positivistic criteria to moderate interpretative research as unreasonable, because "they seek a different kind of insight, adopt different methodologies, and favour different criteria for judging their knowledge claims". In light of this, Lincoln and Guba (1985) propose four evaluative criteria for interpretivist research: credibility, transferability, dependability, and conformability. These concepts are analogous to the positivistic concepts of internal validity, external validity, reliability and objectivity, respectively. These criteria are further investigated below:

### **5.7.1 Credibility**

Credibility involves the integrity of the interpretations that are generated from the research (Bryman, 2004) and is analogous with the concept of internal validity in quantitative research. Lincoln and Guba (1985) state that a researcher must do

everything necessary to ensure that interpretation of collected research data is credible and understood. This is because phenomena can be construed differently from one interviewee to the next (Riege, 2003). To ensure credibility, the researcher made sure that there was prolonged engagement with the case study, so that unusual events, which may happen over time, can be discovered and recorded (Lincoln and Guba, 1985). Furthermore, the data used must be generated from multiple sources (Yin, 2003). Upon compiling the obtained data, the researcher presented the hotel with the findings acquired from the research process. They were asked to read the information to ensure the validity of the data as well as the process in which the hotel participated. If they were not satisfied with the findings, or if something had been omitted or misinterpreted, this contact allowed the opportunity to make changes (Hirschman, 1986). The researcher received a communication from the hotel to indicate that they were happy with the findings presented to them, and they were then requested the hotel to complete the Consent Release Form, which permits the researcher to use the data for the purposes of the research (see Appendix E for). Finally, throughout the whole research process, the researcher endeavoured to provide a rich contextualisation of the case study, allowing external observers to review the researcher's interpretation of the data in an appropriate context (Klein and Myers, 1999).

### **5.7.2 Transferability**

Transferability is analogous to the concept of external validity in quantitative research. As qualitative research is generally concerned with the intensive study of a small group, or of individuals sharing certain characteristics, qualitative findings tend to be orientated to the contextual uniqueness and significance of the social worlds being studied (Bryman, 2004: 275). For this research, it is significant to realise that the issue of being able to generalise findings beyond the boundaries of the hotel industry is not essential, despite the possibility that the 'findings hold in some other context, or even in the same context at some other time, is an empirical issue' (Lincoln and Guba, 1985: 316). According to Hirschman (1986: 245), in order 'to assess the transferability of an interpretation one must know not only the specifics of the context in which the interpretation was generated, but also the specifics of the context to which the interpretation is to be applied'. In simple terms, transferability to alternative contexts is only possible when both contextual interpretations are evaluated and are subsequently considered suitable for comparison (Lincoln and Guba, 1985). Therefore, transferability

to a second setting can only be determined after data analysis following a comparison of the interpretations from the two contexts. This also means that the researcher is unable to ascertain external validity before cross-examination of both contextual interpretations. Despite this, Lincoln and Guba (1985) mention that the rich, thick description provided by interpretivist research can enable external reviewers to decide whether the data accrued from this research can be transferred to other contexts.

### **5.7.3 Dependability**

Cepeda and Martin (2005) highlight three steps needed for assuring the dependability of research, which is analogous to the concept of reliability in quantitative research. First, employing multiple sources of evidence allows for triangulation on similar findings which ensures dependability (Denzin and Lincoln, 2003). Second, relating to the collection of various sources of evidence, Lincoln and Guba (1985) advise that researchers should adopt a ‘stocktaking’ approach with regard to data storage and retrieval. For this, the researcher has completed records of every phase of the research process such as formulation and selection of the research process, selection of participants, observation notes, transcribed interviews and data analysis decision; and all in an accessible manner (see Appendix A for Case Protocol). The template for the Case Protocol in Appendix A was adopted from the work of Brereton et al. (2008) who highlighted the absence of guidance in the literature on the development of a case protocol. This is despite the important contribution of the protocol to reliability (Tellis, 1997). The recording of the research process will facilitate peer review of the dependability of the researcher’s work. Maintaining such an audit trail augments the integrity of the research; it assists the researcher to group, catalogue, and appropriately categorise large amounts of data, emphasising the researcher’s effort of cross-referencing of data, and ensuring a coherent flow between data collection, data analysis methods, and suppositions (Lincoln and Guba, 1985). Having access to an audit trail helps to prioritise data that could have been unchanged (Lincoln and Guba, 1985). Finally, the audit trail ensures a clear chain of evidence emanating from the case study analysis to its discussion (Applebaum, 2004).

During the interview process, respondents were continually probed to ensure that as much relevant data as possible could be collected from each interview. This information was then analysed with Nvivo 8. The research project has been presented to other

postgraduates and faculty at the Postgraduate Review Board in the WIT Business School and at various national conferences<sup>3</sup>. The constructive feedback gained from these events contributed to the methodological approach employed. To further ascertain the credibility of the research, the researcher furnished the primary research results to the MD of Kelly's in order to review the data to ensure that the content was accurate. In addition, regular discussion with research supervisors over the research lifetime, aided by an open-door policy, allowed the researcher to further augment the dependability of the research.

#### **5.7.4 Confirmability**

Confirmability is analogous to the concept of objectivity in quantitative research. The concept of confirmability focuses on ethical issues such as striking a balance, and the importance of objectivity and retaining impartiality in research (Hirschman, 1986). Confirmability is tested by assessing if the interpretation of the presented data is rational and unbiased (Riege, 2003). To ensure confirmability, an audit trail and case protocol was developed to facilitate data access for inspection by auditors (Riege, 2003). For this, the researcher had numerous meetings with his supervisors. Meetings with supervisors ascertained that the interpretations of the obtained data were consistent with any documentation presented to them.

### **5.8 Summary**

The procedure by which the secondary and primary research was conducted has been clearly laid out. In addition to this, the author justified the choice of research strategy and methods in the study. An overview of the research process was presented, including the researcher's justification for using case research. In order to garner information from a number of comprehensive sources, a qualitative research approach was utilised. The data collection methods adopted to investigate the aims and objectives of the present study were described in this chapter. A fully detailed case study protocol has been developed, as advised by Yin (1994) and the transferability, dependability and credibility of the data collected were outlined. A description of the case study process

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<sup>3</sup>Research relating to the thesis was presented at the IAM Conference 2009 in GMIT, and the THRIC conference 2009 in DIT.

was outlined, detailing the sampling design, interview preparation and on-site data collection used in the study. Finally, the data analysis process and tools were fully outlined. The findings obtained from the primary research based on a case study of Kelly's Resort Hotel and Spa will be the central focal point of the next chapter in this study.

## **Chapter 6                    PRIMARY RESEARCH FINDINGS**

### **6.1     Introduction**

The overarching objective of this chapter is to present the findings on the customer relating dynamic within the rich case context of Kelly's Resort Hotel and Spa. Personal interviews, observations by the researcher (including staying as a guest in the hotel to make observations, and attending staff briefing and training session), and documentary evidence facilitated the exploration of emerging themes. First, the history and development of the hotel is outlined with a focus on the development of organisational culture. Then, the nature of the relationship between the front-line staff and management is explored. Following this, the chapter will focus on the role technology plays in the guest relationship development. The nature of the relationship between the front-line employee and the guests is looked at, and is then followed by the role the guest assumes in service delivery. Finally in this chapter, the hotel's concept of guest loyalty is outlined.

### **6.2     Case Profile and Context**

In 1995, the hotel published a book 'The Book of Kellys'<sup>4</sup> to commemorate its centenary. Since its foundation, the hotel has been within the Kelly family for four generations. It was originally founded as a tea house by William J. Kelly in 1895. Following its success, William decided to expand the tea house into a hotel in 1902, with a further expansion three years later. In the mid-1920's, one of his sons, Nicholas Kelly, assumed control of the hotel. He started an aggressive marketing campaign to promote the hotel during the 1930's and 1940's in both Ireland and England, and was one of the first businesses to use colour in their advertising. In 1953, the hotel was passed onto William J. Kelly, Nicholas' son. He, along with his wife Breda, worked for the good of both the hotel, and the Irish hotel industry. William became President of the Irish Hotels Federation (IHF) in 1972, and was a founding member of both the Irish Hotels and Restaurant Managers Association and the Irish Hotel and Catering Institute. Involvement in the IHF allowed him to make practical contributions to aid the hotel industry, such as promoting hotels to Irish people living abroad and devising

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<sup>4</sup>Much of the following information presented in this section is taken from this book.

refurbishment grants, as well as lending support to fellow hoteliers during tough times. His hard work for the IHF is commemorated with the Billy Kelly Award of Excellence, an honour given every three years to hoteliers who excel in customer service whilst supporting fellow hoteliers. He also started importing his own wine directly from French vineyards in the early 1950's, a tradition that is still practiced today by his son and current director, Mr. Bill Kelly.

From the late 1950's onwards, the facilities were expanded to cope with the ever increasing amount of visitors. In order to give their guests a variety of activities to enjoy, William and Breda Kelly began one of many extensions that would be made to Kelly's which would eventually include the building of 66 bedrooms, an indoor swimming pool, squash and tennis courts, and a gym. Breda continued the work of William, following his death in 1977. She endeavoured to maintain the high standards, and was renowned for her interest in the welfare of hotel staff and their families. She also built up a fine art collection from which an art week held annually in the hotel grew. Then in 1987, her son, the MD, assumed management of the hotel, a role which he has exercised ever since.

Today, Kelly's Resort Hotel and Spa is a four-star property, located in Rosslare, Co. Wexford. It contains 123 rooms and suites. It has a wide array of facilities for its customers, among which there are three award-winning restaurants (La Marine, Beaches, and the Ivy Room), two bars, a fitness centre with two indoor swimming pools, hair salon, and many leisure amenities (tennis courts, snooker rooms etc.). In addition, there are various off-site facilities such as Rosslare Golf Club and windsurfing on the nearby beach. Also, there are many paintings by Irish artists displayed in the hotel. Since 2003, it has won 16 national and international awards, such as The Sunday Times' '20 Top Seaside Resorts Hotels in UK and Ireland' in 2004 and BBC's 'Top 10 Family Resort Hotels in the World' in 2005. The hotel has an occupancy rate of 93%<sup>5</sup> with many guests meeting with each other during the same week year after year.

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<sup>5</sup>This is the percentage given by the MD during his annual briefing attended by the researcher.

According to the Staff Handbook, Kelly's mission is 'to constantly strive to improve, thus allowing our business to prosper for the benefit of our guests, employees and family'. The Kelly's way has been built up from the very beginning, and is still important: 'the traditional friendliness and service which have been our hallmarks over the past 100 years will continue to be fundamental principles for us'. According to the MD, the way in which Kelly's builds relationships with its customers is based on several points. The first point is that the success of the hotel is built on the people who operate it, making one hotel distinguishable from others. Both the MD and the HRM introduce the importance of selecting people with the right attitude for the job, as they are generally willing to learn. The importance of selecting the right staff goes back to the beginning of Kelly's when Ms. Mary Kelly personally selected several women from the locality as tea room workers. Kelly's places strong emphasis on both formal and informal training in order to ensure employees can satisfactorily carry out their duties.

Teamwork - and communication between managerial and front-line staff is facilitated by the hotel's flat structure. This gives managers the opportunity to have a hands-on approach to customer service in the presence of front-line staff. Granting authority to front-line staff helps them to make informed decisions without front-line employees wasting time looking for permission which, according to the MD, encourages 'wow' moments that create memorable experiences for guests. A hallmark of Kelly's way involves their efforts to create relationships with guests. During each interaction, the guest is always recognised, either by name or through something they did during a previous encounter. Interaction between both staff and customers is highly encouraged, as well as interaction between guests. For this, Kelly's host a range of activities throughout the year to facilitate this. Finally, a genuine sense of care for the guest is also seen as important for the maintenance of relationships. Kelly's also translate this genuine sense of care to staff as it is a contributory factor to retaining them which, according to the MD, allows for relationships to build between guests and certain employees. Indeed, generations of families have worked in Kelly's since its foundation in 1895 (centenary book). A brief description of each participant in the team is outlined below:

### **Managing Director (MD)**

The MD is the fourth-generation owner of Kelly's Resort Hotel and Spa, and has been managing Kelly's since his return in 1987, after finishing his studies in the renowned hotel school in Lausanne, Switzerland. He returned along with his wife whom he met during his studies there. They both have overseen the expansion of the premises, including the development of the Aqua Club Leisure Centre, La Marine restaurant, enlargement and refurbishment of the bedrooms along with the construction of 30 rooms, general redevelopment of the ground floor area, and the creation of the SEASPA centre. He has a 'hands-on' approach; he regularly gets involved with serving customers, and shows a willingness to engage with front-line employees whenever necessary. Moreover, every year during the off-season, he briefs groups of employees on the overall performance of the previous year, and uses the briefing to motivate them for the challenges of the coming season. Over the years, he has presented to various hotel industry bodies in Ireland, talking about the way in which Kelly's are successful in encouraging people to come back to the hotel again and again, and is a respected figure within the Irish hotel industry. One of his passions, wine, is reflected by wine offers available to purchase in the hotel. All wines sold are tested and selected by himself, and are sourced from one of France's top wine-makers from the Châteauneuf-du-Pape region, and father-in-law.

### **Front of House Manager (FHM)**

The FHM started working in Kelly's in 1986 whilst still a Leaving Cert student. She decided to go back to college in Cathal Brugha Street to finish her education. After finishing her course, she took up various positions in the hotel industry, with the help of advice and a reference from Kelly's. She eventually came back to Kelly's following her role as a Fáilte Ireland trainer, and was then offered a permanent role in Kelly's. Her main responsibility is overseeing the receptionist team of 10 people, who are responsible for handling all telephone and e-mail enquiries as well as the face-to-face running of the reception function.

### **HR Manager (HRM)**

The HRM started work in Kelly's as a staff supervisor for the summer months when the MD's father was in charge of Kelly's. She is now the HR manager, and is responsible for co-ordinating the induction for new staff members. This includes a sit-down

induction, a tour of the whole hotel, and a departmental induction. HRM also gives each new staff member a list of what his/her work entails as well as a staff handbook. Following this, she would then organise a senior member of staff to ‘buddy’ them for 3 days. Finally, HRM details their entitlements and contracts. She is also responsible for designing the floral decorations for each room that receives incoming guests. HRM describes her role as hands-on, saying that she does not do ‘behind a door’ HR, but being ‘out with the customers’. She has a hands-on approach to dealing with issues front-line employees, and sees them as ‘top priority’.

### **Marketing Manager (MM)**

The MM has been working in the hotel for 23 years. She is responsible for co-ordinating Kelly’s marketing campaigns. In addition, she is also the personal assistant of the MD. MM originally started working in Kelly’s as a typist, and moved into the role of sales and marketing manager. Her duties include special offers management, database management, website maintenance, and e-marketing campaigns.

