Frontline Employees’ Adaptive Performance in Service Encounters: The Driving Force of CRM Systems

Emergent Research Forum Papers

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Abstract

The customer relationship management (CRM) system has been touted as a primary tool for supporting frontline employees' personalized services tasks. However, while a number of studies focus on the critical role of CRM systems in organizational performance, the link between CRM systems and individual performance is still under-investigation. In order to fill this research gap, this study focuses on the IT-driven adaptive performance of frontline employees in service context. Based on the coping theory, I will present a nuanced understanding of the impacts of two kinds of CRM systems (e.g., CRM systems to support interaction-related and prioritization-related tasks) on employees’ adaptive capability, which in turn, enhances adaptive performance. In addition, the substitutive role of tasks-related embodied knowledge for CRM systems will be investigated. The results of this study will highlight the importance of adaptive capability in mediating the relationship between CRM systems and adaptive performance. I will conduct a field study in an education organization in China and gather multi-sourced data from both employees' self-reported as well as manager-reported surveys.

Key Words

CRM systems, adaptive capability, adaptive performance, tasks-specific embodied knowledge

Introduction

Managers realize the importance of satisfying personalized customer needs in building long-term customer-organization relationships, which in turn influence an organization’s long-term economic benefits. In the service context, the responsibility of maintaining customer relationships falls on the shoulders of frontline employees' (hereafter referred to as employees in this study). As a result, in order to better satisfy customers’ heterogeneous needs, increasing numbers of organizations are currently implementing CRM systems to support employees during customer encounters (Ahearne et al. 2008).

The promise of CRM systems is their effectiveness in customizing customer interactions based on customers’ requirements, as well as prioritizing resources to valuable customers (Zablah et al. 2012). Managers anticipate that by adopting CRM systems, employees would produce a high level of work performance so as to better maintain customer relationships. However, despite substantial investments in CRM systems, reports have indicated that companies continue to experience pain rather than profit (Hsieh et al. 2012). Many organizations still fail to harness CRM systems to enhance their business performance (Setia et al. 2013).

To solve the problems in practice, Information Systems (IS) researchers have started to examine ways to leverage CRM systems for enhancing performance at the macro-level. Numerous factors, including
customer service capabilities (Setia et al. 2013), customer-perceived relationship investment (Zablah et al. 2012), marketing capability (Chang et al. 2010), customer-linking capability (Rapp et al. 2010) and shared knowledge between IT and customer service units (Ray et al. 2005) have been studied as key mechanisms leading to the effectiveness of CRM systems. However, noticeably missing from these studies is the consideration of the impacts of CRM systems at the individual-level. As the use of CRM systems is mandated for employees in organizations, it is critical that we develop an understanding of how the implemented CRM systems are beneficial for individual employees in terms of satisfying diversified customer needs.

Researchers in marketing and management have extensively studied how employees provide personalized products or services to individual customers (e.g., Spiro and Weitz 1990, Franke and Park 2006, Jundt et al. 2014). Adaptive performance of employees has been highlighted in this stream of research, which refers to the set of adjustable work behaviors of employees in response to customer needs when providing services (Jundt et al. 2014). As there is no best way to satisfy all kinds of customers, the quality of customer interaction largely depends on how adaptive an employee will be when selecting and implementing a work strategy contingent upon his/her perceived information about customers and situations (Román and Iacobucci 2010). The antecedents of adaptive performance have been investigated through a variety of theoretical perspectives, such as personality (Huang et al. 2014), knowledge (Gwinner et al. 2005), motivation and role ambiguity (Román and Iacobucci 2010). Despite the progress made by using these theories, there has been little focus on the role of CRM systems in explaining adaptive performance of employees. It is clear that neither IS, marketing nor management research has focused much attention on the impact of CRM systems, one of the most important drivers in the success of customer relationship management, on employees’ adaptive performance.

Therefore, in this work, we use a particular theoretical perspective as the lens to further our understanding on CRM systems and its individual-level impact, namely coping theory. This theory focuses on people’s adaptation behavior in order to cope with demands of situations and its relationship with performance. It argues that when people encounter an event that generates stress, the resources they have play an important role in affecting the way in which people cope that in turn serves as a key mechanism contributing to an outcome. These resources refer to what people do, and what are available to them when they develop coping strategies (Ortiz de Guinea and Webster 2013). Individuals who have more resources to deal with the events would have a better understanding about the situation and therefore can better adapt to the situations. The resources are obtained either through internal (e.g., knowledge and skills) and external sources (e.g., corporate information systems).

