



**CRM IMPACTS ON SMEs PERFORMANCE IN MALAYSIAN  
FOOD MANUFACTURING INDUSTRY**

**SITI HAJAR BINTI MOHAMAD**

**DOCTOR OF PHILOSOPHY**

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**Faculty of Technology Management and Technopreneurship**

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**SITI HAJAR MOHAMAD**

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in fulfillment of the requirements for the degree of Doctor of Philosophy**

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**2015**

## DECLARATION

I declare that this thesis entitled “CRM Impacts on SMEs Performance in Malaysian Food Manufacturing Industry” is the result of my own research except as cited in the references. The thesis has not been for any degree and is not concurrently submitted in candidature of any other degree.

Signature : .....

Name : SITI HAJAR BT MOHAMAD

Date : 18<sup>TH</sup> AUGUST 2015

## APPROVAL

I hereby declare that I have read this thesis and in my opinion this thesis is sufficient in terms of scope and quality as a partial fulfillment of Doctor of Philosophy.

Signature : .....

Supervisor Name : DR. NORFARIDATUL AKMALIAH OTHMAN

Date : 18<sup>TH</sup> AUGUST 2015

## **DEDICATION**

I dedicate this thesis to my beloved parents Mohamad Lateh and Siti Khadijah Abdul Latif for their endless love and support. To all my siblings Mardiah, Khasmadi, Zahira, Mokhzani, Hafizullah, Mutalib, Hakim, Farhana and Hidayah who has giving me inspiration to take on this journey. Finally, not to forget my fiancée Mohd Sani who has provided me with an upbringing environment and allowing me to pursuit my study without any misgiving

## ABSTRACT

Customer relationship management (CRM) has been successfully implemented in the service industry as well as in large organizations. However, the application of CRM in Small and Medium Enterprises (SMEs) are still arguable. This study aims is to investigate the potential of CRM practices in enhancing the performance of SMEs. This study will focus on the management aspects of CRM. The quantitative approach was used to collect data from Malaysian food manufacturers and 2,805 companies have been targeted. There were 453 surveys were returned and 364 surveys used for Structural Equation Modelling analysis. The results indicated that technological CRM resources are not significant with the market orientation and marketing performance. Meanwhile, other constructs namely infrastructural CRM resources, key customer focus and relationship marketing are significant. The results illustrated that market orientation mediated the relationship between infrastructural CRM resources, relationship marketing and market turbulence with marketing performance. In addition market turbulence is a significant moderator toward market orientation and marketing performance, however it is not a significant moderator for market orientation and financial performance. As a result, this test proved the greater support of market performance rather than financial performance. Therefore, this study establishes the latest CRM model that has included infrastructural CRM resources and relationship marketing that is relevant for SMEs in improving their marketing performance. In a managerial point of view, this study provides a valid and applicable solution for small firms to enable companies to adopt and implement CRM in their organization. Subsequently, practical contribution shows that companies implementing CRM will have better performance in term of infrastructural CRM resources, relationship marketing and market orientation. Finally, the CRM model developed as a result of this study is easily adapted to other industries such as the textile industries, herbal industries and craft industries. Further research may be conducted to enhance the CRM model on SMEs in other countries.

