

The role of knowledge management in eBusiness and customer relationship management

4. OBJECTIVES

The objectives of each of these concepts need to be defined, to enable an understanding of the role that knowledge management plays in eBusiness and customer relationship management.

4.1. Knowledge management

Knowledge management provides a framework for the creation of knowledge to meet a wide range of business objectives and to improve decision-making (Ernst & Young, 1999e).

Martiny (1998) defines the objective of knowledge management as delivering more value to customers without increasing working hours; bringing more intellectual capital to working solutions; and to create an environment where everyone is enthusiastic about sharing knowledge and leveraging the knowledge of others.

Havens & Knapp (1999) is of the opinion that knowledge management is aimed at getting people to innovate, to collaborate, and to make good decisions efficiently. In short it is aimed at getting people to act by focusing on high-quality knowledge. "KM takes aim at evolving people's attitudes and work behaviours to affect new heights of collaboration – the international sharing of ideas, information, knowledge, and work itself – in support of a business need. It is about changing people's value paradigm from "my information is power" to "sharing is power". It's about large-scale cultural change, new incentive systems and performance metrics, and learning and education. It focuses on (re)shaping the attitudes and behaviours of people so they can ensure the ready availability and resolute application of both personal and institutional knowledge".

"Knowledge management will allow businesses to sense important opportunities that can result in innovations in products, services, processes and distribution channels" (Barnett, 1999).

PricewaterhouseCoopers has a wide variety of knowledge management objectives that they have identified. "Successful knowledge management applies a set of approaches to organisational knowledge – including its creation, collection, codification, personalisation and dissemination – leading to achievement of corporate objectives, meeting performance targets and implementation of business-wide strategies in support of those objectives" (PricewaterhouseCoopers, 1999d, pp.1-2). Knowledge management is also aimed at achieving corporate objectives, hitting performance targets and enhancing support

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operational strategies (PricewaterhouseCoopers, 1999d, pp.1-2). The aim of knowledge management can also be cost saving, increased organisational capacity, better customer service, and reduced cycle time (PricewaterhouseCoopers 1999g, p.8; PricewaterhouseCoopers, 1999h, pp.11-12).

Van der Spek & Kingma (2000, p.21) state that the main objective of knowledge management is to arrange, orchestrate and organise an environment in which people are invited and facilitated to apply, develop, share, combine and consolidate knowledge. An example is that of Bentley West Management Consultants, where Friday mornings before work, so called breakfast sessions are held where knowledge about a business related topic is presented and discussed. After this a breakfast is served, creating an environment where knowledge exchange is encouraged. The environment is thus created for knowledge exchange to take place amongst professionals. According to Van der Spek & Kingma, such an environment should primarily focus on creating a vision of knowledge and related processes in the business, and fostering an environment that supports the creation of smart businesses and ways of working.

Reiss (1999) and Harley (1997, p.157) define the main aim of knowledge management as enabling knowledge to assist in solving business problems and in achieving business objectives.

Viedge (1997, p.45) quotes Karl Wiig as stating that the aim of knowledge management is to make organisations act intelligently.

GartnerGroup analysts describe the various objectives of knowledge management in their research articles. "The aim of knowledge management is to manage information in the unique context of the enterprise – context is embedded in the enterprise's business values, strategic direction and experiences, and in the insight and expertise of employees. Such contextual application of knowledge is hard to duplicate and thus is the source of the sustainable competitive advantage in mature knowledge management" (GartnerGroup, 1999a). They also add that management of infoglut is a major issue and that keeping pace with the growth in knowledge and avoidance of productivity loss due to this fact, knowledge management will be critical in years to come to assist organisations in maintaining productivity and closing knowledge gaps (GartnerGroup, 1999a). It can also assist through provision of knowledge as foundation of innovation and the creation of new organisational capabilities (GartnerGroup, 2000a). According to Caldwell (1999), knowledge management is aimed at preventing the loss of intellectual capital and to minimise risks related to innovation. Knowledge management is, in a nutshell, aimed at achieving business value (GartnerGroup, 2000a).

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According to the researcher, the objective of knowledge management is to create, share, harvest and leverage knowledge in order to achieve:

- Taking action based on knowledge.
- Support of business strategy implementation and realisation of business objectives.
- Creation of an intelligent enterprise.
 - Retention of corporate and individual knowledge.
 - More accurate prediction of important opportunities.
 - Growth of the corporate knowledge base.
- Increased competitive advantage.
- Creation of an innovative culture and environment.
- Vesting of collaboration as a work practice.
- Improved work efficiency, i.e. increased organisational capacity through:
 - Improved decision-making.
 - Improved customer service.
 - Improved solution of business problems.
 - Increased productivity.
 - Improved leveraging of corporate and individual knowledge.