### **Accommodations Supervisor (AS)**

The AS has been working in Kelly’s for 28 years, and is one of three accommodation supervisors in the hotel. She, along with two other supervisors, is responsible for a team of 30 people who ensure the upkeep of the hotel’s bedrooms. One of her duties is training new people in the accommodation sector, as she was sent on a Fáilte Ireland course by the HRM to become a tutor. In addition, she would deal with requests from guests if they wanted anything brought to their rooms such as a bottle of water or a cot.

### **Senior Receptionist (SR)**

The SR joined Kelly’s 9½ years ago, and has been working in the hotel industry since the age of 16. She has been trained by Fáilte Ireland in reception skills. SR is now responsible for training new reception staff.

### **Pool Manager (PM)**

The PM has been employed by Kelly’s for 25 years. Prior to being pool manager 10 years ago, he also worked in both the dining room and the bar area. He is responsible for 4 other employees who work in the pool area, including an assistant. His role involves upkeep of the pool area, and ensuring the safety of those that use the pool

facilities. He also offers swimming lessons to guests that feel they need them. He completed training courses in the University of Limerick and with Swim Ireland, whilst gaining practical experience in Kelly's.

### **Waitress Staff (WS)**

The WS is a waitress doing a work placement in Kelly's which she began on the 1<sup>st</sup> June 2009, and will continue the placement until January 2010. She is a student from the Waterford Institute of Technology pursuing an undergraduate qualification in Hospitality Operations. During the first three weeks of the placement, she spent some time in the buffet in order to ease her into the waitressing role, with guidance from the HRM. After that period, she then went down to serve guests at Beaches restaurant.

### **Chef Staff (CS)**

The CS is chef in Kelly's. She originally came to Kelly's whilst she was on a work placement from DIT whilst studying for a Culinary Arts degree, and has been employed by the hotel for the past three years. During her time at Kelly's, CS spent the first two years in the bistro, before moving to the kitchen in the Ivy Room 12 months ago. Included in her role as a chef, CS would regularly serve customers at the buffet.

## **6.3 Project Narrative**

This section serves to give an insight into the nature and context of the customer relating dynamic within a real-life hotel setting. It traces the interaction of the various activities and processes inherent in building long-lasting relationships with hotel guests. The use of a narrative is conducive to creating a rich, thick description of the statements and behaviours of the interview participants whilst allowing for an accurate representation of the interviewee's stories. For ease of presentation, themes identified from the literature are used to structure the findings. These themes are the following: culture, management and the front-line, role of technology in guest relationships, nature of the relationship between front-line staff and guests, guests as the 'proxy' service provider, and customer loyalty.

### **6.3.1 Culture**

In Kelly's, managers are open to interacting with front-line staff, and communication between both front-line staff and management is encouraged. The FHM stresses that

‘managers are always on hand’ and ‘always available to staff’, a point emphasised in the Staff Handbook. Furthermore, front-line employees acknowledge the constant availability of staff for assistance with customer queries. Culture serves to instil in front-line employees how to enact the Kelly’s way (or organisational culture). Front-line employees are given wide latitude to make customer service decisions without having to ask for permission from managers. Staff members can use their intuition to deal with varying customer issues that may arise. In particular, restaurant employees have latitude to deal with special meal requests not available on the menu. The reasoning for this is managers cannot be omnipresent, and trust is placed in the common-sense of the employee. Along with empowering employees, looking after them is as important as looking after customers. Managers take into consideration if staff members have personal issues, and would give them time off work or personal support. The belief is that taking care of your employees helps in the retention of staff, which, in turn, benefits the retention of customers.

During the staff selection process, potential employees are all screened so that they adapt to the Kelly’s way of doing things and are willing to learn. Employees are encouraged to up-skill through attending training sessions. The most prominent training program is the ‘buddy’ system which helps new employees to adapt to the Kelly’s philosophy with the help of an experienced employee. Moreover, during the close season in January, the MD holds an annual meeting with the purpose of reinforcing the Kelly’s culture. Teamwork is also emphasised; managers and front-line staff work together when serving customers; fellow employees help out during busy periods. Teamwork and communication between front-line employees and managers are facilitated by the flat organisational structure within the hotel, improving interaction between front-line staff and guests. This is conducive for managers to play a ‘hands-on’ role in exemplifying customer care to employees. There is also a sense of ‘family’ amongst all employees of Kelly’s which, for employees, is unlike most other hotels where they perceive you are just an employee. Employees gradually become part of the ‘family’ whose main aim is to maintain the high standards that have been built up since the foundation of Kelly’s.

### 6.3.2 Management and the front-line

Openness to interact with front-line staff was expressed by various members of management, in particular, the HRM and the MD. The researcher noted many instances where communication between both front-line staff and management was encouraged. The staff handbook highlights asking supervisors or a head of department for assistance as one of the key 'Points to Remember'. SR remarks that if she cannot assist either a guest or another member of staff, she can 'go to the MD or the HRM'. The WS recognises that 'there's always a manager on duty' if 'you are stuck with a question or anything'. Managers believe that employees should be treated in the same fashion as guests. The MD then gives an example of how he treats a troubled employee:

*I remember somebody who was seriously stressed ... genuinely unhappy. I said, "Look, what is wrong?" He said, "Well, I'm up the shits at home, financially ... you know. I can't make ends meet" ... He's paying back 13% or 12.5% on a county council mortgage or something, you know. I mean, he's paid for his house three times over, you know. And he owes 15,000 or something and the bank ... You just go in and likewise, the bank account, you just go in and renegotiate the thing, the loans for the bank ... And, without costing them anything really. So, a lot of it ... the problem is we really need to care to that level ... about the staff in order to keep them there*

Retaining employees is a key factor in retaining customers, which is realized through a combination of both monetary incentives, and, according to the MD, instilling 'a genuine care that they matter for you'. The MD further adds:

*So, the longer you can keep your staff, although it can cost you a little bit more ... the customers come back and have to feel the comfort of the staff and they know who's who and they know the staff know them. They know what they want; they know exactly what to do. And, it's genuine*

Another element of this interrelationship entails managers getting involved in service provision. Managers mentioned that they, like front-line staff, would actively seek to meet guest needs through direct interaction. Indeed, most of the managerial workload occurs within the 'servicescape'; the staff handbook emphasises strong teamwork between both managers and front-line staff, by saying that managers 'look forward to

extending with you our traditional “Fáilte Uí Cheallaig” to our guests over the years to come’. The MD comments that ‘everybody in the management team plays a hand-on role in terms of customer care, and shows and displays that level of customer service’. The MM highlights that both management and staff work together when serving customers. Managers note the importance of leading by example. The HRM stresses that ‘you absolutely lead by example’ and adds that ‘We lead ... MD leads us by example. We lead the supervisors. We all lead. And, it goes on down along’. However, she notes that front-line employees can also lead by example ‘because we have a lot of respect there between us’. She further notes that role-modelling allows front-line employees to gain experience from the actions of ‘the people who surround you and your peers’. Front-line employees acknowledge the actions of managers in the servicescape.

Decision making discretion of front-line employees was a consistent theme throughout interviews with both front-line employees and managerial staff. Giving power to the front-line allows them to make decisions independently without having to ask a manager for permission<sup>6</sup>. According to the FHM, having faith in the ability of employees is important for the success of the hotel:

*You see, you need to trust your employees because managers can only be in one place at one time. So, you need to give good service. And, you need to trust an employee’s instinct as to what the best thing to do in a situation*

Employees are trusted to use their intuition and common sense when dealing with the unique issues of customers. Bar staff can prepare a pint for a regular guest and leave him/her settle the bill afterwards instead of having them wait. Restaurant employees in the hotel have latitude to deal with meal requests not available on the menu. The WS mentions that ‘there’s nothing you can’t have’ and that ‘chefs will do their very best’ to serve such special requests:

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<sup>6</sup>In a 2006 presentation made by MD to industry, empowering staff encourages them to create ‘moments of truth’ to ‘wow’ guests. Despite giving front-line employees wide latitude to serve customers effectively, MD asserts that boundaries must be put in place; he tries to ‘give them enough authority’ whilst establishing a ‘limit to it’.

*Well, we get permission from the chef who's on the front line. The order comes into him. So, let's say, there's an order for ... "Would it be possible to get 3 monkfish, it's a special request." And, they say, "Yeah. Let's just see if it's out in the ..." and that's it. If it's there, we'll put it on*

Additionally, front-line employees are openly encouraged to regularly partake in training sessions, and would allow employees to go on relevant external training sessions if they expressed an interest. There is on-going training for front-line staff dependent on the section in which they work. The most commonly used method of training is the 'buddy' system for new staff members to help them adapt quicker to their role within Kelly's. The MD explains how the 'buddy' system works:

*In the dining room, we put you with somebody in the dining room to work with them ... And, if there's a problem, you sort of go to them first. So, they'd be your trainer, you know. So, we've a lot of trainers who are not supervisors, who are front-line staff, who are also trainers for our global staff*

A customer service manual used by the hotel highlights the importance of teamwork in general, and is beneficial because it allows employees to work more smoothly and efficiently. Moreover, pressure situations that can arise are avoided through teamwork. This ultimately results in good service delivery to guests, making them feel welcome. The manual cites awareness of other employees' responsibilities and aiding them when they need assistance as key actions to achieve good levels of teamwork. The positive effect of teamwork is exemplified by the CS:

*If I'm working on the buffet today and I'm getting bogged down because it's very busy. And, it will be today: there are demonstrations. The waitresses will come up and help them out or somebody, you know. They don't let anybody get under...*

The MD's annual meeting with groups of staff during the close season serves to motivate staff for the coming year, and serves to reinforce the Kelly's culture. Indeed, the presence of the guest-orientated culture represents a recurrent theme in the interviews. According to the FHM, this culture is learned from 'the older team

members' and reinforced by 'their experience of every day work'. This gradual learning process is emphasised by the MM:

*When you actually worked in a hotel for a long time, you mould to this place. And, because it is a friendly ... you kind of ... you mould to the actual organisation that you are in. And, it comes second nature to you then*

Culture also seems to have a positive effect on empowering staff. For the HRM, the culture serves to instil 'the confidence to think intelligently from Kelly's point of view'. According to the MD, 'staff selection is key' because 'you can't create attitude; you can train them in service, you can train them in everything else but you can't train them in attitude'<sup>7</sup>. Indeed, attitude is seen as the most important trait for prospective employees; an ideal profile of a potential employee consists of an individual who is both confident and congenial, and has a willingness to learn. This is because having such attributes allows for training efforts to 'fall into place'. The concept of 'family' is frequently mentioned during the interviews. Managers describe the relationship between front-line employees and management as a 'huge big family'. The CS points out the 'family' atmosphere in Kelly's; it is unlike 'other hotels where you are working, where you are just a number and you get your wages at the end of the week. And, you walk out the door', fellow employees help out when she gets 'bogged down because it's very busy'. The MD argues that front-line employees are the most important component of Kelly's success, even more so than the hotel's aesthetics:

*The way I would see is, you can build a palace, right? But, you need staff to operate it, you know. So, if this hotel is the most fantastic, the most beautiful building ... like, gold taps, and you name it, there's no guarantee customers will come back here*

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<sup>7</sup>According to MD's 2006 presentation, staff with the right attitude are sought because they are capable of learning new skills.

The HRM underlines the necessity of front-line staff members by stating that ‘without front-line staff, we are nothing’. The FHM states that ‘they are vital’. She further adds that ‘Kelly’s staff make Kelly’s’ because they are responsible for creating ‘moments of truth’ that are ‘so vital to the guest experience’. The MM reiterates this sentiment, viewing front-line employees as ‘very important’ and ‘key to success’ because they are ‘the first people’ who make contact with guests ‘in reception or eating in the dining room’. A front-line perspective reveals opportunities for front-line staff to get to know guests. For example, the CS recognizes the potential to ‘gradually build up a conversation with them’ in order to ‘get a rapport from them’, thanks to the fact that ‘a lot of the guests come back a couple of times a year’.

During the research observation period, it was noted that front-line employees play an integral role in the customer service efforts of the hotel. For example, four staff members were assigned to afternoon tea duty to meet the high demand of the service. Despite this, the service was efficient and friendly, and there was solidarity between the staff. The interviews illustrated many situations where staff went beyond the ‘call of duty’. For example, there was a situation where a guest fell ill after leaving her medication in the car. Her husband who was in the bar at the time had the key. In light of this, a doctor was called to her room by reception and needed to go to the hospital. The guest’s husband was not able to go, so the SR offered to go in his stead. Her rationale for doing this was to ‘treat people as you’d like to be treated’ stating that ‘people will react back to you’ positively ‘if you are honest’ with your intentions to help guests.

Similarly, the PM gives several examples of his efforts to bring about the ‘wow factor’ for guests. He discusses arranging golf clubs for guests who were not able to bring their own by contacting the golf club on the guest’s behalf. In addition, he observes that the ‘wow factor’ can be delivered by staff getting involved in various activities. Linked to the ‘wow factor’ concept, the MD describes a dialogue that he had with a guest who did not sleep well because his curtains were not put up properly. The MD remarks on the impact on the resolution on the guest relationship:

*And he said, “You know ... That’s why I’m still coming today. I knew if you could do that for me on that one*

*occasion, you'll always going to be there for us when we are on holiday", you know*

### **6.3.3 Role of technology in guest relationships**

A data management tool employed for data storage and retrieval, called Portfolio, was introduced in 2002. Portfolio stores information pertaining to individual guests that can be used for future visits; if 'a customer is a coeliac' or if specific guests 'prefer sheets and blankets' according to FHM. She adds that saved data is transferred across all hotel departments, enabling all sections to 'be informed of relevant information' on guests which is 'stored centrally on their reservation on a client record'. In her interview, the HRM further expands on the FHM's explanation of Portfolio's function. The HRM notes that each hotel department has a computer with access to Portfolio. This grants them access to a list arriving and departing guests which is compiled on a daily basis. She cites an example of how this helps staff in other departments:

*The reception communicates directly to the kitchen, with it typed up on the guest. To the kitchens, to the buffet kitchens. There isn't one person that doesn't know them ...*

Representing a view from the front-line, information gathered from individual guests is retained on their client record, allowing staff to satisfy specific needs on every guest visit. Indeed, Kelly's have access to much information relating to guests facilitating the guest interaction process. Data obtained from Portfolio is also used in Kelly's communication efforts. Personal information is used to send e-mails to former guests about upcoming events at the hotel, in particular, those they have frequented during previous visits to encourage repeat visits. Guests who complete the 'Key to Kelly's' form, a leaflet allowing guests to make a provisional booking to re-visit the hotel, can opt to receive an e-mail to remind them of the details of their upcoming stay. Despite the use of technology in Kelly's, the MD warns about the over-reliance of using e-mail as 'customers are getting fed up' of them, and that its use is 'too easy' and 'less is known about the guest'.