## ABSTRAK

*Pengurusan Perhubungan Pelanggan (CRM) telah berjaya dilaksanakan dalam industri perkhidmatan dan juga dalam organisasi yang besar. Walau bagaimanapun, penggunaan CRM dalam Perusahaan Kecil dan Sederhana (PKS) masih lagi dipertikai. Kajian ini bertujuan untuk menyelidik potensi amalan CRM dalam meningkatkan prestasi PKS. Kajian ini akan memberi tumpuan kepada aspek-aspek pengurusan CRM. Pendekatan kuantitatif telah digunakan untuk pengumpulan data dari pengeluar makanan di Malaysia dan sebanyak 2,805 syarikat telah disasarkan. Terdapat 453 sampel kaji-selidik telah dikembalikan dan 364 sampel boleh digunakan untuk dianalisisa dengan menggunakan Pemodelan Persamaan Struktur. Keputusan menunjukkan bahawa sumber-sumber teknologi CRM adalah tidak signifikan dengan orientasi pasaran dan prestasi pemasaran. Sementara itu, konstruk lain iaitu sumber infrastruktur CRM, tumpuan pelanggan utama dan hubungan pemasaran adalah penting. Hasilnya digambarkan bahawa orientasi pasaran adalah pengantara kepada hubungan sumber infrastruktur CRM, hubungan pemasaran dan pergolakan pasaran dengan prestasi pemasaran. Disamping itu, pergolakan pasaran menjadi moderator penting kepada orientasi pasaran dan prestasi pemasaran, bagaimanapun ianya tidak penting bagi orientasi pasaran dan prestasi kewangan. Selain itu, ujian hubungan ini terbukti lebih banyak memberi kesan kepada prestasi pemasaran dan bukannya kepada prestasi kewangan. Justeru, kajian ini telah membentuk satu model CRM terkini dimana sumber infrastruktur CRM dan hubungan pemasaran adalah relevan untuk PKS dalam meningkatkan prestasi pemasaran mereka. Sumbangan kepada pengurusan menunjukkan bahawa kajian ini menyediakan penyelesaian yang sah dan diterima pakai terutamanya bagi syarikat kecil untuk membolehkan syarikat-syarikat menerima pakai dan melaksanakan CRM dalam organisasi mereka. Selepas itu, sumbangan praktikal menunjukkan syarikat-syarikat yang melaksanakan CRM akan mempunyai prestasi pemasaran yang lebih baik dari segi sumber infrastruktur CRM, hubungan pemasaran dan orientasi pasaran. Akhir sekali, model CRM yang dibentuk hasil daripada kajian ini boleh disesuaikan dengan industri lain seperti industri tekstil, industri herba dan industri kraf. Kajian yang seterusnya boleh dijalankan untuk meningkatkan lagi model CRM pada PKS di negara-negara lain.*



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## LIST OF ABBREVIATIONS

CRM	-	Customer relationship management
RBV	-	Resources-based view
RMT	-	Relationship marketing theory
MOT	-	Market orientation theory
SMEs	-	Small and medium enterprises
MATRADE	-	Malaysian External Trade Development Corporation
FMI	-	Food manufacturing industry
SHRM	-	Strategic human resources management
GDP	-	Gross domestic product
$\chi^2$	-	Chi-square
$p$	-	Significant value
$df$	-	Degree of freedom
RMSEA	-	Root mean square error of approximation
SRMR	-	Standardized root-mean-square
GFI	-	Goodness of fit index
NFI	-	Normal fit index
TLI	-	Tucker Lewis index
CFI	-	Comparative fit index
GOF	-	Goodness-of-fit
SEM	-	Structural equation modeling
AMOS	-	Analysis of moment structures
EM	-	Expectation-maximization
MCAR	-	Missing completely at random
cr	-	Critical ratio
Sig	-	Significant

## **CHAPTER 1**

### **INTRODUCTION**

This chapter discusses the research background, problem statement, research objectives, research questions, and the scope and significance of the study. It also underlines the need for more research on the practices of customer relationship management (CRM) in developing countries, as CRM can allow organizations to remain competitive and to achieve higher organizational performance. Additionally, this chapter examines the impact of CRM practices on organizational performance in the food manufacturing industry (FMI). Finally the organization of the thesis are presented in this chapter.

#### **1.1 Research background**

In recent years, many organizations have identified the need to become more customer orientated in the rapid global competition (Bull, 2003). As a consequence, CRM has increased its effort to meet the organizational strategies agenda (Bull, 2003). This study, CRM has emphasized management field rather than marketing field. The CRM could be responsible to improve the performance of small and medium enterprises (SMEs).

CRM is defined as a managerial strategy that helps firms to identify, attract, analyse and manage the customers details in order to retain the relationship with firms

and customers (Hung et al., 2010; Sin et al., 2005). As CRM is part of marketing, it manages customers where the main role is to reduce cost of retaining customers as well as increase organization profitability.

The practice of CRM is different based on their political, cultural, technological and industrial situations. Day (2003) posits that customer relationship management have been regarded as important compared to common transactional exchanges due to their ability to create sustainable competitive advantages and superior business performance.