In developing our theory, we examine what is the effect of CRM systems on individual employees’ adaptive performance and how employees cope with customer personalized needs with the aid of CRM systems? Specifically, drawing from IS literature, we classify two types of CRM systems according to their supported tasks, viz., CRM system to support interaction-related tasks and CRM system to support prioritization-related tasks. Based on the characteristics of the service context, two dimensions of adaptive capability will be investigated, viz.: interpersonal and offering adaptive capability. Drawing on coping theory, we posit that the two types of CRM systems facilitate the development of employees’ adaptive capability to cope with customer’s needs, which in turn enhance employees’ adaptive performance so as to maintain customer relationships. In addition, we will examine the substitutive role of employees’ task-specific embodied knowledge for CRM systems in this coping process. By focusing on the CRM systems-driven adaptive performance of frontline employees, this paper will highlight the importance of CRM systems in maintaining customer relationships.

**Overview of Research Model**

Having conceptualized adaptive capability and performance of frontline employees in service encounter, we next propose a research model (Figure 1). Adaptive performance as a key concept has been long discussed in coping literature (Zeidner and Endler 1995). Agnihotri et al. (2009) claims that as the definition of adaptive performance is similar with the definition of coping, individual adaptive behavior can be understood in the light of coping theory. Making use of the conceptual logic of coping theory at a high level, in this research we do not intend to engage in a full blown test of the theory; instead, we intend to build a new theory on CRM systems-driven adaptive performance in service encounters based on coping theory. The definitions of five principal constructs of this study are shown in Table 1.
Beaudry and Pinsonneault (2005) define coping as the adaptive behaviors that an individual performs in response to disruptive events that occur in his/her environment. According to coping theory, coping begins when people appraise an event as stress. Secondly, the way in which people cope depends upon the resources that are available to them, such as financial, material, psychological, and social resources. Individuals appraise the resources they have and thus determine what they can do about the events and facilitate the development of coping efforts (Beaudry and Pinsonneault 2005). Previous research highlights the importance of individual characteristics as coping resources, such as personal capability (Strutton and Lumpkin 1994), knowledge (Strutton and Lumpkin 1994), personality (Carver and Connor-Smith 2010) and individual control over the events (Beaudry and Pinsonneault 2005). External resources, such as social support and IT, have long been ignored (Lewin and Sager 2008). Strutton and Lumpkin (1994) argue that when coping with stress, people will take their own resources and relevant knowledge into consideration. If the resources and knowledge are lacking, they will seek external support to acquire resources or knowledge.

Thirdly, based on the internal and external coping resources, people identify their coping capability and coping behaviors to cope with the events, including engagement and disengagement coping (Carver and Connor-Smith 2010, Ortiz de Guinea and Webster 2013). The former coping strategy is orientated towards coping with the situation by adapting oneself to the environment to diminish its impact. The latter strategy is aimed at escaping or avoiding the events and the distress evoked by events. These two strategies represent mutually exclusive and opposing categories of coping, which can be triggered under different conditions. If individuals have enough coping resources and perceive the situation as changeable, the engagement coping will occur; on the other hand, if individuals lack appropriate resources and perceive the situation as unchangeable, then disengagement coping will occur (Lazarus and Folkman 1984, Carver et al. 1989).

Extending the coping theory into customer service encounters, we define the *adaptive performance* of employees in service encounters as the set of adjustable work behaviors in response to customer needs when providing service. In the light of coping theory, coping of employees in service encounters starts with appraising a customer’s needs. Effectively satisfying diversified customers’ needs can be viewed as an event that induces stress from frontline employees’ perspective (Strutton and Lumpkin 1994). In order to satisfy customers to achieve better benefits, employees are motivated to continue the coping process, viz., evaluate the resources and develop coping capability and behavior.