### **6.3.4 Nature of the relationship between front-line staff and guests**

The data indicates that communication plays an integral role in how Kelly's develop long-term relationships with guests. Kelly's flat organisational hierarchy allows for

better communication channels between guests and front-line employees as well as aiding managers to communicate at the front-line level. Constant communication between front-line members and management improves interaction between front-line staff and guests. The flat hierarchical structure of Kelly's facilitates rapid problem resolution. According to the WS, if an employee 'put a foot wrong' whilst serving a customer, managers would make them aware of their mistake. The PM describes a practical example of how information is transferred from the customer to him, and, subsequently, from him to another member of staff:

*Sometimes, you get, an odd time, a child comes and they have a nut allergy. Well, straight away then, you relay that information through the manager down to the head chef. He relays it around the kitchen like, you know, that kind of stuff. He'll relay it to the girls in the crèche who might be looking after a small child...*

The use of subtle verbal and non-verbal cues to build a rapport was frequently mentioned in the interviews. For the PM, learning the guest's name and greeting them at the pool sets a strong foundation for establishing stronger relationships during future visits. Indeed, the MM notes that using first names 'makes the guest feel special'. However, this is in contrast to other interviewees who would use the surnames of guests, particularly management. The use of Mr. or Ms. is preferred, unless invited by the guest to refer to them by first name, an indication of a strong relationship between the guest and the employee. Additionally, simple greetings like 'good morning', 'nice to see you!' and 'you're welcome' are indicated by staff as an effective way to make guests feel good. The WS discusses how employees would engage with guests:

*I suppose the fact that we always take time out to have a short chat with them. We never ignore them; if they want something, we give to them with a smile. We wouldn't say, "Oh, here" you know, fire it at them, you know*

The SR and her fellow receptionists also 'take time' interacting with guests to 'let them know that they're important'. Guests are generally happy once they see the effort made by staff. Interestingly, consistency in effort ensures that guests are still 'happy' even if front-line staff 'can't give them exactly what they want' provided that, according to the SR, front-line employees 'listen to them'. In a similar vein, communication helps the

hotel respond to changing needs of guests and, more particularly, any arising complaints; the FHM stresses that employees ‘can’t fix it if we don’t know about it’. The CS concurs by saying if they ‘pass on their feedback’ about ‘their bed being uncomfortable’ or ‘if their meal was not satisfactory’; the hotel will make it ‘perfect’ for ‘the next time they stay or for the next person’. In addition to this, the SR notes the guest should be thanked ‘for bringing it to your attention’.

The SR emphasizes the significance of showing genuine concern for each guest when they arrive as ‘people come in the door with problems, with different things going on in their lives’, requiring staff ‘to have foresight’. According to the MM, acknowledging the name of the guest is important in developing relationships as guests ‘love it’ when staff ‘actually acknowledge their name’, reflecting a conscious effort to ‘remember’ guests. For the HRM, using guest names ‘with respect’ is paramount. Justifying her point of view:

*It’s not John or Mary. It’s Mr. and Ms. or Madame or whatever. And, use the names and remember them because you always remember faces anyway. And, you say, “Welcome back”. It’s fantastic*

However, for the MD, making a genuine connection with guests does not necessarily require using their name; what is important ‘is the recognition of the person’. He admits that he ‘may not remember their name’ but he explains how he works around this:

*I, but, I will remember and say “Ah, do you want the old Burgundy again. I’ll pull out that same bottle” or, you know. Or, you know, you recognise something that they like or something that they always do, you know. And they pick up*

In addition, the MD discusses a recent call that reception received from a guest to cancel their week-long vacation in two rooms because of necessary hospital visits two days prior to their stay at the hotel. Whilst the deposits were refunded to the guest, sympathy towards the guest’s situation was acknowledged:

*You know, the girls called me and said, “Look, such and such went into the hospital” “Aw ... that’s a pity” you*

*know. "Send them some flowers"... And, suddenly, we have had two letters back from both couples to say that they were together. But, like, they were so touched and they can't wait to come back next year.*

For example, the SR justifies treating every guest that comes to Kelly's 'is treated the same', ensuring 'a good experience for everybody'. The MD illustrates the general positive reaction of guests to having the same members of staff attending to their needs whenever they visit which emphasises the importance for service consistency:

*So, that sense of security for the customer is lovely. I mean, some people say "I couldn't think of anything worse, coming back to the same place, same customer, same ..." But, generally, most people actually like that*

Indeed, some regular guests would ask for a specific staff member who served them from previous visits; the HRM revealed some 'guests would ask for a particular waiter or waitress' for the reason that they 'had such a rapport with them'. The MD states that successful attempts to attain repeat business with the use of the 'Your Key to Returning to Kelly's' form left in every guest room before arrival is dependent on the consistency in the standard of service:

*So, again, it's encouraging that repeat business. But, you need to do that throughout your whole stay in terms of the service, to make sure they to come in*

According to the SR, guests that make complaints should first be thanked 'for bringing it to your attention', suggesting an openness to complaint resolution. Indeed, the FHM notes that guests always have the opportunity to give feedback as 'managers and staff are always available to a guest if they want to bring up something'. In the event of receiving negative feedback, she clarifies that 'the management and the MD will be on to it immediately'. Positive effects of trust were evident during interviews. For the FHM, trust is reciprocated by the guest; she mentions that, over time, some guests will ask staff members to refer to them by their first name as opposed to by surname, and begin to 'take a personal interest in' staff. For example, some guests may 'invite you for a drink' or 'have a chat'. In the attended training session, the researcher noted a set of 'promises' front-line employees must honour.

Promises pertinent to trust building include smiling when greeting guests, using their names during service interactions, and treating people with respect and dignity. Indeed, the staff handbook states that ‘when speaking to guests, always be friendly without being familiar’ and to ‘treat every enquiry and guest with equal consideration’. TripAdvisor<sup>8</sup> reviews correlate with interviewee data on trust enhancement. Two review statements are displayed below:

- *The staff very friendly and always very attentive making sure we were happy, they look as if they genuinely enjoy working there and it isn't difficult to see why*
- *The manager and owner was around every day and was very personable, each meal time we received a visit from him at our table, not in a "I'm doing the PR thing" way but in a way that when he asked how you were enjoying your stay you knew he cared*

### **6.3.5 Role of the guest in service delivery**

Apart from trust, examples have been presented by interviewees of guests themselves willingly contributing to customer service provision. Indeed, SR reveals that ‘some of the best things come from the guest saying it to the MD or to us’. Additionally, these suggestions (for example, a guest may ask a staff member to get them some shower gel or some water for their room) are noted for managers and are acted upon. For the MM, giving guests scope to ‘lead you’ can provide staff with valuable learning opportunities. Such events, according to the SR, allow employees to compromise with guests to attempt to meet ‘them half way and know what they want’. Using an example from the restaurant staff, both the WS and the CS discuss the possibility of guests being able to ask for dishes not on the menu.

Indeed, the principle of showing commitment towards guest’s needs and wants is just as important as satisfying them. According to the FHM, once there is ‘any kind of effort being made, guests respond very well’ even if employees ‘can’t give them exactly what they want’. The data reveals several instances where both the customer and staff work together to create memorable experiences in the hotel. Through mutual interaction,

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<sup>8</sup>Data taken from reviews from the following website: [www.tripadvisor.co.uk](http://www.tripadvisor.co.uk)

guests are creating positive experiences with one another. Indeed, the MD remarks that ‘it’s the friendship with one another that creates the bond’ with the hotel. However, he notes the role of the hotel to ‘create the foundation’ for forging such friendships:

*So, that’s why we run tournaments throughout the year...  
They’re creating the experience amongst themselves.  
Then, they’re talking about next year. And, then they’re  
checking out the booking and making a provisional  
booking for next one*

Sports-based tournaments (crazy golf, tennis etc.), table quizzes and beverage-based events (themed shakes and wine tasting) are amongst such activities listed by the FHM. According to her, it helps guests and, in particular, new guests to mingle with others and ‘get involved in things’. She explains how quizzes, for example, do this:

*We have a table quiz one afternoon, so that if you are here  
on your own, you won’t have to be on your own... And, by  
doing that, you’ll sit on a team with three other people  
that you’ve never met before and you’ll get talking to them*

With this support supplied by the hotel, guests have been known to make their own contribution to the hotel’s customer service. The FHM recalls when a long-standing guest asked her about the price of the babysitting service on the behalf of a couple who were new to Kelly’s. She stresses that events like this are not isolated cases:

*And, other guests will do that; if they see somebody on  
their own, they go over and they’ll chat with them and  
they’ll make sure that they don’t feel on their own*

Guest contributions are not limited to just general customer service; guests can get involved in leading activities. The MM notes that sometimes the guests ‘bring you along’. Citing an example, a guest’s personality can result in that guest ‘taking over some of the table tennis’. However, even though certain guests ‘sometimes lead you’, she acknowledges that learning opportunities can arise from such situations. For the HRM, efforts by guests to co-create their own experience is encouraged by the ‘great, relaxed atmosphere’ that is instantly present ‘when they arrive in Kelly’s’. An example of this is the art week which takes place every November with artists like Frank Clarke. In his interview, the MD’s comments that out of the 50 people that attend the activities,

‘30 or 40 of those customers have been here for the art week before’. Interestingly, some of these people ‘invariably would take another 40 with them’ thus increasing hotel occupancy for that period without direct advertising. This correlates with reviews taken from tripadvisor.co.uk<sup>9</sup>.

The interviews revealed that guests themselves get involved in the hotel. The HRM revealed how guests made her feel ‘welcome’ as if she ‘was coming into their home’. She attributes this genuine concern from guests to ‘the tradition built up by the Mr Kelly Sr.. that these guests were coming back again and again’, suggesting the strength of the Kelly family name over the generations. Managers emphasised the importance of word-of-mouth advertising on creating a loyal guest base. For example, the HRM notes the ‘massive’ and ‘incalculable’ snowball effect of such referrals; guests will ‘tell so many people’ about their experience and, then, ‘those people will tell so many people’, and are described as ‘ambassadors’. A similar term was coined in the MD’s annual meeting; guests leave the hotel as apostles and promote the hotel provided that all employees strive to improve service given to them. Word-of-mouth advertising is paramount to the success of Kelly’s:

*Yeah, word-of-mouth, you can’t beat it. We’ve had a lot of people, they have come this year for the first time and now they are coming back. So, they’re our marketers as well, like. Word-of-mouth is our biggest form (Interview with the MM)*

Advocacy is also extended to complaint resolution. An excerpt taken from a customer service manual used by Kelly’s emphasises that if a complaint is not resolved, it is likely that the complainant will not return, and could result in bad publicity from the complainant about the offending company; conversely, satisfied complainants are more likely to talk to friends about the positive treatment received and how well the complaint was handled.

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<sup>9</sup>A study of all reviews made about the hotel revealed 20 individual statements of recommending the hotel to others, with one example being: ‘Overall, it was a great weekend and I would recommend the hotel to anyone’.

### 6.3.6 Guest Loyalty

Managers place emphasis on repeat visits to the hotel. For the MD, ‘the success of this business is making sure we get repeat business’ since custom from first-time guests is ‘very expensive to generate’. Documents employed by Kelly’s reinforce this emphasis on loyalty. The use of the form entitled ‘your key to returning to Kelly’s’ is left in the room to encourage the guest to re-book a stay for a future period. In addition, on the bottom of each bill, there is a phrase: ‘Please enquire about your next stay’ which shows the hotel’s consistency in their effort to encourage repeat visits. Evidence of success in creating loyal guests is commented on by SR. She notes that ‘there are weeks where everybody knows everybody else’ facilitated by ‘the in-house activities’ made available. Indeed, the MD describes how a crazy golf tournament strengthens guest loyalty through interaction with other guests:

*So, you’re playing against me or whatever. And, suddenly, by the end of the round; “You have two kids, I have two kids too, we know a neighbour”. Then, we are chatting. Then our kids meet and then they’re really friendly. And then they are Facebook-ing and Bebo-ing. And, next thing, “We’ll see you back in Kelly’s next year”. So, that’s really ... the community*

In the HRM’s interview, she mentions how a fellow manager, welcomes people ‘home’ and ‘back again’ as a means to emphasise the repeat visits of loyal guests. Indeed, the CS notes something inherently unique about Kelly’s ‘from the moment you walk through the door from the moment you leave’ that is ‘very memorable for a lot of people’. According to the PM, such memorable guest experiences involve staff members to ‘do something extra for them the next year’. The WS mentions that guests ‘love’ the personal touch of the service, and ‘just keep on coming back’. The MD describes customer service as ‘the one defining factor that’s going to get people back here again’. The loyalty that already exists among the hotel’s guests ‘guarantees the pride that we continue to provide the service’. He then justifies his point:

*69% of people don’t return to hotels because of the indifference of the staff towards the customer. So, it’s never to do with the product; it’s ... you know ... very rarely to do with the product. I think it’s important that we have the product right, and we develop the product, and*

*maintain the product. But, the one key motivating factor I think to get people back is the service*

#### **6.4 Summary**

This chapter outlines the findings obtained from the case study implementation. The adopted research approach allowed the researcher to explore the vicissitudes of CRM by means of direct immersion within the hotel environment. The value of presenting these findings illustrates the characteristics of effective CRM. Furthermore, these findings will subsequently inform and reinforce the proposed CRM model given that one of the research objectives consists of identifying and developing ‘best practice’ guidelines.

Kelly’s culture seems to be built on the family foundations of the hotel. Employees and front-line employees assist one another, aided by the ‘hands-on’ approach of managers. Despite this, employees are trusted to make decisions on their own volition, and are encouraged to partake in external training sessions whenever possible. There seems to be a strong relationship between both front-line employees and managerial staff; managers look after front-line employees as if they are hotel guests. Managers lead by example by serving customers in the presence of front-line employees. Employees themselves play a role in the training of new staff members with the use of the ‘buddy’ system.

Kelly’s recognise the importance of front-line employees as critical to creating relationships with guests. More importantly, front-line employees go beyond the ‘call of duty’ when serving customers as a means of enhancing relationships with guests. In order to facilitate the transfer of information relating to individual customers, the hotel uses a data management program, Portfolio, which gives all departments within the hotel access to preferences of individual customers. Empathy plays a role in the development of relationships between front-line staff and guests; employees note their friendliness and use of subtle verbal cues as effective means to build a rapport with guests. Moreover, recognition of the guest seems to have a positive effect on garnering customer relationships; guests converse with employees about their lives on a first name basis.