In the case of Malaysia, CRM research has already implemented at its beginning level by many researchers; especially for the SMEs, due to the limited scope and depth reflected in the empirical and generalizable research (Reddick, 2011; Labus and Stone, 2010; Lo et al., 2010; Mitussis et al., 2006; Sin et al., 2005). In Malaysia, SMEs known as non-performance sectors due to the lacking and limited capability to success. In inevitably, this sector (SMEs) need an improvement to overcome their weakness in order to maintain the nation's development. According to Department of statistics (DOS (2011), 99.2% of Malaysian establishments can be classed as SMEs.

However, SMEs' business and marketing approaches may differ to those of larger organizations. In Malaysian manufacturing sector, SMEs are the second largest contributor to the country's gross domestic production (GDP), contributing 4.8% in the year 2012; this is expected to grow to 28.5% of GDP by 2020, with total investments of RM412.2 billion (IMP3, 2006-2020). SMEs is also an important component of the Malaysian economy; even though their marketing strategies are inferior from those of large organizations, they are no less important. Improving customer relationships and building unique strengths and competitive advantage are becoming more important for SMEs to be more competitive in the industry.

Initially, CRM has proven a successful marketing strategy in marketing and financial performance (i.e. Akroush et al., 2011; Keramati et al., 2010; Sin et al., 2005). However, the studies had focused on CRM in the larger corporations of service industry in the developed countries. Hence, CRM could be applied to explore the marketing strategy in the context of Malaysian SMEs firm as reported by Akroush et al. (2011) and Tereso and Bernardino (2011). It has the potential to improve their business value and capabilities.

The importance of CRM in the SMEs could be seen as to overcome the sector's lacking in manufacturing activities, slowly in grabbing the resources in commodity industry as to compare to larger industries. Thus, to gain more competitive advantage over rivals and to improve business value, SMEs need to integrate CRM practices into their business operations. Managing the aspect of CRM in SMEs organizations is very important, in creating interaction between the organization and its customers in order to develop business solutions according to the customers' specific problems and demands (Choy et al., 2002).

Additionally, research on CRM in Malaysia has focused on technology and relationship management (Ab Hamid and Kassim, 2004), knowledge management (Sulaiman et al., 2011), CRM barriers (Kavosh et al., 2011), CRM technology (Samsudin et al., 2011), the critical success factors of CRM (Arab et al., 2010), customer relationships (Labus and Stone, 2010) and CRM systems, mostly in the service industry (Rababah et al., 2011).

Nevertheless, studies on the CRM practices in SMEs firm is quite limited. Therefore, it is important to conduct a research on CRM in the Malaysian SMEs and to investigate the enterprises' capabilities pertaining the customer relationship management activities. As the study is focusing on FMI, the research is crucial in developing the

understanding of CRM elements that could improve the organizational performance. Consequently, the implementation of CRM will be easier in food manufacturer firms if they have good marketing strategy.

There are two factors which influence the marketing strategy on CRM practices. The factors are market orientation and market turbulence. Market orientation has been addressed as a mediator construct as it is an important resource in the creation of competitive advantage in business (Liyun et al., 2008). Narver and Slater (1990) argued that market orientation is an organizational culture that helps businesses to create added value for customers. Accordingly, this study could address the short coming of CRM in Malaysian SMEs in FMI.

Market turbulence is chosen as a relevant moderator variable in this analysis, since prior research has recognized its influence on the relationship between the marketing strategy and performance outcomes (Sin et al., 2005). Thus, market turbulence is a perfect moderator in this study in order to answer the research question and to fill up the research gap.

The previous researcher had used factor analysis and regression analysis in their CRM studies. However, this study will apply the powerful tool of Structural Equation Modelling (SEM). The primary purpose of choosing SEM rather than factor analysis or multiple regression analysis in SPSS is, the SEM is more accurate and would be able to give the best result where the relationship model should portray some underlying theory. SEM also enabled two multivariate procedures of factor analysis and multiple regression to be combined (Hair et al., 2010).

Not only does SEM aim to analyse latent constructs, in particularly the analysis of causal links between latent constructs, but also it is efficient for other types of analyses including estimating variance and covariance, test hypotheses, conventional linear