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Potentialities of Customer Relationship Management in the Building of Government Reputation

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Abstract
This paper aims to configure out the potentialities of CRM in the building of government reputation by raising key aspects of Corporate Reputation theory that can be strengthened by similar CRM strategic orientations and supported by the deployment of CRM solutions. Initially we address aspects of public cynicism towards government. In the sequence, we describe the main characteristics of CRM systems and point out some functionalities that may act as enablers of positive corporate reputation. We conclude providing examples of CRM applicability for enhancing government reputation.

Key words: e-government, CRM, ERM, responsiveness, corporate reputation.

1. Cynicism towards government

Citizens and businesses have a whole-life relationship with government, interacting with a broad range of public agencies and departments in many different circumstances from birth to death. Although citizens and businesses are two of the main categories of government customers, the meaning of “customer” for government is much more broader than we might think at first. The main stakeholders of most organisations are: customers (clients), suppliers, owners, competitors, employees, and regulators (Rowe et al 1994). In the government context, there is no owners’ category and individual customers are citizens instead of clients; however, labour unions, religious groups, military personnel, public interests group, community associations, etc., can be included in the scope of a government department’s stakeholders.

The cognisance of public opinion is a fundamental requisite for improving government responsiveness. Responsiveness can mean more than merely reacting to popular demands; it can also mean that government takes the initiative in the proposal of solutions for problems previously identified (Starling 1982). Moreover, governments seek to improve responsiveness in order to challenge the popular criticism that most of public organisations are bureaucratic, slow, and incapable of taking immediate actions. Although different governments around the world have been undertaking large-scale privatisation programmes, they still remain financing and delivering core services such as education, social security, criminal justice, and health, which are of main significance to society. These social functions have been subjected to new management and marketing strategies, methods, and techniques. Some of the main issues addressed by different new public management approaches are (Ferlie et al 1996):

- Reflection of user concerns and values in the management process.
- Reliance on user voice rather than customer exit as the main source of feedback.
- Attempt to make the public sector more business-like, empowering less bureaucratic and more entrepreneurial management, once government may be diagnosed as bloated, wasteful, over-bureaucratic, and under-performing.
The latter issue above is one of the main concerns for governments. Different authors have already commented on researches which show evidences that people may have a negative image of government and may also manifest public cynicism toward it. For instance, commenting on a 1995 American national survey of city managers and chief executive officers, Whelan (1999) highlights that regarding perceptions of citizen trust, cynicism is present in about one-third of the cities with more than 50,000 inhabitants. Kell (1993) comments on a 1992 survey of 1,004 Americans who were asked to rate on a scale of 1 to 10 on how well or how poorly their state's government, federal government, and the McDonald's are managed and run. A “10” meaning “very well managed and run”, the average ratings were: 4.6 for federal government, 5.0 for state government, and 7.0 for McDonald’s. He also addresses another research whose findings show that the public tends to base its opinions about government primarily on very general impressions of a remote, vast, and inefficient bureaucracy and on a negative image of government members.

Manifestations of public cynicism toward government often address the integrity, purpose, and effectiveness of government and its members. The consequences of this disillusionment are public alienation and disengagement (Berman 1997). Worsening even more the government image, the widespread initiatives towards privatisations programmes might suggest that government is an incapable producer. In fact, it is becoming increasingly difficult for citizens to understand how they can buy airplane tickets and furnish a house in a couple of mouse clicks and they have to stand in a queue for hours to renew their driver’s license (SPSS Executive Briefing 2000). Despite government efforts to improve its performance, citizens see government taxing them, charging them fees, and fining them; thus they tend to discount positive government outcomes, which are considered as due to them in exchange for such payments (Berman 1997).

Fortunately, the same way people may have a negative view of government, they may also believe that government can change itself and be helpful to society. It is possible to develop efforts in order to build a positive public image towards government. For instance, some of public administration strategies to reduce public cynicism are (Berman 1997): showing that government uses its power to help citizens instead of being indifferent or harming them; explaining what government does and how it serves the interests of the public; incorporating customers input into decision-making processes; and enhancing public satisfaction by the improvement of organisational performance and development of effective communication of that performance. Kell (1993) also addresses these aspects emphasizing that major elements for building a more positive image of the public service are: obtain citizen feedback, act on citizen feedback to make improvements, communicate those improvements back to public, and obtain citizen feedback again. For reshaping its public image government should also promote change on its employees’ attitudes toward customers. Government employees must become more customer-focused, more accountable and responsive to the taxpayers they serve (Kell 1993).