The findings highlight the role of the guests in service delivery. Employees recognise that guests can aid hotel staff to meet their needs by making suggestions to improve the level of delivered service. Guests also get involved in the various activities organised by Kelly's staff. Kelly's play a mediating role in the hotel's sporting and leisure activities; managers note that it is the positive interaction between guests that is a strong indicator of intention to return to Kelly's. This also results in guests becoming advocates for Kelly's. For example, long-standing guests would enquire about services on the behalf of new guests, and would be more likely to engage in word-of-mouth advertising. Finally, Kelly's emphasise the importance of getting guests to continually come back which is attributed to delivering the 'wow factor' during customer service provision.

## Chapter 7 DISCUSSION

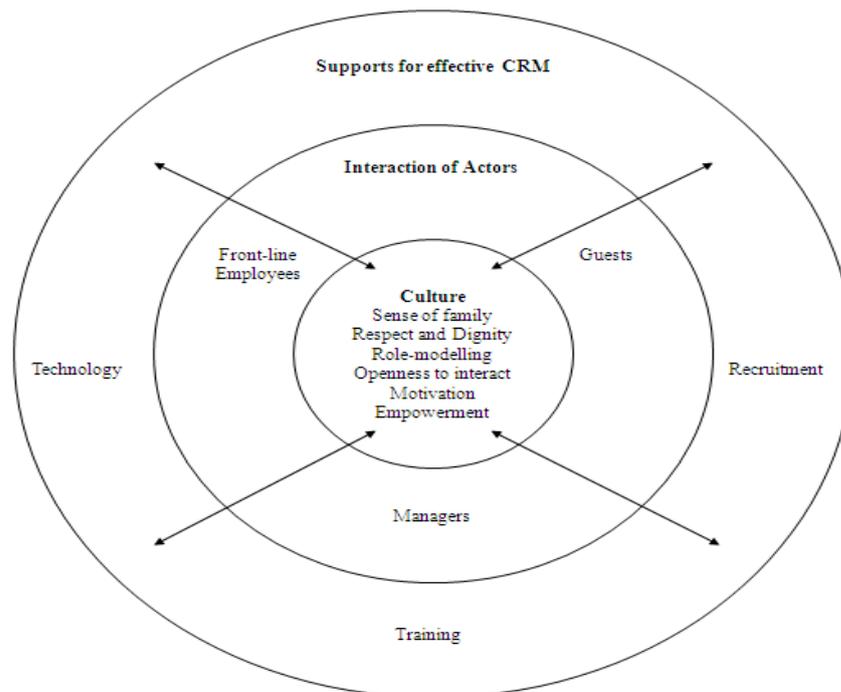
### 7.1 Introduction

The overall aim of this thesis is to contribute to both academic and practitioner understanding on the characteristics of effective CRM in the Irish tourism and hospitality sector. To achieve this, a number of objectives which necessitate investigation are outlined. The findings from each of the objectives are then discussed in conjunction with relating theory. Thus, this chapter is divided by research objectives, and themes relating to the objectives are detailed under each.

### 7.2 Cultural Foundations to the efficacy of customer-relating process

Having reviewed the literature and with the benefit of immersion in the case site, a key conclusion is that the efficacy of the CRM process at Kelly's is a story of organisational culture. Indeed, Day and Van den Bulte (2002) note that CRM is capable of producing results if it is supported by a strong culture. Although developed ex-post, it is beneficial to outline a framework to illustrate the integration of the findings and literature review. The following schematic, Figure 7.1 below offers a brief overview of this chapter's content:

**Figure 7.1 Culture at the heart of CRM**



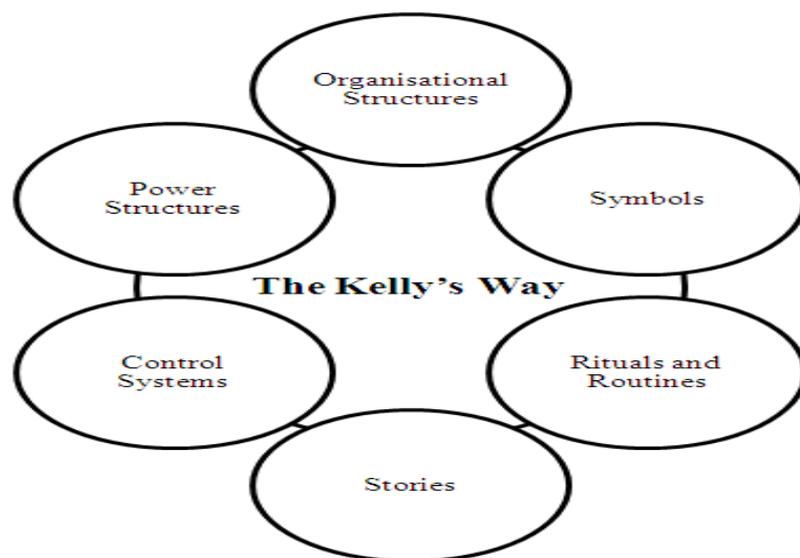
*Source: Author*

The three layers in the schematic represent the nature of CRM within the context of Kelly's. The rationale for the schematic is that organisational culture, illustrated in the Kelly's way, is at the heart. Culture has a direct impact on how managers, employees, and guests interact with one another. Indeed, culture represents the collection of values, beliefs, understandings, and norms shared amongst all employees of an organisation. The MD, who is the fourth-generation owner of Kelly's, is in constant interaction with all stakeholders in Kelly's: employees, other managers, and guests. This transmission of culture to other employees was evident during interviews, as they told stories revolving around frequent guests whom they befriended. This further informs the nature of the CRM supports such as training programs, use of technology, briefings etc. Each of these three layers will be discussed.

### 7.3 Kelly's Way

This section will outline the perceived components of the culture at Kelly's, as emanating from the findings which are the following: respect and dignity, role-modelling, sense of family, and openness to interact. Drawing from Johnson et al.'s (2008) cultural web (see Figure 7.2), the cultural paradigm of Kelly's is explained under the six elements: stories, symbols, power structures, organisational structures, control systems, and rituals and routines, with the Kelly's way at the centre representing the commonly held values and beliefs of the organisation (Sun, 2008).

**Figure 7.2 The Cultural Web of Kelly's**



*Source: Adapted from Johnson et al. (2008: 198)*

*Organisational Structure:* In line with Losekoot et al. (2008) definition of this concept, Kelly's has a flat, collaborative structure which facilitates communication between front-line employees and managers. This helps to emphasise the importance of all staff to focus on customer relationships are required for successful change management in CRM (Sin et al., 2005). The flat structure in Kelly's links back to the sense of 'family' and is indicative of the clan concept devised by Richard et al. (2009). The feeling of 'family' is particularly evident when the MD talked about giving advice to a front-line employee who was having personal financial difficulties. Indeed, Kelly's culture encourages the provision of supports for the firm's workforce, given that 'managers are always on hand' and 'always available to staff' (Richard et al. 2009), and is appreciated by front-line staff. The presence of an emotional connection between front-line staff and managers serves to underline the importance of achieving customer satisfaction (Lashley, 1995). This connection is evident in managerial expression of the necessity of front-line staff with regards to customer interaction, stating that the hotel 'would be shut down' without them as 'they are vital' and 'key to success' (Chen and Popovich, 2003), a point reinforced in the staff handbook.

For Gounaris (2008b), IM practice encourages and promotes respect and dignity between management and front-line employees which in turn is shown to guests. Within Kelly's, respect and dignity are routine buzz words within their literature, stories and training sessions. This notion of respect for one another and for the guest is supported by a 'people culture'; which in the words of HRM "you treat people as people." Like Sigala (2005), this research found that when the person comes first in the workplace, a sense of solidarity emerges because opportunistic behaviour is reduced.

*Stories:* Front-line staff and managers engage in storytelling, especially among those who have worked in Kelly's for many years. This is consistent with Kemp and Dwyer (2001) who state that stories are told by employees to express their positive experience resulting from their performance. Indeed, stories are used to reinforce the Kelly's way. Integral to the culture is the reinforcement of how Kelly's came into existence, as exemplified by 'The Book of Kelly's'. The stories told by the MD (giving financial advice to an employee, fixing the blind in a guest's room) serve to reinforce customer care into employees. This is consistent with Linde (2001) who state that such experiences as described above guide existing work practices within an organisational

environment. Employees, in their stories, referred to the MD by his surname, suggesting his symbolic status within Kelly's. A story told by the SR revealed she went to the hospital with a guest who fell ill, emphasising her commitment to the guest. Actions of commitment express in stories serve to demonstrate employee loyalty to a firm (Kemp and Dwyer, 2001). It is apparent that storytelling serves as examples of loyalty to the firm, given the length of service given by an average employee in Kelly's.

*Rituals and Routines:* For Gbadamosi (2005), rituals and routines are procedures which are consistently performed in a systematic manner such as periodical meetings and celebrations. Indeed, within Kelly's, rituals and routines are an important aspect of re-enforcing the Kelly's culture, their way of doing things that is the accepted and expected behaviour of management and staff. For instance, the hotel's Annual Performance Review lays out a code of practice (the Kelly's Way) for management and staff in achieving high performance. It also motivates the front-line employees in attendance by reminding them they are the people that make Kelly's successful. This routine highlights the role-modelling function of the MD.

In general, managerial involvement in CRM implementation is an important aspect of leadership; the availability of managers is in itself a routine, considering that they are readily available to front-line staff with regards to issues they may have, be it personal or work-related, facilitated by the organisational structure of the hotel (Lassar et al., 2008). Teamwork is also emphasised; managers and front-line staff work together when serving customers whilst fellow employees help out during busy periods. In training, the 'buddy' system is a good example of teamwork that is used to integrate new employees into Kelly's. For Kelly's, teamwork is a product of the training effort that make employees more efficient in satisfying guests (Gounaris, 2008a). Teamwork between front-line employees and managers is facilitated by the flat organisational structure within the hotel, improving information transfer between front-line staff and guests (Hayton, 2005). Managers to play a 'hands-on' role in exemplifying customer care to employees, encouraging front-line staff to deliver excellent levels of service (Elmadag et al., 2008). Indeed, such support and commitment from management is indispensable for CRM (Kale, 2004; Zablah et al., 2004), suggesting the power of role-modelling in effective CRM. The FHM states that employee motivation is achieved by use of both

monetary and non-monetary rewards (extrinsic and intrinsic motivation) to satisfy and reward employees (Manolopoulos, 2008).

*Symbols:* Symbols are objects, events, acts, and people that transmit meanings, and are representative of important historical and contemporary aspects (Johnson et al., 2008). The case study illuminated the presence of many symbols exemplifying the culture of Kelly's. For instance, the exhibition of modern Irish art in the premises, and the art week held each year is synonymous with guests, many of whom return annually for the event. Another key symbol is the 'Book of Kelly's' which illustrates the history of the hotel, including the four generations of the Kelly family, who have run the hotel since its inception. The current MD who is fourth-generation is considered by staff as the father figure or symbol. Other managers and front-line staff talk positively about him, and refer to him by his surname. Furthermore, they also acknowledge his 'hands-on' involvement with serving customers. For Johnson et al., (2008), it is these symbols that re-enforce and transmit the Kelly's culture, their sense of family and people.

*Power Structures:* Wilson et al. (2008) argue that successful firms have a strong and consistent emphasis on the importance of people. Within Kelly's, front-line employees are trusted to make customer service decisions without having to ask for permission from managers which is facilitated by the organisational structure of the hotel. Staff members can use their intuition to deal with varying customer issues that may arise. It is evident that management see front-line employees as a key proponent in developing relationships with guests (Stading and Altay, 2007). According to the FHM, having faith in the ability of employees is important for the success of the hotel:

*You see, you need to trust your employees because managers can only be in one place at one time. So, you need to give good service. And, you need to trust an employee's instinct as to what the best thing to do in a situation*

Furthermore, empowerment suggests an assumption of trust in the competence of front-line employees to perform their duties (Morgan and Hunt, 1994). Indeed, the findings clearly illustrate that managers facilitate an even distribution of power amongst employees (Johnson et al., 2008). Employees are trusted to use their intuition and

common sense when dealing with the unique issues of customers. The reasoning for this is that managers cannot be omnipresent in the work area; managers must have confidence in their staff to meet the needs of guests. This results in a flexible power structure, particularly in decision making.

*Control Systems:* Going back to the literature review, control systems represent what is important to be monitored in firms (Kemp and Dwyer, 2001, Johnson et al., 2008). In Kelly's, emphasis is placed on ensuring the accuracy of data obtained from guests which is leveraged by use of Kelly's Portfolio software, and is an example of a control measure (see Johnson et al. 2008). Guest data is available in all hotel departments, enabling all sections to 'be informed of relevant information' on guests which is 'stored centrally on their reservation on a client record'. The integration of these areas where customer interaction occurs is necessary for CRM (Geib et al., 2006). Furthermore, data is also employed to send e-mails to previous guests about upcoming events in which they have participated before. This is consistent with Day (2000) who stresses that access to customer information is essential for effective execution of customer-relating processes.

Probably the most important control measure in ensuring the delivery of a high quality experience within Kelly's, is the MD himself. He is seen as a father figure in this 'family' and they do not want to let him down. They see and respect the MD's level of commitment to the hotel, the staff and the guest and they want to do the "right thing for Mr. Kelly". Moreover, there is significant respect for his leadership capabilities as evident in the following statement:

*'the MD leads us by example. We (management) lead the supervisors. We all lead. And, it goes on down along'.*

This 'family' style culture has a positive effect on front-line employees; the expectations placed upon front-line employees to deliver high levels of customer service are reinforced by the actions of the MD, the fourth-generation owner of Kelly's whose aim, according to him, is to maintain the high standards of Kelly's since its foundation.

#### **7.4 Nature of the relationship between the actors**

The findings identified three sets of actors within the Kelly's environment: managers, front-line employees, and guests. The following discussion focuses on three key interrelationships: the manager-employee relationship, the employee-guest relationship, and the guest-guest relationship. Following a review of each of the three interrelationships, the resultant effect on guest loyalty is then examined.

The literature suggests that people form a major composition of CRM (Chen and Popovich, 2003), and that successful CRM implementations necessitate the integration of technology, people, and processes (Chen and Popovich, 2003; Kumar and Reinartz, 2006; Thakur et al., 2006) with a goal to improve firm efforts to create and manage customer relationships (Geib et al., 2005), potentially increasing customer retention (Zindelin, 2006). This analogue to the principle of RBV: that if firms have the aptitude to create and preserve competitive advantage by unique configuration of resources and capabilities (Osarenkhoe, 2008). Indeed, the outcome of long-lived competitive advantage is a significant parallel emanating from both RBV and CRM literature streams, justifying the RBV as an appropriate framework for CRM.