4.2. eBusiness

The objectives of the eBusiness world are accurately described in Online purchasing frees buyers for strategic work (1999) in the words of Jay M Tannenbaum: "...the Internet would become a vast electronic marketplace in which every business exists in 24-hour contact with all its suppliers, all its employees, all its competitors, all its customers, everywhere in the world. To be competitive, companies and their suppliers would form global trading communities where organisations of all sizes would be able to easily and inexpensively exchange purchase orders, requests for quotes, catalogs, and do all the other buying and selling that is part of the corporate purchasing function".

PricewaterhouseCoopers believes that eBusiness has as a major aim the improvement of customer service through e.g. process streamlining and cost control and efficiency. eBusiness will assist in providing premier service to customers, any time and anywhere (PricewaterhouseCoopers, 2000a; PricewaterhouseCoopers, 2000d).

The researcher is of the opinion that eBusiness has as its objective the provision of an electronic platform to allow collaboration of stakeholders (internal and external to the organisation e.g. customers and suppliers), through the sharing of knowledge, anytime and anywhere, for the purpose of improving the efficiency and effectiveness of individuals, teams

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and organisations, albeit in terms of improved customer service, improved productivity, cost saving, or streamlining of processes (refer Figure 8).

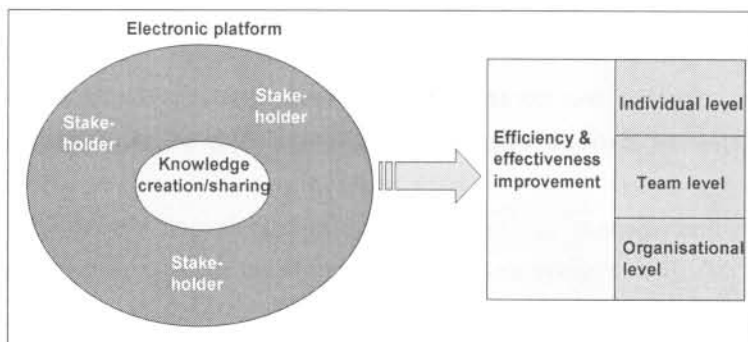


Figure 8. eBusiness objective

4.3. Customer relationship management

Patmore and Renner (1997) states that the objective of customer relationship management is to enable an organisation's front line to easily relay customer requirements and issues to upstream portions of the process, i.e. driving the voice of the customer to all layers in the organisation and using it to guide business processes.

"For CRM, objectives include compiling comprehensive knowledge about customers that enables selling from a position of understanding – about trends, needs, buying habits, etc. Those objectives also incorporate delivering data to marketers who attempt to be more focused in traditional marketing, though experts espouse the virtues of one-to-one marketing. Finally CRM objectives entail providing comprehensive information to service and support functions so that call centre personnel, for example, can respond more quickly and accurately to customer questions" (Harris, 1999).

Customer relationship management seeks to find a balance between attracting the largest number of profitable customers that fit within the mission of the company or a smaller number of very profitable customers when the goal is to maximise profits. Customer relationship management is one way to keep customers that would otherwise go elsewhere. As such, customer relationship management is a way to manage a company's resources in a way that maximises long term return on investment, although this doesn't necessarily imply retaining old customers. The goal is not to please customers, but to foster the right kind of repeat customers (Bergeron, 2001).

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Raaen (2000) defines customer relationship management's objective as providing a broader reach to enable the attraction and retention of customers.

Freemantle (2001) states that the sole objective of customer relationship management should be to put people on a high, motivating them, and making them feel special. Dunster (2001) sees the objective of customer relationship management as not just to be nice to clients, but rather serve them better with the objective of obtaining genuine business benefits from them.

Conlon (1999) defines the objective of customer relationship management as giving all customer-facing departments access to shared customer data in real time.

Hagel & Rayport (1997a) state that collection of customer information is the main aim of customer relationship management, resulting in targeting valuable prospects more effectively, tailoring offerings to specific customer needs, improving customer satisfaction and retention, and identifying opportunities for new products or services. Ody (1999) agrees with Hagel and Rayport by saying that presentation of one view of the customer, gained by capitalising on customer information, is the ultimate objective of customer relationship management. It is also aimed at providing personalised service, whether the contact with the customer takes place in the physical or virtual world. An example is Amazon.com that suggests alternative authors if one selects books by author X, knowing that these authors have a similar writing style or address similar themes that the customer may find attractive.