A research conducted by Andreassen (1994) has found that government reputation is a strong driver for loyalty. In the government context loyalty means that businesses believe that a government provides a market oriented business policy, therefore organisations experiencing growth decide to keep their location within the region although other governments propose relocation for their business. One important aspect of Andreassen’s research (1994) findings is that “as government develops closer relations with the companies in the region by offering services of high quality and by stimulating customer voice, strong correlation between satisfaction and loyalty will emerge. Over time, improvements in both reputation and satisfaction will generate stronger loyalty bonds between the government and the businesses in the region. Stronger loyalty bonds may increase the number of companies deciding to maintain their present location within the region or attract new companies and/or people to the region. In this respect customer satisfaction, loyalty and reputation become important indicators of market orientation in the public sector influencing government performance.”

From the issues addressed thus far, we can see that the building of government reputation is of key interest to public administration. Such a matter involves significant aspects within economical, political, and social spheres. Economically, governments with good reputation might maintain existing businesses and attract new ones for their respective regions, which could maximize job offers and minimize unemployment. Politically, a good image of political leaders, political parties, and
other political institutions might reduce the negative view that politicians only care about their own interests, which could maximize the level of public trustiness in government and enhance public participation in political affairs such as elections, referenda, plebiscites, surveys, etc. And socially, a greater number of empowered citizens might feel more engaged not only with public management issues, but also focusing on policies and social programmes aspects. However, reputation definitely is not a mere aspect of selling a good image to public. The building of corporate reputation has become a strategic issue for organisations and it requires a series of organisational changes. More specifically, the building of government reputation requires a stronger customer-focused orientation by government, a better government performance of day-to-day management and operating activities, a more efficient and effective communication with the public, and a greater emphasis on recognition (Kell 1993, Davies et al 2003). By their turn, Customer Relationship Management (CRM) concepts and solutions are strong enablers for customer-focused strategic orientations and one of the main CRM paradigms is the establishment of a closer and long-term relationship between organisation and customers.

2. Concepts and functionalities of CRM

The application of CRM systems in the government context is seen as constituting a strong initiative to promote the proximity between government and citizens (Neff & Kvandal 2001). This argument is strengthened by Heeks (2001) when he comments that the relationship with government goes beyond service needs and this aspect requires the implementation of new technologies and strategies in order to actually promote the relationship with government.

In practice, each customer interaction produces extensive data and one of the potentialities of CRM solutions is to make inferences over this data in order to generate knowledge about customers. Implementing customer-focused strategy can be feasible with support and adoption of a series of different information technology such as Data Warehouse, Data Mining, Online Analytical Processing (OLAP), Statistical Analysis tools, Segmentation tools, Campaign Management tools, Interfaces to the communications channels, etc. However, these technological solutions were developed in different periods and a gradual implementation of their resources may lead to a disaggregated operational environment since they may be deployed in a fragmented manner throughout departments and sectors. This way, different software developers have been developing a broad number of CRM systems, applications, or tools that embrace or fully interact with one or more of those existing technologies. In other words, those technologies were not developed exclusively for implementing CRM systems; however, their resources and potentialities made the implementation of CRM concepts a feasible process (Ling & Yen 2001).

The broad categories of CRM solutions involve a set of integrated applications that embody different aspects and functionalities. The core of CRM technologies can be classified in three general areas according to their general roles or purposes (Dean 2001, Miles 2002):

i. **Operational**: technologies that manage customer service activities in storefronts, call-centres, and field service databases. These databases store historical data necessary for the construction of a single view of the customer.

ii. **Collaborative**: technologies that support field self-service applications, enabling different types of customers to work across a single service channel. This area embraces many communications media including fax, e-mail, voice calls, text chats, etc.

iii. **Analytical**: technologies that provide sifting facilities through data created during customers’ interactions to find or generate useful business information. These technologies encompass a collection of tools where data is combined with logical rules in order to generate insight. This area also maintains specific rules for acting on insights.
The first conception we must have about CRM system is that it is not a single program. McKendrick (2000) provides a description of CRM system when he comments that CRM system or application is an umbrella term involving the four categories of applications below:

- **Sales force automation**: it is a set of tools for sales professionals. The set has functionalities such as calendaring, forecasting, contact management, and configuration models.
- **Marketing automation**: it is a set of tools for automating marketing departments’ processes and operations, including Web and traditional marketing campaigns.
- **Customer service and support**: it is a set of tools for leveraging and managing information in customer contact centres such as call-centres or internal helpdesk.
- **Channel and partner management**: also referred to as partner relationship management (PRM) system, it is a set of tools that supports and tracks activities with distributors, sales channels, resellers, and retailers.