*Manager-employee Relationship:* Noteworthy here is that there is a convergence between this study's research findings and the literature concerning the interdependence between people, process, and technology for effective CRM. The organisational workforce plays an integral role in the success of CRM. Managers, and in particular, the MD, are responsible for setting a benchmark in customer service which is then acted upon by front-line employees. For Olavarrieta and Ellinger (1997), this serves to reinforce the culture within employees. Indeed, culture has an impact on how capabilities work, given that capabilities are made up of skills embedded in culture (Pandza et al., 2003), and exist in the minds of a firm's employees (Olavarrieta and Ellinger, 1997). This would suggest that people (a resource) are necessary for the activation of capabilities, and, in consequence, the creation of SCA. Certainly, people are the lifeblood of any CRM initiative (Chen and Popovich, 2003), as they are the entities with whom customers interact.

During the observation period, there seemed the impression of camaraderie between employees. Interactions experienced by the researcher involving staff members helping

each other gave the impression of a genuine willingness to help one another. Managers place trust in the common sense of the employee with regards to dealing with customer queries. Indeed, for Timmerman (2009) ingenuity should be used in the creation of positive relationships with guests.

The concept of 'family' seems to play a strong role in the success of Kelly's. This is most apparent in the fact that, for Kelly's, taking care of employees is as important as looking after customers. Employees gradually become part of the 'family' whose main aim is to maintain the high standards that have been built up since the foundation of Kelly's. Indeed, both front-line staff and employees stated that they have been working in Kelly's for several years at least; two interviewees had in excess of 25 years service. This level of employee loyalty is usually indicative of high job satisfaction (Shahnawaz and Jafri, 2009), and implies that by satisfying the needs of employees augments their motivation and retention which consequently has a positive impact on satisfying and retaining guests (Papasolomou and Vrontis, 2006). Managers strive to make themselves available to talk to front-line employees; they take into consideration if staff members have personal issues, and would give them time off work or personal support. For Lee and Chen (2005), HRM practices are inherent within the principles of IM; the formation of emotional connections between front-line employees and managers places emphasis on guest satisfaction (Lashley, 1995).

*Employee-guest Relationship:* For strong guest relationships to develop, four conditions must be satisfied during employee-guest interaction: trust must be earned (Ganesan, 1994), communication must take place (Ring and Van de Ven, 1992), co-operation between both parties must exist (Powers and Reagan, 2007), and there has to be a commitment between both parties (Bendapudi and Berry, 1997). Indeed, trust is necessary for the creation of successful relationships (Ojasalo, 2008) because it promotes commitment (Ganesan, 1994). Trust-enhancing inferences gathered from the case study concentrate more on benevolence-based actions. The use of simple phrases (hello, how are you, thank you etc.), and emphasis on friendliness and positive body language (smiling, posture etc.) during interaction episodes with guests are seen as more important by Kelly's in terms of service (Specht et al., 2007). As social bonds are harder to break than technical bonds (Reichheld and Sasser, 1990), the staff encourage guest to call them by their first name. Indeed, in Kelly's, many stories about trust-

building focus on the emotional aspect of trust rather than its rational counterpart (Akrouf and Akrouf, 2007; cited in Mitreğa and Katrichis, 2009).

Communication binds parties together in relationships (Mohr and Nevin, 1990). According to Bitner et al. (2000), communication has three roles: introducing the firm to potential customers, improving the service given to current customers, and fulfilling customer needs. These actions (which Grönroos (1990) labelled “moments of truth”) greatly influence customer satisfaction and loyalty. An interesting observation during interviews highlights the discussion of these “moments of truth” (or “wow moments”) as drivers for the creation of memorable experiences which encourage guests to re-patronise (Wilson et al., 2008).

The FHM stressed the importance of communication in rectifying guest issues, saying that ‘we can’t fix it if we don’t know about it. So, if they tell us about it, we try and fix it’. For the AS, communication allows them to learn more about customers (Bitner et al., 2000). Indeed, communicative efforts encourage co-operation from both parties (Grönroos, 2004). Communication efforts are vital to developing trust if strong relationships are to be created. The use of simple phrases (hello, how are you, thank you etc.) are more important for employees when engaging with customers (Mitreğa and Halliday, 2008, cited in Mitreğa and Katrichis, 2009).

The nature of commitment forged between front-line employees and guests is of an affective nature. For example, the MD spoke of a situation when some guests rang in to cancel their stay because of a hospital check-up, the hotel sent them flowers to the hospital. The guests responded by sending a thank you letter, stating their intent to revisit Kelly’s in the future. This emotional bond formed between both parties from this action is a hallmark of a relationship based on affective commitment (Shi et al., 2008). For Varca (2009), the presence of a meaningful bond between the customer and the service provider is a requisite for enhanced service quality. In addition, he then reminisces of a dialogue with a guest who had difficulty sleeping due to poorly installed curtains. Another conversation with the same guest several years later, he revealed that, by resolving that issue, the hotel were ‘always going to be there’ for him. The FHM notes that once there is ‘any kind of effort being made, guests respond very well’ even if employees ‘can’t give them exactly what they want’. Indeed, bonds of commitment can

endure even in instances of poor satisfaction (Gustafsson et al., 2005). Given the constant reinforcement of culture within Kelly's, and how interviewees described how they serve customers, it is interesting to note from literature the determining effect of culture on employee behaviours (Hennig-Thurau and Thurau, 2002; Matsuno et al., 2005). The competitive advantage of a firm originates from behaviours which are embedded in the culture of that firm (Martin et al., 2009). Indeed, culture supports the creation and delivery of value for guests (Narver and Slater, 1990) which is essential for establishing enduring relationships (Wilson et al., 2002; Rigby et al., 2003). The researcher distinguished strong links between the concept of co-operation and that of communication. During encounters, the SR always lets guests 'get whatever's on their chest off it' before attempting to resolve the issue. Collaborative and conflict resolving behaviours are embedded within the notion of co-operation (Herrington et al., 2009).

### **Guest-guest Relationship**

Kelly's are aware of the effect that guest-guest interaction has on guest loyalty; managers note that guests would build relationships between themselves, and, as a result, would arrange to meet up again in Kelly's. Examples have been presented by interviewees of guests themselves willingly contributing to customer service provision. Indeed, the AS reveals that 'some of the best things come from the guest saying it to the MD or to us'. Additionally, these suggestions (for example, a guest may ask a staff member to get them some shower gel or some water for their room) are noted for managers, and are acted upon. For the MM, giving guests scope to 'lead you' can provide staff with valuable learning opportunities. Such events, according to the SR, allow employees to compromise with guests to attempt to meet 'them half way and know what they want'.

What is particularly noteworthy is the willingness of regular guests to assume the role of an employee for other guests. Such actions imply the existence of a loyal guest base as such acts of advocacy are strong determinants of loyalty. Furthermore, these actions can show that the member is committed to the relationship which can increase the other partner's trust (Canning and Hammer-Lloyd, 2007). Using an example from the restaurant staff, both the WS and the CS discuss the possibility of guests being able to ask for dishes not on the menu. Such adjustments of 'normal' business practices (Metcalf et al., 1992) are examples of co-operative action that can strengthen

relationships, enhancing its durability and attractiveness for both parties, and inhibits the occurrence of conflict (Leonidou et al., 2006).

According to co-creation literature, firms that allow its customers to co-create value are generally more loyal. Interviewees were able to discuss many moments where guests helped other guests with queries. In her interview, the FHM talked about an interaction with a frequent guest who was enquiring about babysitting services for a couple on their first visit. These situations support the premise of going beyond guest satisfaction in order to achieve loyalty with the use of CRM; this, according to Kandampully and Hu (2007), involves hotels placing the customer at the core of its long-term strategy. Another important aspect of value creation involves customers acting as employees for other guests at Kelly's (Zeithaml et al., 1996). For Kelly's, the strong bond of friendship forged between guests is what forms the bond between the guest and the hotel. Such value-enhancing interactions subsequently result in the customer base actively carrying out word-of-mouth advertising on the behalf of organisations. Customer advocacy in the form of word-of-mouth advertising is a major marketing tool used by Kelly's in order to create new business (Wicks and Roethlein, 2009).

## **7.5 Support Systems for Organisational Culture**

From the findings, three support systems for the organisational culture emerged: training, recruitment, and technology.

### **7.5.1 Training**

For Kale (2007), strong emphasis on both formal and informal training is necessary to ensure employees can satisfactorily carry out their duties. Within Kelly's, employees are encouraged to up-skill through attending training sessions with managers. In addition, front-line employees are encouraged to suggest relevant training sessions to fill gaps in their skills profile (see appendix G for 'Kelly's Resort Hotel Staff Training Opportunities').

Indeed, training plays a strong role in successful adoption of CRM programs among front-line employees (Kale, 2005). It ensures that employees have the sufficient skills and attitude to effectively employ the principles of CRM (Gulati and Oldroyd, 2005), helping them overcome issues of uncertainty (Zablah et al., 2004). Specifically, training

programmes should explain how CRM is used whilst stressing the benefits of its use (Kale, 2005) which, according to Avlonitis and Panagopoulos (2005), instils acceptance of CRM in its users. Both managers and front-line employees had taken part in some external training related to their current role in Kelly's, substantiating the emphasis placed upon it. This also suggests the effectiveness of a rigorous recruitment process; managers in the interviews note that training efforts are rendered easier given that employees who exhibit a willingness to learn during the recruitment process are chosen. Front-line employees seem familiar to the demands of delivering good levels of customer service. Interestingly, employees who are "well-attuned to the mission, goals, strategies, and systems of the company" are more capable of developing strong customer bonds (Gummesson, 1987: 24).

The most commonly used method of training is the 'buddy' system for new staff members to help them adapt quicker to their role within Kelly's. Interaction with experienced employees serves to help new employees adapt to the Kelly's culture which is then strengthened by learning on the job over time. The 'buddy' system seems to be the most important training tool used by Kelly's as a means to help new employees learn their role in Kelly's by learning from more experienced employees. Interaction with experienced employees serves to help new employees adapt to the Kelly's culture which is then strengthened by learning on the job over time. Such interaction between employees can enhance efficiency and customer satisfaction (Gounaris, 2008a). This suggests that an informal training approach has a positive effect on how employees gain the skills necessary to satisfy customer needs and wants. Within the sphere of process execution, successful CRM requires firms to align their efforts with regards to marketing, sales and customer service (Thakur et al., 2006). Kale (2005) notes the benefits of training programs in order to transmit the importance of CRM and benefits of its use to employees.

### **7.5.2 Recruitment**

The ability of firms to attain employees is one of the key facets of human capital (Idris et al., 2003). Considering that front-line employees represent the success of Kelly's, careful staff selection is therefore a requisite. 'Attitude' was a sought trait in potential employees as it was easier for such people to adapt to the culture of the hotel as they have the personality and the willingness to learn. More importantly, these traits are

naturally inherent in an individual, and cannot be taught. It is clear that recruitment has always played an important role in selecting potential employees in Kelly's. Ms. Mary Kelly personally selected people for the tea house in the early years of the business. This is consistent with the notion of resource screening (Marino, 1996) discussed in §2.2, which aids in identifying resources that have a positive effect on the creation of SCA (Marino, 1996).

For Kelly's, people with the right 'attitude' are easier to train which enhances the development of effective strategies (Andreu and Cibora, 1996). Auditing human resources facilitates Kelly's in making informed decisions to choose potential people who have the right 'attitude' to be able to fulfil the expectations of Kelly's which is to maintain high standards which lead to the creation of a loyal guest base (Jugdev, 2004). Effective recruitment also facilitates change management; as new employees have to adapt to an organisation and its culture, key facets which are affected by change management (Foss et al., 2008). The 'buddy system' is an example of effective change management; the rapid integration of new employees into Kelly's way is integrated into normal work practices in the presence of other employees. For Kale (2003) and Roberts et al. (2005), such change management practices are essential for successful CRM implementation as it helps firms in developing a customer-centric culture.

### **7.5.3 Technology**

For Teo et al. (2006), employees with access to correct information are able to make informed decisions in response to customer needs. This consequently supports the existence of empowerment in Kelly's given that employees are able to call upon up-to-date information with rapidity. The case study highlights the facilitative function of technology during guest interaction. Front-line staff explained how Portfolio supports the rapid transfer of guest-based information throughout various hotel departments to foster strong levels of service delivery. Central data storage takes place in the reception where the initial and final stages of a guest's stay occur. Information pertaining to residing guests is then transmitted to the other departments (restaurants, crèche, pool etc.) where employees assigned to those departments are aware of the various needs of guests with whom they may come into contact. In addition, Portfolio facilitates regular communication with previous guests through electronic mailing to remind them of upcoming events of interest, and, more particularly, events that they attended from

previous years (e.g. the art week). In Kelly's, information on guest preferences are updated following guest interaction with front-line employees, and are noted on their data management system, Portfolio.

Exclusive reliance on technology in CRM initiatives is likely to end in failure (Kale, 2004). However, as exemplified in Kelly's, CRM software tools render the execution of processes more effective and efficient (Chen and Popovich, 2003), and can improve the firm's communication (Jayachandran et al., 2005). Kelly's seems have a balanced view of technology's role with regard to customer relationship development. Both the MD and the MM clearly demonstrate caution with new available technologies, in order to avoid falling into the 'technology trap' that can be caused by excessive investments in CRM-based software packages. Interestingly, the use of technology in Kelly's consists of a single software package facilitating data storage and retrieval. Kelly's approach suggests adoption of CRM technology neither should be over zealous nor should it be totally discarded (Zablah et al., 2004). This is evident given that Portfolio is used to facilitate customer interaction, and not automate it (Mitussis et al., 2006). In the words of the MD "customers are getting fed up' of being sent e-mails...e-mail use is 'too easy' to the point that less is known about the guest". Indeed, leveraging technologies enhances the value of the service offering, helping hotels to differentiate themselves from competitors (Lee et al., 2006).

## **7.6 Summary**

This chapter presented a discussion on the research findings in the context of the reviewed literature. What emanated was that the organisational culture is at the centre of CRM activities, given that culture has an impact on how managers, front-line employees, and guests relate to one another. The three supports (training, recruitment, and technology) of effective CRM serve to effectively permeate and reinforce the culture within Kelly's. The next and final chapter of this thesis examines the results in light of the research objectives, and also in relation to theoretical, methodological, and practical contributions. The chapter then finishes with suggestions for future research with critical reflection on the research project.