"Effective CRM takes a holistic perspective on each customer, examining the gap between a customer's current value to the company and what it could be if a customer behaved in a more optimal manner. The resource allocation process, the brains of the CRM capability, determines how to reconfigure customer touching investments to close this gap. During the lifetime of a customer's relationship with a company, all of a customer's experiences are configured so that, in total, the investment made in serving the customer at each touch point yields the highest return to the company based upon the value of the customer behaviours that are generated. The CRM resource allocation process determines the level and type of investments to make in each customer or customer segment at every touch point and communicates instructions on how the customer is to be treated to the appropriate touch point(s)" (Ernst & Young, 2000a). Financial performance is determined by the profitability of individual customer relationships, therefore customer relationship management has improved profitability as an important objective (Ernst & Young, 2000b).

Customer relationship management programs are aimed at winning back customers who have defected, creating loyalty among existing customers, to up-sell or cross-sell services or products, and to prospect for new customers. These programs allow organisations to address

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all of their customers in various points in their lifecycle and to select a marketing program that best fits the needs of the customer (Falque, 2000, p.230; Handen, 2000a, p.11).

McEachern (2000) states that customer relationship management aims at taking information generated or shared through customer contact, turning it into knowledge and using it strategically to derive better business processes. "It's getting knowledge of your customers, understanding their needs and requirements and offering products or services accordingly and even being able to predict their needs in the future". This sentiment is also shared by Falque (2000, p.229).

Nelson & Berg (2000), GartnerGroup analysts, mention four aims of customer relationship management. The first is to ensure that the right products and services are marketed to the right customers, i.e. not flooding them with marketing material of sometimes irrelevant products or services. The second is to manage channels of customer contact – not all customers prefer all channels of contact. The third is to track customer changes over time, mainly focusing on changing needs of the customer. The fourth is gaining an understanding of how to satisfy unhappy customers and thereby attracting them to do business with the organisation once again. An example would be to know and remember that a client has logged a complaint, e.g. regarding a specific product, and not inadvertently try and market that product to the customer after the complaint. That would create the impression for the customer that the company does not care about his/her experience of the product and the company's service, and will aggravate the negative perceptions held by the customer. These perceptions will be difficult to change.

According to the researcher the aim of customer relationship management is to create, share, harvest and leverage knowledge on customers, on a real-time basis as far as possible, to enable plans of action to win back defecting customers, attract new customers, up-sell or cross-sell products and services, and create loyalty in current customers. This can be done through:

- Provision of one view of customer (i.e. the customer relationship is owned by the organisation, not individual departments).
- Targeting of valuable prospects based on knowledge of the customer, gained via tracking of customer behaviour and customer needs.
- Delivery of information and customer requirements to marketers and call centre personnel, or other appropriate staff members, to address customer requirements on contact with the customer at various points in the customer lifecycle.
- Turning information into knowledge to improve organisational business processes on the one hand and customer efficiency on the other.
- Managing channels of customer contact (refer Figure 9).

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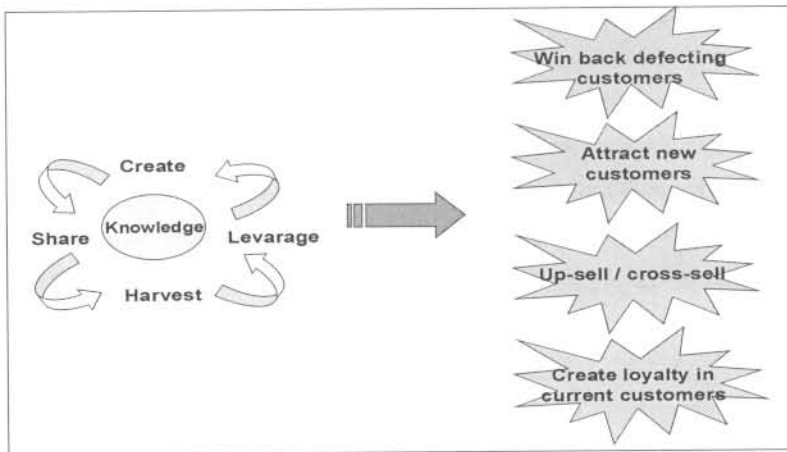


Figure 9. Customer relationship management objective

4.4. Conclusion

Through analysis of the concept of knowledge management as defined by the researcher, it becomes clear that knowledge management objectives underpin the objectives of both eBusiness and customer relationship management (refer Figure 10).