Another important category of application called Employee Relationship Management (ERM) is also being involved in the reach of CRM solutions (Callaghan 2002). Using CRM approach HR professionals are beginning to better understand employees in a whole new way. More specifically, ERM deploys solutions similar to CRM solutions such as analytical and segmentation tools, smart Internet tools, and interactive technology to care about employees, allowing HR professionals to more accurately identify employees motivations, needs and preferences as well as better align employment practices to real needs, which minimizes staff turnover and, at the same time, maximizes staff retention by the definition of more appropriate recruitment profiles. The finals results promoted by ERM adoption are better-equipped managers, employee loyalty, empowered employees, improved employee satisfaction, preferred employer status, and reduced costs, as shown in Figure 1 (Dorgan 2003).

**Figure 1 – Customer and Employee Relationship Management**

![Diagram of Customer and Employee Relationship Management](image)

Source: Dorgan (2003).

Indeed, CRM is an extremely broad solution area involving a large number of products and services; however, it not just a set of software applications and information technologies integrations, but a wide business strategic process that involves the organisation as a whole, spanning across different business functions (Ling & Yen 2001). Kandell (2000)
describes CRM business approach as the use of technology to identify, interact, and track every transaction with individual customers, developing closer and long-term learning relationships. This aspect is the main paradigm of CRM philosophy and it constitutes a strong reason for organisations developing CRM strategies and investing significant amounts of resources to deploy CRM systems.

Considering the aspects addressed thus far, we can conclude that CRM has a wide concept that involves three dimensions. The Figure 2 suggests that CRM has three different faces or aspects, and it can be understood:

i. **As a philosophy**: whose main paradigm is the building of lasting relationships with customers.

ii. **As a business strategy**: whose main objective is positioning the organisation closer to its customers.

iii. **As a system**: whose functionalities allow the achievement of the established strategic goals towards customers. The initiatives within this scope should be led by strategic orientations and philosophical values regarding customer relationships.

Figure 2 – Dimensions of CRM

![Diagram of CRM Dimensions]

3. Improving reputation with CRM

Public organisations are also establishing customer-focused strategies in order to improve their reputation and revert the traditional view that government is inefficient, bureaucratic, and waste taxpayers’ money. In Section 1 we saw that building government reputation requires stronger customer-focused orientation, better government performance of day-to-day management and operating activities, more efficient and effective communication with the public, and greater emphasis on recognition of customers’ needs and preferences. It is important to remind that the meaning of “customer” embraces different stakeholders. Two categories of stakeholders are specially addressed on Corporate Reputation theory: employees and consumers. There are evidences that the external image of many organisations is driven by the way customer-facing employees perceive their organisations, and therefore a positive image can be built when customer-facing employees are empowered to respond customer needs and when they feel trusted to
run the business (Davies et al 2003). Johnson (2000) comments that organisations in the information age are not only focusing on efficiency but also on aspects that involves employee relationship management, i.e., a new business paradigm is demanding a series of business initiatives towards employees: building trustiness and openness, promoting team building and participatory management, developing interpersonal skill, and empowering individuals.

In spite of having different origins and different business approaches particularities, Corporate Reputation Management and Customer Relationship Management have a main common significant aspect: the development of customer-focused strategies. Such strategic orientation is reputed to improve customers’ satisfaction and loyalty, raise financial performance, improve organisational operating performance, and to build a general positive organisational image. In practice, drawing from Corporate Reputation theory we can identify some issues and concerns that can be strengthened or supported by similar CRM issues:

- **Multiple stakeholders need to be considered** (Davies et al 2003):

  This is one of the main tenets of CRM as well. CRM puts systems in place at all channels customers’ interactions and combines all this data into one place in order to provide a single customer view and a consistent level of service across channels. CRM goes beyond “electronic” service delivery or online interactions because one of its premises is the development of organisational capability for delivering seamless services to customers regardless of the point or mean of interaction.

- **Reputation is created with multiple interactions** (Davies et al 2003):

  This issue is related to the previous one. Regarding the government context, CRM solutions can play an important role allowing government to track a customer through a number of interactions whatever is the channel of contact and also enabling the development of joined up services. CRM provides seamless coordination between all customer-facing functions.