## **Chapter 8                      SUMMARY AND CONCLUSIONS**

### **8.1     Introduction**

This closing chapter concludes on how the study has addressed the research objectives. The research, methodological and practice contributions will be presented. The limitations of the study will also be outlined. Finally, the chapter concludes with recommendations for further research on the nature of CRM capability in hotels, arising from this study.

### **8.2     Addressing the Research Question and Objectives**

The purpose of this research is to gain an insight into the characteristics of an effective CRM initiative. To address this, an in-depth case study was carried out situated in an Irish hotel which has an exceptional level of guest retention.

#### **Research Question**

*What are the characteristics of effective CRM in the hotel sector?*

#### **Research Objectives**

- To investigate the nature and characteristics of a CRM-oriented culture.
- To identify the interrelationships between key actors in a CRM-orientated culture.
- To identify the CRM capabilities that lead to sustained competitive advantage.
- To develop a CRM model of ‘best practice’.

It is important to review to what extent the research objectives were addressed in this study. Therefore, the following section will focus on the nature and characteristics of a CRM-oriented culture and the interrelationships between key actors in a CRM culture that is, the nature of various relationships existing between front-line employees, managers, and guests. This section will also identify the key CRM capabilities that lead to SCA. A key objective of the research is to develop a CRM model of ‘best practice’ emanating from the discussion, incorporating inferences from both the literature review and the primary research results, and illuminating the key CRM capabilities required for SCA. Thus, this model also serves to reinforce all the research objectives.

### **8.3 Nature and characteristics of a CRM-oriented culture**

Customer-focused cultures tend to have strong emphasis on the sense of ‘family’ as indicated in the literature by Richard et al. (2009). The characteristics of such a culture reflect this sense of ‘family’ which are designed around the six elements of culture presented by Johnson et al. (2008). These include: stories, symbols, power structures, organisational structures, control systems, and rituals and routines. Hierarchically speaking, organisations with such a culture tend to be flat with contact between front-line staff and employees encouraged. In this culture, managers are always available to staff if they have problems, and also help front-line employees in their guest service activity. Front-line staff and managers tell stories about their work experiences to demonstrate their loyalty to the hotel. Symbols such as history and key people are embodiments of this culture. Indeed, from the research, the MD in Kelly’s himself is a key example of a symbol. Other managers and front-line staff talk positively about him. Furthermore, they also acknowledge his ‘hands-on’ involvement with serving customers. Another characteristic of a CRM-oriented culture concerns the empowerment of employees to meet the varying needs of guests during customer service episodes. In terms of control systems, the father-like symbolic role of the MD ensures consistency in terms of service quality and customer satisfaction.

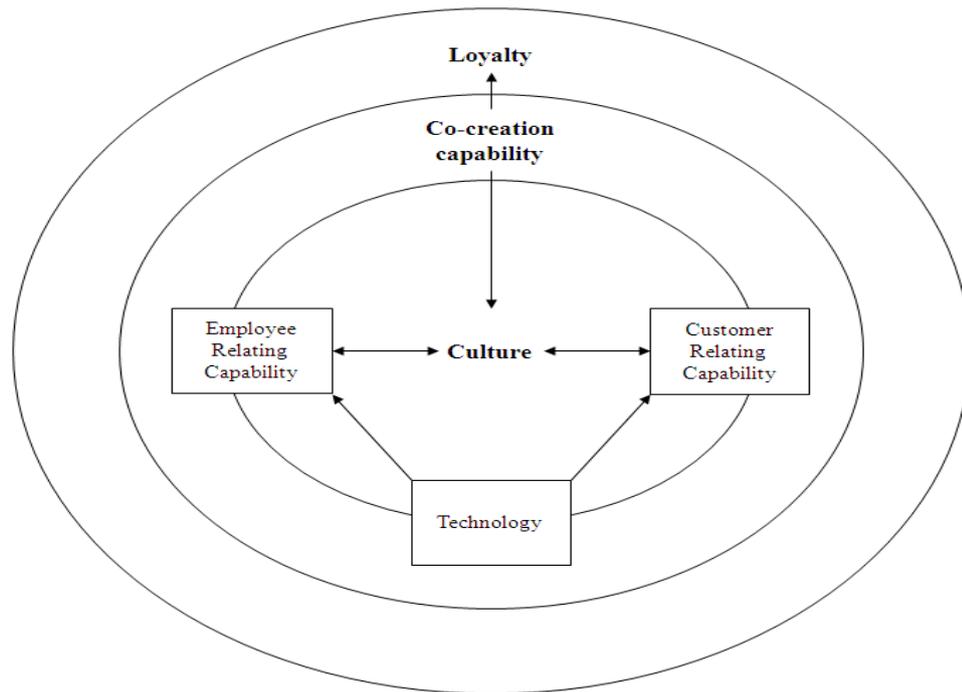
### **8.4 Interrelationships between key actors in the CRM-oriented culture**

The case study research illuminated three key relationships that exist between key actors of CRM. In terms of training and support for CRM, there is a relationship between managers and front-line staff, ensuring that front-line employees are supported in their customer-facing role within the company. Given that CRM seeks to help firms create and manage customer relationships (Geib et al., 2005), it is evident that there is an important relationship between both front-line employees and guests. Finally, the findings also suggest the existence of an inter-relationship between guests in mutual support of the culture, within the sphere of various events hosted by the hotel.

### **8.5 Developing a model of best practice for future research**

Consideration of the findings from the empirical examination of Kelly’s Resort Hotel and Spa in the context of the literature has resulted in the development of a model of best practice in CRM (see Figure 8.1 below).

**Figure 8.1 CRM Capability Model**



*Source: Author*

First, the shape of the model illustrates the cyclical nature of CRM in Kelly's. The research is pointing to two new additional capabilities that support the customer relating capability: the employee relating capability, and the co-creation capability, highlighting the multi-dimensional nature of CRM capability. The findings from the case study suggest that it is the culture of Kelly's which integrates all three capabilities towards the goal of creating a loyal guest base. The culture of Kelly's plays an integral role in the success of the hotel, led by the MD all the way down the hierarchy to both managerial staff and front-line employees. Kelly's strive to recruit employees who have the right attitude and are willing to learn, criteria entrenched in the "Kelly's Way" since its inception.

The findings highlight the impact of managerial staff on the capability of front-line staff to deliver service quality, and point to the presence of an employee relating capability. This capability represents the various support processes carried out by managerial staff in order to leverage the effectiveness of the customer relating capability. The results point at three key activities within this capability, notably, motivation, training, and empowerment. The annual briefing conducted by the MD presents the opportunity to

reinforce the Kelly's culture within the minds of the employees, motivating them to meet the demands of visiting guests. Motivation also extends to both training and leading by example.

Role playing in guest oriented behaviours by the MD and senior managers, is in turn reinforced by role playing of staff in the hotel, many in employment there for substantial periods. Employees are actively encouraged to partake in training sessions held by external tourism organisations like Fáilte Ireland and City & Guilds. Indeed, immediately following the annual briefing, the researcher attended a sales, marketing, and customer service workshop facilitated by Fáilte Ireland for a group of restaurant employees. Internally, new employees undergo a 'buddy' system where an experienced employee trains them on their duties, expectations etc. Whilst this is facilitated by management, it is the employees themselves who inform one another about the organisational culture of Kelly's, which is consequently reinforced by management.

In their interviews, managers note their involvement in serving guests in the presence of front-line employees. This subsequently motivates employees to emulate the customer service efforts of managers. Indeed, employees noted the positive effect of manager involvement in customer service with employees, stressing the 'sense of family' engrained in Kelly's culture. This feeling of belonging to the Kelly's 'family' is also evident in the openness of managers to speak to employees with work-related queries or with those currently facing personal issues, a strong characteristic of a family-like culture. Empowerment is another element of the employee relating capability, granting front-line employees wide latitude to satisfy various guest needs during interaction with them. This is an expression of trust from managers, and indicates the existence of a strong relationship between managers and employees.

In the model above, the customer relating capability refers to the efforts of front-line employees with regard to creating durable and meaningful relationships with guests. Data obtained from interviews focus on the use of empathy in customer service as a trigger for inducing co-creation and advocacy behaviours. Indeed, front-line employees describe bonds that they have formed with guests who visit Kelly's frequently. The interviews highlighted the emphasis on the positive effect of co-creation for Kelly's. Managers and employees note guests who visit Kelly's on a regular basis are more

likely to carry out traditional employee tasks i.e. inform newer guests about the hotel's activities, facilities etc. Additionally, many of the re-patronising guests come back for the various annual activities held by the hotel (art week etc.). In many cases, guests return to Kelly's to meet with other guests they befriended whilst attending such events. Of particular interest, the MD acknowledged the role of the hotel in helping people bond with other people, even suggesting that it is the bond that guests have between them that makes people come back to Kelly's. Therefore, the co-creating capability of Kelly's seems to come from their capacity to create an environment that is conducive to guest-guest interaction which, in turn, results in the creation of durable relationships between guests with Kelly's serving to reinforce that relationship.

Kelly's success in consistently encouraging repeat visits is a clear indication that CRM does not necessarily have to be sophisticated in order to be effective. The use of technology in Kelly's is an example of the simplicity; the hotel uses a single software package across the hotel to store and retrieve information on individual guest preferences. Front-line employees seem attuned to the culture of Kelly's, and confidently discussed how they make enduring connections with guests without the help of management. However, those front-line employees who were interviewed acknowledged the availability of managers with respect to discussing work-related issues and escalating customer queries. The CRM at Kelly's is evolutionary and dynamic in its nature, reflecting the maintenance of relationships with guests whose needs are ever-changing. Front-line employees have wide leverage to be able to cope with the changing demands. The use of Portfolio as a data management tool facilitates meeting these changing demands, as modified preferences are recorded, saved, and acted upon following retrieval.

Following the data analysis, there seem to be three key variables positively influencing the CRM which are the following: training, recruitment, and technology. The selection process used by Kelly's in order to screen for potential employees who have the mindset to adapt to the Kelly's way and have a positive attitude towards training. Indeed, the presence of formal and informal training programs indicates a positive outcome on the effectiveness of the CRM. The 'buddy' system helps new employees to learn the basics of servicing guests under the tutelage of an experienced employee,

therefore, helping them to integrate into Kelly's. Employees are encouraged to identify their own skills shortage or that of the hotel and partake in formal training sessions.

Organisational culture seems to play an important role in creating loyal guests. In the case of Kelly's, this originates from the sense of 'family' that has been built up by the Kelly family over four generations. Over time, both employees and guests become part of the 'family'. Managers interact emphatically with their employees, and, in turn, employees would do the same for guests. This is fortified when managers also get involved with guest interaction, and exemplifies the high expectations of guest service for the employee. Finally, support from managers seems to have a positive impact on front-line employee performance. Front-line employees can readily talk to managers if they have work-related issues. In addition, managers lead by example by serving guests in the presence of front-line employees. Motivation plays a role in supporting front-line employees. For example, the annual briefing with the MD serves to reinforce the Kelly's ethos, and motivate employees to continue to meet the high standards for which Kelly's is renowned. Employees are also given wide scope to make independent decisions with regards to servicing guest needs without the need for permission from managers, placing faith in the ability of the employee as well as facilitating rapid service.

From studying the RBV perspective, the researcher defines capabilities as the collection of routines and processes that facilitate consistent competence creation. Therefore, CRM consists of processes and routines that revolve around customer interaction. This is achieved through the combination of marketing, sales and customer service practices. CRM is an essential piece of the customer relating jigsaw; it allows firms to seamlessly integrate its workforce, technological infrastructure and processes. CRM refers to processes implemented by a company to handle contact with its customers. In service-based companies such as hotels, it is employed to continually improve the service offered to customers by using information that it obtained through previous contact with same. Technological software ensures that this information is both up-to-date and ubiquitous. Knowledge about customers is vital: the information derived from interacting with the customer facilitates the creation of products and services that fulfil the differing needs of individual consumers, leveraged by a competent, congenial workforce.

## **8.6 Research Contribution**

This thesis makes a contribution to three key areas: theory development, methodology, and practical application. Each of these is examined in turn.

### **8.6.1 Contribution to academic literature**

This study has contributed to empirical examination of the RBV, which was employed as the theoretical underpinning of the research, in particular addressing calls for in-depth research on the link between key marketing resources and capabilities, and performance (Srivastava et al., 2001). The study also builds on research into the CRC framework (Day and Van den Bulte, 2002; Day, 2003) which has highlighted the cultural basis to effective CRM. Indeed, this study has not only reinforced the importance of corporate culture in providing a foundation for effective CRM; it has also provided insight into the specific characteristics of this CRM-oriented culture, such as the role of dignity, respect and role-modelling.

The study also provides additional insight into the nature of CRM capability, in particular, highlighting the multi-dimensional nature of the construct. The identification of employee-relating capability, and customer co-creation capability, in addition to customer-relating capability, provides a much enhanced perspective on the components of CRM capability. This provides important insight into CRM implementation and its dependence on the integration of organisation resources in order to forge and preserve customer relationships (Chen and Popovich, 2003), highlighting employee and indeed guest resources as critical resources. Generally, this research also responds to the need within the literature to understand the 'black box' of effective CRM capability.

### **8.6.2 Methodological Contributions**

Understanding of the effectiveness of CRM has been hindered by a lack of empirical research. This study, in situating the research within a case study of a hotel with an enviable reputation in CRM efficacy has facilitated the unearthing of the cultural and behavioural dynamics which lead to this effectiveness. Also, through rigorous detail to the case protocol and management, the study will provide a guiding template for further research on CRM effectiveness in hotels.

### **8.6.3 Contribution to practice**

The findings of the study present potentially useful advice to practicing hoteliers with respect to CRM implementation. Employing managerial supports such as motivation, empowerment, and role-modelling are paramount in encouraging employees to be committed to contributing to the hotel's success. Front-line employees recognise the presence of managers as beneficial to carrying out their jobs. This should serve to highlight the importance of the manager, particularly as role-model and change agent, with regard to CRM performance. Indeed, Gordon (2002) stresses that managers are, for the most part, responsible for the creation and maintenance of organisational culture through the use of various organisational systems (training, recruitment, and technology). From the case study, it seems that managers play a strong role in transmitting and representing the CRM-oriented culture for front-line employees.

An interesting finding emanating from the case study points to the effect that culture has on creating positive guest relationships. In Kelly's, there are two critical components of culture: respect and attitude. The senior management treat employees with respect which in turn is passed on to guests. Although respect is not highlighted in the relationship literature, its presence seems to have a positive effect on relationship maintenance, which is emphasised through empathy for guests during interaction episodes. With respect, attitude is another important element of culture. The HRM notes that attitude is inherent in employees who are generally pleasant, and have a willingness to learn. These staff generally can adapt to the culture of the organisation easily. Therefore, hoteliers could seek employees with such traits in order to develop competent staff that can adapt to the demands of CRM.