4.4.1. Knowledge management as objective of eBusiness

If the main aim of eBusiness is holistically seen as creating an electronic collaboration forum to enable various parties internal and external to the organisation to create and share knowledge to achieve a common business objective, then it is clear that knowledge management has a large role to play. Knowledge management systems can bring about the following to achieve this objective:

- A collaboration forum where knowledge can be created and shared.
- A collaboration forum that can act as a catalyst for decisions and actions to be taken based on knowledge shared or created in that forum, in order to maximise opportunities.
- Retention of knowledge created and shared through the collaboration forum and make it available for reuse later in a different context.
- Internal business information and external information turned into knowledge through the use of knowledge management tools, e.g. business intelligence, whereby trends relating to the business and its external environment can be identified and acted upon.
- Increased individual, team and organisational efficiency in the collaboration forum.

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4.4.2. Knowledge management as customer relationship management objective

In the case of customer relationship management, the main aim is to create, share, harvest and leverage knowledge on customers to create or strengthen customer relationships. Knowledge management systems can provide the following towards achieving this objective:

- One view of the customer through consolidation of all knowledge on a customer and making it available at one central point. This is done by a customer relationship management system (e.g. Siebel), which can be seen as a subset of knowledge management, as explained in the chapter on definitions.
- Knowledge that acts as a base for decision-making relating to customers or other business related issues.
- Customer information turned into knowledge through the use of knowledge management tools, e.g. business intelligence, whereby trends relating to customers can be identified and acted upon.
- Channel management, through the availability of knowledge on usage patterns and requirements of different customers operating within various channels.

Through the role that knowledge and knowledge management plays in achieving business and customer relationship management objectives, knowledge management objectives are achieved in itself, e.g. being driver for actions, supporting the business strategy through more efficient decision making, creating an intelligent enterprise and vesting of collaboration as a work practice.

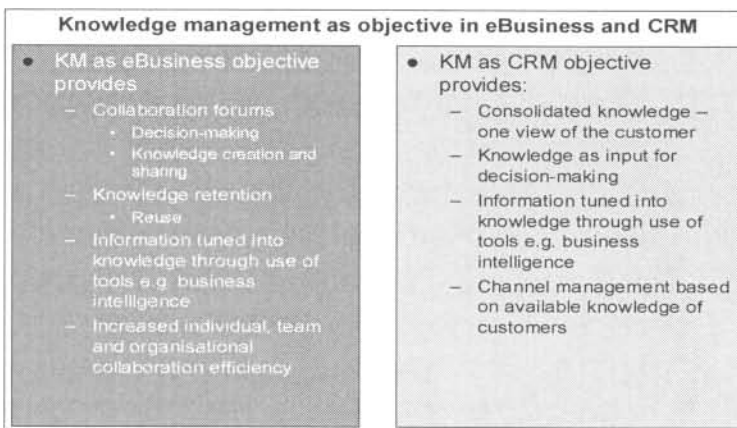


Figure 10. Knowledge management as objective of eBusiness and CRM

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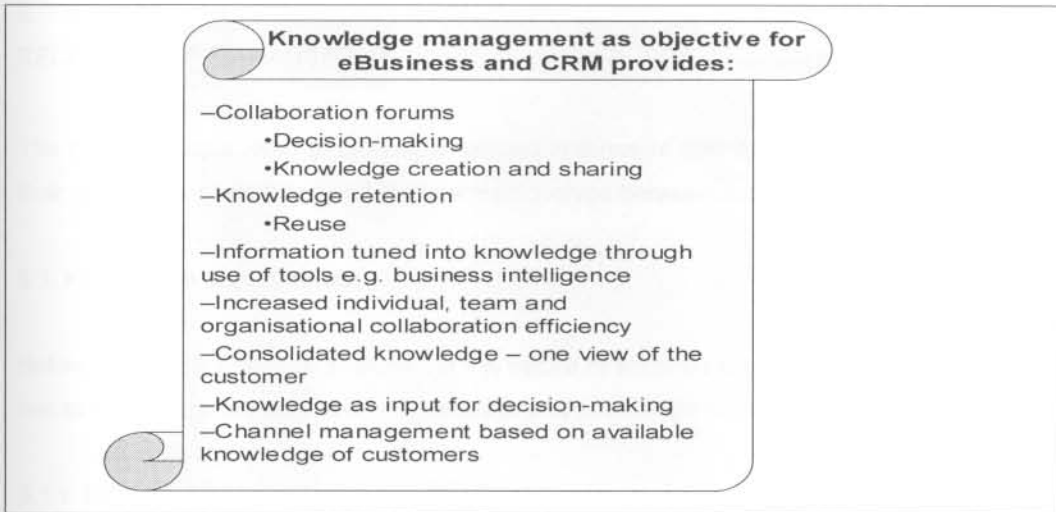


Figure 11. Value proposition of knowledge management as objective for eBusiness and CRM