- **Reputation involves employees and affects employees** (Davies et al 2003):

  Employee Relationship Management (ERM) is also being involved in the reach of CRM solutions, this way employees can also be seen as customers. Using CRM approach HR professionals are beginning to better understand employees in a whole new way since they became able to learn about employees’ needs and preferences as well as to configure out their level of motivation (Figure 1).

- **Loyalty is associated with satisfaction** (Davies et al 2003):

  This is one of the main reasons why organisations have been investing in CRM solutions. CRM deploys a series of facilities that can identify customers’ behaviour and therefore organisations can proactively anticipate their offers according to customers’ preferences. Such aspect may significantly improve customers’ satisfaction in general, which therefore promotes the raising of customers’ loyalty.
• **Reputation cannot come before supplying the right product or service** (Davies et al 2003):

One of the main strengths of CRM is to make inferences over a large amount of data produced by different customers interactions, which generates knowledge about customers. This way, an organisation will be able to target and deliver tailored products and services according to the customers’ needs and preferences.

• **Customer and customer-facing employees are the best source of ideas to evolve the business** (Davies et al 2003):

On the one hand, a number of CRM solutions try to broaden and integrate several channels of interaction with customers in order to grasp as much as possible information about them, identifying their ideas, behaviour, needs and preferences. On the other hand, ERM solutions enable to approach employees as customers, allowing the achievement of better-equipped managers, employee loyalty, empowered employees, improved employee satisfaction, preferred employer status, and reduced costs (Dorgan 2003).

• **Public services are homogeneous and consequently do not reflect different market segments. Understanding the segments with regard to factors influencing customer satisfaction level becomes vital to governments** (Andreassen 1994):

CRM technologies involve solutions such as segmentation tools that can group customers according to established common patterns. This way, government departments can answer to a greater number of people aiming to different groups or segments needs and preferences.

• **Government reputation can be improved by the explanation of what government does and how it serves the interests of the public, incorporating customers input into decision-making processes and enhancing public satisfaction by the improvement of organisational performance** (Berman 1997):

According to CRM approach, the relationship with citizens comprehends initiatives such as providing public information to citizens, creating input channels for listening to citizens, and improving the quality of public services according to the received inputs. This way, public organisations can become more responsive to its customers, being more proactive in its pursuit of community-wide goals, enabling democratic participation and public policy making.

The issues above do not cover all aspects involved in Corporate Reputation and CRM theories, however the addressed concerns are key aspects embraced by both approaches regarding the establishment of customer-focused strategies. In other words, both theories approach the concerns above by different angles or perspectives that converge to common points when dealing with strategic matters involving customer satisfaction, customer loyalty, and the building of a closer and lasting relationships with customers – stakeholders. They provide fundamental concepts, principles, and solutions for the planning and implementation of customer-focused strategies and the construction of a positive reputation either in private or public sectors. Consciously or unconsciously, many governments have already started to deploy CRM solutions to improve their public image.
4. CRM practices in government

Governments are aware of the social expectations for automated services and have already started to deploy new technologies to improve operational efficiency, minimize costs, and improve their public image. The Internet is changing the way people relate to government since public sector organisations are increasingly focusing on e-government initiatives in order to bring traditional services online. In fact, e-government services are empowering customers to conduct transactions themselves, without the need to visit a government office or speak with a government employee. The government initiatives to implement e-government solutions meet the public sector need for delivering service by electronic means, and this is doubtless a significant step towards customers.

In practice, CRM goes beyond “electronic” service delivery or online interactions because one of its premises is the development of organisational capability for delivering seamless services to customers regardless of the point or mean of interaction. Goldenberg (2002) comments that CRM provides seamless coordination between all customer-facing functions; hence, productivity enhancement can be achieved by customer-facing personnel being able to do customer-related work more quickly and less painfully since they no longer have to re-type customer information several times and do not have to look up a customer’s overall dossier in multiple computer systems. Furthermore, the analytical components of CRM are technological resources that really enhance organisational learning and knowledge about customers, supporting public policy making concerns once these resources allow a better scenario building and forecasting. The main proposal is gathering customer information from a variety of different systems, analysing and turning customer information into insights for supporting making-decision processes, and also using the knowledge to improve organisational performance and government responsiveness.