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**Figure 1. Theoretical Model**

- Represents a first-order construct
- Represents a second-order construct

**Control Variables:**
- Gender, Education, Age, CRM Systems Use Experience, Service Experience
<table>
<thead>
<tr>
<th>Constructs</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Support from CRM Systems on Interaction-related Tasks</td>
<td>The degree to which a person believes that a CRM system would support him/her to gather and share customer information, and to coordinate with employees across functions in the organization.</td>
</tr>
<tr>
<td>Perceived Support from CRM Systems on Prioritization-related Tasks</td>
<td>The degree to which a person believes that a CRM system would support him/her to prioritize resources through information analysis and to support activities involving marketing and sales.</td>
</tr>
<tr>
<td>Task-specific Embodied Knowledge</td>
<td>An employee’s personal knowledge about customers, products/services, the organization, and the market without the aid of CRM systems, the knowledge that is relevant and applicable for their service tasks.</td>
</tr>
<tr>
<td>Adaptive Capability</td>
<td>An employee’s belief in his/her capability to use different sales approaches and make adjustments in providing service in response to a customer needs. Interpersonal adaptive capability is defined as the manner in which an employee varies during the interpersonal interaction, such as small talk, using the customer’s name and polite behavior. Offering dimensions of adaptive capability is defined as the adjustable behavior of an employee to provide personalized final outcomes related to the purchased goods or delivered service.</td>
</tr>
<tr>
<td>Adaptive Performance</td>
<td>A set of adjustable work behaviors of employees in response to customer needs when providing service.</td>
</tr>
</tbody>
</table>

Table 1. Definitions of Constructs

Employees assess what their adaptive options are given the resources available to them (Lazarus and Folkman 1984). In the context of customer service encounters, employees’ task-specific embodied knowledge represents internal coping resources; meanwhile support from CRM systems represents the external resource. When an employee engages in a coping process in order to satisfy a certain customer’s needs, he/she can look for both interaction-related and prioritization-related tasks support from CRM systems to achieve high adaptive ability, which in turn enhance his/her high adaptive performance. In addition, the complementary effect of embodied knowledge for CRM systems is proposed as a basis for enabling employees’ adaptive capability and adaptive performance. Even though the use of CRM systems is mandatory in many organizations, coping theory is useful in this context as it investigates the usefulness of coping resources in generating adaptation behaviors. The mandatory use of CRM systems in organizations doesn't guarantee the usefulness of the technology.

**Discussion**

Informed by the literature of coping theory and employee adaptive behavior, we investigate what impact a CRM system exerts on a frontline employee’s adaptive performance and through which mediating mechanisms. We propose that when an employee copes with an individual customer’s needs, a CRM system that supports interaction and prioritization tasks drives the employee’s adaptive performance through developing his/her adaptive capability. In addition, our research reveals that task-specific embodied knowledge plays an important substitutive role for the CRM system during this coping process.

This study will make several key contributions to different domains. First, by focusing on IT-driven adaptive performance of frontline employees, our work will extend prior research that has primarily considered employees’ personal characteristics as determinants, such as employees’ gender (Franke and Park 2006), experience, motivation (Gwinner et al. 2005), and skills (Román and Iacobucci 2010) to facilitate adaptive performance. IT usage is a new perspective in the research on personalization marketing (Bitner et al. 2010; Hunter and Perreault 2006) and employees’ adaptive behaviors (Ahearne et al. 2008). The different functions of CRM systems (e.g., functions to support interaction and prioritization tasks) in service contexts have been relatively less studied. We argue that adaptive performance dealing with requirements emanating from customers’ encounters can be driven not only by employees’ personal knowledge, but also external resource, such as CRM systems. In this study, we will illustrate that through
CRM systems, even employees with less task-related knowledge may be able to achieve a high level of adaptive capability and thereby improve their performance. Our study will contribute to this research domain by exploring the important effects of CRM systems on enhancing interpersonal and offering adaptive capability of employees.

Related to the first point, we will highlight the importance of considering employee adaptive capability as a multi-dimensional construct instead of as a unidimensional concept. Prior studies that have measured adaptive capability with a unidimensional scale have found mixed results on the relationship between adaptive behavior and performance (Román and Iacobucci 2010). By exploring two aspects of adaptive behavior, our study will contribute to solve this problem.

In addition, we will also contribute to the rich body of studies on IS success. IS researchers have explored various types of IT usage at both organizational level and individual level. However, most research has focused on understanding the broader impacts of IT at organizational level (Venkatesh et al. 2011), such as firm financial performance (Zablah et al. 2012), customer relationship performance (Rapp et al. 2010), increased sales (King and Burgess 2008) and organizational performance (Chang et al. 2010), with the individual level being much less investigated. Because behaviors of frontline employees lie at the heart of customer relationship management, there is a need for research to examine how resources obtained from CRM systems affect employees’ adaptive performance. By providing a model that includes CRM systems and the performance outcomes, and especially by incorporating two dimensions of individual adaptive capability as the mediating mechanisms, we will extend and advance prior research on IS success.

REFERENCES