Furthermore, both formal and informal training should be made available to front-line employees, and this will facilitate the CRM-oriented culture present in Kelly's. While there exists formal sessions annually within the hotel as well as opportunities to take part in industrial education programs (City & Guilds, Fáilte Ireland etc.), greater emphasis is placed on 'learning by doing' through the hotel's buddy system, and on-going meetings relating to performance with managerial staff. The use of such a 'buddy system' could be implemented by other hoteliers.

In addition, the case study shed light on the issue of technology use in relationship creation. Adopting technology in CRM initiatives is a contentious issue mainly because many CRM implementation efforts focus more on software solutions than on the actual customer relationship. The primary research presents an insight into the role of technology in Kelly's. In fact, the findings indicate that little emphasis has been placed on its importance. However, the FHM spoke about how the software package is used to store and disseminate guest information throughout the entire hotel, thus suggesting a secondary, support role for technology in CRM initiatives. Given Kelly's success in CRM, hoteliers could also adopt a similar attitude towards technology. Even though the purpose of this thesis is to illuminate characteristics of effective CRM capability, the presence of both causal ambiguity and social complexity, as explained in Chapter 2, are apparent from the findings data. Therefore, the Kelly's model reflects a CRM capability that is tacit and embedded, rendering it resistant to replication, and conducive to sustaining competitive advantage.

## **8.7 Research Limitations**

- Theoretically, the study is limited to a RBV perspective. Other possible choices could have been agency theory, transaction cost economics or social exchange theory of the firm. However, since this research is examining how an organisation utilise its resources to maximise performance, the RBV theory can be justified as appropriate.
- While criterion sampling clearly led to Kelly's Resort Hotel and Spa being selected for empirical examination, the research is relying on a single case. However, it is important to note that this research has sought to test theory rather than to build theory. In addition, considerable attention has been paid to the case protocol and management to ensure the replicability of the research.
- The study relied on self-reporting from the interview respondents on CRM capability. This limitation was addressed to some extent by using multiple sources of evidence, and by repeated engagement with the respondents and research site.
- The voice of the customer was missing from the respondents to the study. To moderate this effect, the researcher used customer reviews from trip-advisor.co.uk as a means to gather views from customers who stayed in Kelly's.

## **8.8 Recommendations for Further Study**

It is intended that this study will facilitate further research on the topic of CRM effectiveness in hotels. In particular, this study has presented two new capabilities, Employee Relating Capability (ERC), and Customer Co-creation Capability (CCC) to develop further insight into CRM capability. It is recommended that future research should develop measures for these capabilities, which will facilitate empirical examination of their efficacy and contribution to CRM. The creation of measures will allow for quantitative CRM research to show the level of effectiveness of each created measure.

Data emanating from the primary data collection phase revealed themes that have not been extensively developed in literature. Whilst the research gives insight into the role of organisational culture in effective CRM as well as its characteristics (dignity, respect, and role-modelling), these areas have not received substantial attention in the literature and therefore provide promising avenues for future research. Furthermore, little academic research exists on the effectiveness on informal training methods like the ‘buddy’ system, suggesting consideration for further research into its positive role on CRM. Finally, the ‘best practice’ model presented in this chapter provides a guiding framework for future in-depth research in the hotel context on CRM effectiveness. This model may also have utility in other customer-service dominant sectors such as retail.

## **8.9 Personal Reflection Post-Research**

In Chapter 1, the researcher introduced his own personal perspective towards the research problem, outlining his academic background and the initial stages of the research process. Therefore, it would be appropriate to reflect upon the undertaken research, and offer alternative approaches that could have been taken. Taking this into account, the researcher shall again refer to himself in the first person. Through unique access to Ireland’s iconic example of guest retention, I have gained substantial insight into the nature of effective guest management. From the findings obtained, it is evident that Kelly’s focus more on affective aspect of customer service, with emphasis on making an emotive connection with guests. Similarly, such a connection exists between managers and the front-line, suggesting the positive effect of role-modelling on employee performance, leveraged by the nature of Kelly’s way of doing things.

However, in order for me to gather such inferences from the data, I had to develop an appreciation for the nature of research techniques, thanks to tuition received in research strategy. Following appraisal of various research techniques, I chose the case study as the most appropriate research technique to use given the lack of literature available, and the exploratory nature of the research question and related objectives. The process of formulating a case study protocol helped me to add rigour to the data obtained from the research. Furthermore, it has convinced me of the efficacy of the case study method in this topic.

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## **APPENDICES**

### **Appendix A: Case Protocol**

#### **Background**

The research question asks how the use CRM by front-line hotel employees leads to enhanced performance.

#### **Design**

The research design is an embedded single-case study where the object of study is Kelly's Resort Hotel and Spa, located in Rosslare, Co. Wexford. Using a single case will allow for a profound investigation of the customer relating dynamic within the rich case context of Kelly's Resort Hotel and Spa. Data enrichment is achieved by the use of multiple sources of evidence. The cross-examination of data obtained from each source will illuminate the complex nature of the CRM structure in Kelly's.

#### **Case Selection**

Case selection was based on satisfaction of the following criterion:

- The hotel has a retention rate of 80 percent or more.
- There is evidence of good customer service e.g. awards.
- The hotel has a strong employee-focused culture e.g. training programs, support.
- The hotel uses a computerised data management system.
- The hotel has been in business for a long period of time e.g. several generations.

#### **Case Study Procedures and Agenda**

##### **Research Agenda**

##### **Day 1 – 25/11/09**

- Meeting with the MD and senior management staff
- Establishment of research agenda
- Request for relevant documentation for data analysis
- Interviews with senior management staff
  - The MD
  - The HRM
  - The FHM

## **Day 2 – 30/11/09**

- Interviews with front-line staff
  - The AS
  - The SR
  - The PM
  - The WS
  - The CS
- Interviews with senior management staff
  - The MM
- General observation as hotel guest
  - Followed the ‘Observations’ guide to ‘see’ the process from a guest perspective
    - Buffet lunch
    - Afternoon tea
    - La Marine for evening dinner
    - Interactions with hotel staff (reception, restaurant etc.)
    - Evening entertainment
    - Observing the reactions of other guests when possible

## **Day 3 – 01/12/09**

- General observation as hotel guest
  - Followed the ‘Observations’ guide to ‘see’ the process from a guest perspective
    - Breakfast service
    - Final interaction at reception before departure
    - Talked with the HRM before leaving to get documental analysis

## **Day 4 - 09/02/10**

- Formal training session with a group of employees
  - Annual review of 2009 with the MD
  - Customer service, sales, and marketing workshop facilitated by Fáilte Ireland

### **Research Procedure - Interviews**

- Semi-structured interviews
  - Two different set of questions for management (Appendix C) and front-line employees (Appendix D).
- Four members of management and five front-line employees were interviewed.
  - The key managers in the hotel were chosen (managing director, HR, front of house, and marketing) in advance by the researcher.
  - In terms of selection of front-line employees, the researcher asked management to interview one individual from each department to ensure a broad representation of front-line employee opinion across the board.
- In terms of questioning, the researcher used the numbered questions first, and then asked related probing questions underneath if the respondent did not raise the issue. Questions, numbered or probing, were not asked if the respondent gave an opinion relating to such questions with prompting.
- All interviews were recorded and transcribed. Each transcription was then saved onto an Nvivo file.

### **Research Procedure - Documental Analysis**

- Hotel reviews from tripadvisor.com
  - Service quality
  - Facilities quality
  - Guest types
  - Enjoyment of stay
  - Word of mouth
  - Value for money
  - Competence of Staff – Managerial and Front-line
  - Intention to return
- Training materials
  - Induction booklet
  - Company mission and vision
  - Training agenda – CRM, guest interaction policy etc.
  - Re-training feedback

- Records on CRM system
  - Information relating to guest satisfaction – form to apply for the next visit
  - Preferences and requirements of individual guests
  - Information relating to repeat stays for individual guests
  - Example of ‘dummy’ account to show how information is documented and utilised for future interactions with that guest.

### **Research Procedure - Direct Observations**

- Empathy
  - Friendliness
  - Smiling
  - Leaving guests speak
  - Respecting the opinions of guests
- Listening to the guest - assessing their needs/wants
- Meeting guest needs and wants through actions
- Attending a customer service-based training session for front-line employees.
- Negotiating with the guest, making compromises with charges, service etc.
- Guest reaction to service (positive and negative)
  - General things they say about the hotel
  - Connection made with the staff
  - Impersonal greetings and interaction
  - Verbal intention to re-patronise
  - Actions resulting in re-patronisation

### **Case Study Roles**

The researcher assumed full responsibility for all aspects of the case study. However, in the case of the interviews, the supervisors were in attendance with the researcher.

### **Data Collection**

Data from the case study is collated from multiple sources: semi-structured interviews with a selection of both front-line employees and managers, analysis of documentation relating to staff induction, training, and information leaflets for guests, researcher

observations of customer service as a guest for a period of one night, and observations from attending an annual briefing as well as a sales, marketing, and customer service workshop.

Data obtained from interviews were recorded, transcribed, and saved on Nvivo with relevant documentation furnished by the hotel. During customer service observations, the researcher made a series of annotations (see Appendix D) by detailing instances of customer service between employees and the researcher, but also between employees and other guests. Notes were taken in the room where the researcher stayed, with 60-90 minute intervals to make observations. During the meeting and workshop, the researcher summarised the content by making notes. Data pertaining to the interviews, observations, and documental analysis were stored on Nvivo for data analysis.

### **Analysis**

Data was coded in Nvivo into nodes representing themes of the customer relating dynamic that stem from the literature review. Data from interviews were categorised, and coded into their appropriate node. In order to answer the research question, data obtained from both the online reviews from tripadvisor.co.uk and the interviews were mainly used. In order to add context to the presented findings, the researcher used excerpts from 'The Book of Kelly's' document.

### **Plan Validity**

#### **Credibility**

Employment of multiple sources of evidence

Review of quality research by research supervisors

Report of findings sent to Kelly's for review.

#### **Transferability**

Rich, thick description provided by research enables reviewers to decide whether the data obtained from this research can be transferred to other contexts.

#### **Dependability**

Employment of multiple sources of evidence

Using a case protocol

Maintaining an audit trail  
Establishing chains of evidence

### **Confirmability**

An audit trail was used to facilitate data access for inspection by auditors – supervisors etc.

### **Reporting**

The findings of the case study were presented to the MD of the participating hotel in order to ascertain that the content of the data is accurate. Considering this, themes identified from the literature are used to structure the findings.

### **Schedule**

Planning	June 2009 – October 2009
Data Collection	November 2009 – February 2010
Data Analysis	December 2009 – April 2010
Reporting	April 2010 – June 2010

## **Appendix B: Interview Questions for Managerial Staff**

### **Management Support**

1. How do you motivate front-line staff?
  - Are there reward systems in place for front-line staff with respect to guest satisfaction/loyalty?
  - Can you explain how they work?
  - How does the presence of a floor manager help the front-line staff?
  - Can you describe the training protocol for employees?
  - How does training help front-line staff to perform tasks better?
  - Is there emphasis on continual training?
  - What do such sessions consist of?
  - Can you describe the importance of front-line employees to the hotel?

### **Front-Line Staff**

2. What is the nature of the relationship between management and front-line staff?
  - What management supports are there for front-line employees with regards completing tasks/duties/guest requests?
  - How can front-line employees encouraged to contribute in relation to improving guest service and general management of the hotel?
  - What are your views on employee empowerment, and what benefits are derived from it?
  - How is empowerment beneficial to carrying out duties?
  - How do front-line employees control information flow throughout the hotel?
  - How do you think management contributes to the high staff retention rate this?
  - How has this contributed to the success of the hotel?

### **Guest Relating Process**

3. What is the nature of the relationship between front-line staff and guests?
  - How would you describe your guest interaction process?
  - Is there a fixed script?
  - What aspects do you focus on in order to build relationships with guests?

#### 4. How do you build relationships with guests?

##### *Co-operation*

- Is the guest encouraged give positive and negative feedback with respect to guest service delivery?
- Is negative feedback about improve service acted upon?
- Can you describe this process?
- Would you ask guests to give reviews about their hotel experience in your marketing literature?
- Are guests incentivised for this?
- How do you think this benefits the hotel?

##### *Commitment*

- Is there a willingness amongst staff to compromise in order to satisfy individual guest needs and wants?
- How is it instilled in front-line staff?
- How do guests respond to this compromise?
- How have relationships with long standing guests evolved over time?
- Are they easier or more difficult to handle?
- How do you know this?
- How does this process differ with new guests?

##### *Communication*

- Can guests use different channels of communication (online, phone etc.) to make contact with the hotel?
- How does this enhance serving the guest?
- How does communication between your front-line staff and management contribute to the success of the hotel?

##### *Trust*

- How important is the 'personal touch' during guest interaction?
- How is the guest put at ease, especially new ones?
- What measures are taken to ensure that service is at a consistent level?
- What is done to make sure that promises can be delivered to guests during each interaction?

## **Technology**

5. Is there a role for technology in developing relationships between front-line staff and your guests?
  - What role does the use of technology with respect to building guest relationships?
  - Can you list the modes of CRM practiced in this hotel?
  - Can you rank these in terms of importance?
  - What does the training sessions of the computer programs consist of?
  - How do you use information gathered and stored from individual guests in relation to building ongoing relationships with them?

## **Value Creation Process**

6. If you were a guest at this hotel, how would you describe your hotel experience?
7. How important is the front-line staff in the creation of this experience?

## *Guest Advocacy*

- Do you seek to involve guests in your marketing efforts?
- Are there incentives for those that do?
- Can you give examples of this?

## *Co-creation*

- Do guests have scope to contribute to the service delivery process?
- Can they customize aspects of the service to address their needs?
- What do you see as being the advantages of letting the guest contribute to the service provision process?
- What elements do you think are necessary in order to successfully meet individual guest needs?

## **Guest Loyalty**

8. What is guest loyalty to you?
9. How do you achieve guest loyalty?
10. What do you perceive the advantages of guest loyalty to be?

## **Appendix C: Interview Questions for Front-Line Staff**

### **General Questions**

1. What is your name?
2. How long have you worked in the hotel?
3. How long have you been in your current department?

### **Management Support**

4. What support is there for your relationship with guests?
  - How does the presence of a floor manager help the front-line staff?
  - Can you describe the induction course? How did it motivate you in relation to doing your job?
  - Is there emphasis on continual training? What do training sessions consist of?