Another important aspect to consider is a group of applications called ‘workflow applications’, which are computer software that automate and track customers processes and integrate them with back-office systems. This characteristic makes workflow products ideally situated to address the demands for CRM. Chambers et al (1999) have conducted a comparative assessment of workflow products focusing on how well workflow vendors have adapted their technologies to provide CRM solutions. They have found that many of the workflow vendors have indeed responded with product offerings that can handle many of the key application requirements of CRM scenarios. Two main techniques with which workflow vendors began to provide workflow-enabled CRM solutions are: providing tightly coupled workflow and CRM capabilities or offering workflow solutions that can be easily embedded in any CRM platform. According to them, with so many workflow vendors contributing to CRM initiatives, it is clear that workflow as a stand-alone technology is disappearing and moving toward products that embed productivity, efficiency and competitive advantage – such as CRM systems.

In reality, CRM implementation enables a series of different organisational capabilities. Looking at CRM initiatives that were already developed in the government context, it is possible to find out several cases ranging from local to central government in many different agencies and departments. The following examples offer some illustration of CRM applicability and potentialities for supporting the building of government reputation:

- The Swiss City of Biel has wanted to automate its business processes from end to end in order to improve the quality of public service. The administration has opted for developing a broad e-government project for improving citizens and businesses interaction. The system infrastructure includes a portal platform and a Web content management system. A CRM system component provides the link between the front and back office, allowing seamless integration linking Web-based forms to workflow and electronic records. The solution also integrates data from legacy and third party systems in order to build a unified system. As a result, they improved the level of local population, staff, and media
positive feedback, as well as improved their productivity once the system has reduced staff workloads, enabling them to concentrate in other tasks (SAP 2003).

- The London Borough of Haringey has invested in a major restructuring project for improving access to local services, building services around individual needs, maximizing efficiency, and fundamentally enhancing resident's perception of the Council as a modern and professional organisation. Adopting Call-Centre, CRM, and PRM (Partner Relationship Management) solutions the Council is creating an integrated, multi-channel, multi-agency system that allows employees to maintain a seamless, uninterrupted dialogue with customers. When a resident has an inquiry about a particular Council service, the resident can either visit the local service centre in person or communicate with the call centre by telephone, email, post, or fax. The PRM solution links its contracted business partners to enhance the quality and efficiency of service delivery. The whole solution provides an instant snapshot of which residents are using each service, allowing the Council to measure which sections of society are under- or over-represented by the service (Siebel 2003).

- The Leeds City Council has increased citizen, partner, and employees' satisfaction by developing a united view of its citizens, its services, and its network of external partners. Linking the channels of interaction, the Council is proactively responding to its citizen's needs, improving efficiency and service delivery. The integrated approach enables the Council to manage inquiries through the citizen's preferred channel and monitor the progress of their inquiry through the relevant departments. The workflow functionalities ensure that the correct procedures are acted upon quickly and in the right order. If any calls are not progressed in accordance with agreed performance standards, the system highlights it to the staff member. Using ERM solutions the Council is also enhancing the customer service skills of its staff as well as employees understanding of the Council's services (Siebel 2003).

5. Conclusion

CRM implementations have already started to come together with e-government initiatives. A global study conducted by Deloitte Research has concluded that successful e-government will focus on the citizens as customer to build long-term relationship (CMA Management 2000). Strengthen this aspect Shine (2002) warns that CRM techniques and principles must be integrated into e-government implementations since the beginning, it is not a simply “add-on” technology that can be incorporated later.

In spite of the crucial importance of the technologies involved in CRM initiatives, it is important to bear in mind that technology is an enabler of the implementation process and such aspect represents only one dimension of CRM. In other words, CRM is much more than technology and its philosophical and strategic dimensions are as crucial as technology. Actually, the business perspective of CRM (Figure 2) should be considered prior to the technological perspective (Shine 2002). Following this approach public organisations are more likely to succeed and harvest the benefits of CRM adoption, which in a government context reflects to the community in form of better public services, democratic participation, and public policies actually craved by the society. Besides, since reputation is linked to customers' satisfaction CRM initiatives may positively affect the general reputation of an organisation, even though such initiatives are not implemented aiming to this specific goal. In other words, CRM allows the delivery of targeted products and services tailored according to customers'
need and preferences, which might significantly aggregate value to brand image. Furthermore, CRM also empower stakeholders allowing them to manifest their opinion through a range of different channels; thus, managers within decision-making processes may potentially consider such opinions. The final result is the creation of a mass of empowered, satisfied, and loyal stakeholders who very likely have a positive view of the organisation.

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