### **Front-Line Staff**

5. What helps you help the guest?
  - Is being able to make decisions with approval of benefit?

### **Guest Relating Process**

6. Does everyone in the hotel respond the same way to guests?

*Co-operation, Commitment, Communication, Trust*

7. Why do guests come back to Kelly's?

### **Technology**

8. How do you remember guest requirements?

### **Value Creation Process**

9. How is the guest involved in making the stay a success?

*Guest Advocacy, Co-creation*

10. What are the things which make for a memorable stay in Kelly's?

### **Guest Loyalty**

11. Why do guests come back to Kelly's? (covered in Q7).

## **Appendix D: Reflective Log of Direct Observations**

Whilst approaching the reception desk, the receptionist approached me as soon as she saw me. I asked if my room was available. She said my room wasn't available yet, but she took my mobile phone number so that she could call me to tell me when my room was available. Before I left, they told me to sign a form to confirm my general details. I signed in on the form and they took my number I was invited to avail of tea/coffee in the dining room as well as to the buffet service whilst I waited for my room to be available. Her overall manner was friendly.

Following this, I went to the Ivy Room to have something from the buffet area. Upon entering, I met the HRM who invited me to help myself to the food in the buffet, and pointed out what I could choose to eat for the buffet. After taking some meat and salad from the buffet stalls, the CS, one of the interviewees, recognized me and smiled as I helped myself to some bread at the bread table directly across from the buffet stalls. This is interesting as she mentioned in her interview that smiling is important when coming into contact with guests. When I finished eating my meal, a member of staff promptly came and took my plate away. Moments later, another waitress approached me to ask if I wanted tea/coffee. This was done without having to bring any attention to waiters.

To pass some time, I briefly observed the gift shop, hair salon, and the gym. All facilities were very well kept, and up to date. The gym staff member smiled and greeted me as I passed by the reception area in the gym. A range of the hotel's specialist wines, selected by the MD himself, were on display, and could be bought there. After viewing these facilities, I walked around the main strand in the town. Returning to Kelly's, the SR, a member of the reception staff who was also interviewed, passed by in her car. Recognising who I was, she stopped her car and opened her window to greet me. She told me to have a good time before driving on again.

Coming back to the hotel, I again approached the receptionist to enquire about my room. The receptionist recognised who I was as she replied straight away, without prompting of any kind, that she is looking into the availability of my room. She invited me to help myself to a paper whilst I waited in the corridor. During this time, the MD

approached a couple to talk to them about their stay, offering them tea/coffee. He also asked had they eaten, and reminded them of their available options.

Several minutes later, she came up to me in the lobby, and started by saying, “Mr. Drohan, your room is ready”, and gave me the key to my room. She notified that afternoon tea and refreshments were available in the dining room at 4 p.m. I was also asked by her if I wanted to book a table in the La Marine restaurant for evening dinner. Whilst we were sorting out the reservation, she mentioned that Sinead, a waitress in the La Marine restaurant who was present at the reception area at the time, will look after me. Then, Sinead smiled and said that she is looking forward to serving me tonight. After making the reservation, the receptionist asked the porter, John, to take my luggage, and escort me to my room. We both engaged in some ‘small talk’ as we made our way to the room. As I opened the door, John brought my luggage, and placed it by the bed.

He showed me around the room, and highlighted all the facilities present in the room. Whilst doing this, John noticed something odd about the heaters. He rose this issue with a colleague who passed by the door to ask him to check if the heating is working. John manually checked if the heaters were functioning. There seemed to be a good relationship between both of them. John then left after checking the heating, leaving me to look around the hotel. The room had a double bed and two singles at the other end. There was a television with cable TV on top of a long dressing table. There were some booklets relating to things of interest within Kelly’s as well as two glass bottles of Ballygowan. Also, there was another table in the middle of the room with some general interest magazines.

After a brief period of relaxation in the room, I went back to the Ivy Room for afternoon tea where you I got a piece of confectionery and some tea/coffee. The service at the desk adjacent to the buffet stall had four staff at it to meet the demand for afternoon tea as a lot of people were queuing. I asked for a coffee and a vanilla slice. Whilst waiting for my order to be given to me, another member of the staff asked me had I given my order. I noted that the service was efficient and friendly; there was a good camaraderie between, despite the fact that it was busy. After finishing eating, I was again approached by a waitress who took my empty plates.

Whilst I was walking to the reception after the tea, the receptionist notified an individual (by his surname) who was passing by the reception to tell him if he wanted to eat in Beaches or La Marine later, given that he presumably enquired about it beforehand. I then proceeded to have a look at the spa centre. In the corridors on my way there, a member of staff said 'hello' and smiled at me. The spa was well kept with a display for their exclusive range of products. Whilst returning to my room after looking at the spa, I saw a group of employees walking down the stairs near the reception area. One of them handled a customer enquiry, even though the group were finished work. The fact that they were employees was evident when other staff members passed by and said 'goodbye' to them. I also noticed several guests smiling and saying 'hello' to me as I was passing by the corridors and in the foyer before going back to my bedroom to prepare for dinner at La Marine in the evening.

At 7 p.m., I went downstairs to La Marine restaurant for my dinner. I walked past the bar area, and went into the main eating area. I was then approached by a waitress who brought me to my table and gave me the menu. She then brought me some water and variety of breads as a side. Several moments later, I was then greeted by Sinead, who I met earlier at the reception. I was unsure what I could get on the menu, but she went through the choices available for me to make sure that I understood the menu. Both Sinead and the waitress who brought me to my table approached me on several occasions to see if I was ready to take my order. I ordered the two course special with wine.

After making my order, I was served both my courses promptly in succession; I did not have to wait for long periods of time. I noticed, whilst eating, that the waitress brought out a deckchair to prepare for a family who later came with a small infant. As the family came to the table, one of the people in the family said to her, "You've been here for years and years", noting that this family recognise her from previous visits over the years. Then, a group of four people then came to a table near mine. One of the people hugged and kissed the waitress on the cheek, and referred to her by her first name, asking the waitress if she was well. This also suggests that there is a strong, lengthy relationship between this group of diners and the waitress. In addition, Sinead also came up and talked to them. The waitress also knew what they wanted as they were previous visitors and was able to bring out their meals with several minutes.

There was a single guest to my right who asked the waitress about the cream content of a dessert for her. The waitress went to the kitchen and came back to the guest to inform her of the cream content of the meringue on the menu. The guest noted that the meringues that they served always have too much cream, assuming that she is a regular guest to the restaurant. This shows commitment to the particular needs of this guest. Other guests that came in as I ate also greeted the staff by their first name as they passed by them. Also, Eddie Cullen approached a guest, shook her hand saying, “Well, Margaret”. He was also greeted by his first name by many guests of the restaurant whilst he was talking to a few guests. After eating my meal, I left the restaurant. As I was leaving, Mary, whom I met earlier on my walk around the town, greeted me in the restaurant, and had a short conversation with me about what I am doing in WIT. Following the short conversation, I went back to my room for a brief period of time before going to the bar area to enjoy some entertainment in the Ivy Room.

On my way to the Ivy Room, I overheard a conversation between a male and a female guest in the corridor. The woman mentioned that, in all of her years coming here from Poland; it was the first time that she saw snow here. Arriving at the Ivy Room, I got a drink and sat down at a table near the dance floor. There was a projector that had the TV on it before the night’s entertainment began. When the singers came onto the stage, they invited people to dance on the stage, and asked for any requests. The first couple who came onto the floor were referred to by their first names as they had been there previous nights. During the night, groups of guests came up to one another and talked about what they did today. They said that they would see one another again in the future. After a while, I retreated to my room, and fell asleep.

The following morning, at 8.30 p.m., I went to reception to confirm where I could have breakfast. Mary told me that I could have a buffet breakfast in the Ivy Room or have a traditional breakfast in Beaches. She also offered me to take a newspaper with me whilst I had breakfast. Considering my options, I chose to go to Beaches for breakfast. As I entered, several members of staff were waiting by the entrance to serve guests. One of them approached me, brought me to a table, and gave me my menu. Another staff member then came over and took my order. The overall service was friendly and punctual; I did not have to wait long for courses after I finished each one. During my breakfast, the MM greeted me and asked me did I have a good time so far. After talking

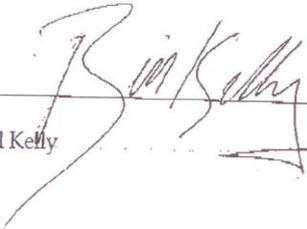
to me, she went to other guests and started talking to them, and even introducing them to other members of staff by first name whilst they were serving them breakfast. After eating my breakfast, I returned to my room to pack my luggage for departure.

As I was coming back down the stairs with my luggage, one guest asked another where the buffet breakfast was, and helped her with the request. The receptionist came to me straight away. She was disappointed that I was leaving and told me about the cookery events that were to take place today whilst I was checking out of the hotel. The HRM then came out to say goodbye, and gave me some training documentation with the centenary book, signed by the MD himself.

**Appendix E: Consent Release Form**

**CONSENT RELEASE FORM**

I, *Bill Kelly* have read the findings chapter sent to me on 20 May, 2010 and I am satisfied that what transpired in that chapter has been accurately recorded and can be used in Richard Drohan's thesis and further publications.

 (Signed)

*Bill Kelly*

16/05/10 (Date)

# Appendix F: Nvivo Nodes

Case Study Research - Richard Drohan.nvp - NVivo

File Edit View Go Project Links Code Tools Window Help

Code At ... In ...

Look for: Search In Tree Nodes Find Now Clear

**Nodes**

- Free Nodes
- Tree Nodes
- Cases
- Relationships
- Matrices
- Search Folders
- All Nodes

**Sources**

- Nodes
- Sets
- Queries
- Models
- Links
- Classifications
- Folders

24 Items start

Novell GroupWise - M... Introduction

NVIVO

Summary and Conclu...

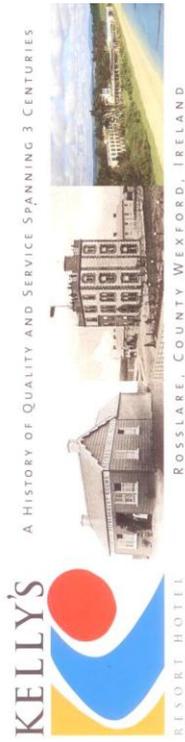
Case Study Research...

12:58

Name	Sources	References	Created On	Created By	Modified On	Modified By
Stage 1 Managerial Support	21	106	10/12/2009 14:22	A	22/04/2010 12:01	A
Culture	7	19	15/01/2010 09:22	A	22/04/2010 12:01	A
Empowerment	11	27	15/01/2010 09:22	A	22/04/2010 12:01	A
Formal Training	11	33	15/01/2010 09:22	A	22/04/2010 12:01	A
Informal Training	8	16	15/01/2010 09:22	A	31/03/2010 13:57	A
Leading by Example	1	1	26/02/2010 13:14	A	26/02/2010 13:14	A
Rewards	3	4	15/01/2010 09:22	A	30/03/2010 11:01	A
Staff Attitude	7	11	15/01/2010 09:22	A	22/04/2010 12:01	A
Staff Interaction	14	92	15/01/2010 09:22	A	22/04/2010 12:01	A
Staff Retention	6	13	15/01/2010 09:22	A	30/03/2010 16:13	A
Staff Selection	1	2	26/02/2010 10:30	A	01/03/2010 13:10	A
Stage 2 Front-Line Staff	54	215	10/12/2009 14:29	A	22/04/2010 12:01	A
Stage 3 Customer Relating Process	46	153	10/12/2009 14:31	A	22/04/2010 12:01	A
Commitment	33	88	15/01/2010 09:26	A	22/04/2010 12:01	A
Communication	27	130	15/01/2010 09:23	A	22/04/2010 12:01	A
Co-operation	8	10	15/01/2010 09:26	A	31/03/2010 13:57	A
Trust	0	0	15/01/2010 09:26	A	26/01/2010 09:28	A
Benevolence	38	120	15/01/2010 09:26	A	22/04/2010 12:01	A
Credibility	24	51	15/01/2010 09:26	A	22/04/2010 12:01	A
Stage 3A Technology	9	37	10/12/2009 14:30	A	22/04/2010 12:01	A
Stage 4 Value Creation Process	26	57	10/12/2009 14:31	A	22/04/2010 12:01	A
Co-creation	16	42	15/01/2010 09:27	A	22/04/2010 12:01	A
Guest Advocacy	37	52	15/01/2010 09:27	A	22/04/2010 12:01	A
Stage 5 Guest Loyalty	32	96	10/12/2009 14:29	A	22/04/2010 12:01	A

**Appendix G: Staff Training Opportunities Leaflet**

**Front Cover**



# Kelly's Resort Hotel Staff Training Opportunities



SUCCESSFUL CANDIDATES OF 1998/99 WITH THEIR TRAINERS AND SUPERVISORS



IN ASSOCIATION WITH **CITY & GUILDS CERT NTCB**



## This could be yours!

*Certificate achieved in a working environment, in addition to gaining experience in one of the leading hotels in the Irish Hotel Industry.*

*Competency based with weekly 1 hour sessions.*



**Kelly's Resort Hotel Ltd.**

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## The Qualifications that get you there – in a work-related environment



An established CERT/NTCB, City & Guilds Training Centre, Kelly's is one of an elite group of hotels that has achieved prestigious awards including the AA's Red Stars of Excellence and the Egon Ronay Hotel of the Year.



Kelly's Resort Hotel has an excellent reputation for the quality of its food, service, facilities and value for money. Central to our success is the enthusiasm, commitment, dedication and ability of our staff.

Opportunities exist for our staff to complete in-house NTCB, CERT, City & Guilds training courses in any of the following areas:



- Bar Service
- Restaurant Service
- Accommodation
- Cookery Programmes

On successful completion of training in these areas, candidates have the opportunity to continue their training at Craft, Supervisory and Management level through block release to colleges in Dublin, Waterford, Athlone, Galway and Cork

## Four Year Trainee Manager Development Programme

- Joint certificate in Hotel and Catering Management from the Irish Hotel and Catering Institute, the Irish Hotels Federation and CERT

### Applicants should have:

- Leaving Certificate or equivalent with preference for Grade D or higher in Maths, English, Foreign Language, Accountancy or Business Organisation
- Be aged 17 years or over
- Have been employed by Kelly's 6 months prior to undertaking the programme.

Do you have the positive attitude and the ability to take the initiative to see what needs to be done?

## Does this sound like you?

Are you interested in a challenging career that gives you an opportunity to develop your skills in the hospitality industry, while working in the internationally renowned Kelly's Resort Hotel?

Our Staff enjoy a top class leisure centre, take part in soccer matches between staff and guests, quizzes and in-house sports tournaments.

