Customer Relationship Management and Small and Medium Enterprises Performance: Pragmatic Evidence from Oyo State, Nigeria

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Authors’ contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

Introduction: Customer Relationship Management (CRM) has been noted for survival strategy for business organizations especially in today's customer-oriented business world and intensely competitive environment.

Aim: This study sought to examine the influence of CRM on the performance of SMEs in Oyo State, Nigeria.

Study Design: Purposive sample technique was adopted to select 20 SME operators each from Ibadan, Oyo Town, Iseyin, Ogbomoso, and Saki, respectively totaling 100 participants as a sample size for the study. The data collection instruments for the study were structured questionnaires designed for the study. Data analysis was performed with the aid of mean, standard deviation, Pearson Product Moment Correlation Co-efficient (PPMCC) and Ordinary Least Square (OLS) method of estimation.

Results: The results revealed that CRM measured by customer orientation, service quality and personalized of services have a significant influence on SMEs’ performance. In conclusion,
customer relationship management is an alternative paradigm to the survival of SMEs in today’s cut-throat competitive environment.

**Conclusion:** Based on the findings, the study recommended that SME operators should always treat their customers like Kings and Queens and their opinion should be sought before making a decision that is binding on them. Also, SME operators should be designed with a feasible customer relationship strategy that can identify potential and profitable customers to enable tailoring products and services to their needs.

**Keywords:** CRM; customer orientation; quality service; personalized services; SMEs.

1. **INTRODUCTION**

The pivotal roles of Small and medium enterprises (SMEs) in sustainable economic development have acknowledged by scholars, researchers, and economists all over the world. SMEs are being identified as one of the driving forces of modern economies; mainly due to their contributions to job creation and innovation in both developed and developing countries. According to the International Trade Centre [1], small and medium businesses constitute more than 95% of all firms, contribute over 50% of GDP, and account for over 70% of total employment. In the same vein, the National Development Plan sees small and medium businesses as engine rooms of sustainable economic growth and development with about 90% of employment opportunities emanating from small and expanding firms and sources of innovation. Equally, UNIDO [2] reiterated that SMEs are critical vehicles to achieve economic transformation and empowerment.

In Africa, Nigeria inclusive, the sector has been bedeviled due to the emerging global markets. In line with this observation, Ocloo, Akaba and Worwui-Brown [3] asserted that increased competitive pressure and rapid technological changes have brought most of the SMEs especially in Africa, Nigeria, in particular, to decline stage, while surviving ones are ailing and sick. According to Motiwalla and Tompson [4], globalization creates more opportunities for both large and small firms to deliver substitute products with low cost for customers which indicates that customers have more alternative choices for their suppliers. The study revealed that SMEs in Nigeria have a weak base which makes it difficult to compete favourably with her foreign counterparts [5]. Zainawa [6] also confirmed that global markets had led to production capacity underutilization, industrial backwardness, SMEs closures in Nigeria.

Customer Relationship Management (CRM) has been noted for survival strategy for business organizations especially in today’s customer-oriented business world and intensely competitive environment. According to Baran and Galka [7], CRM is all about understanding customers’ needs and their purchasing behaviours. It is a strategy strength the relationship between a firm and its customer, metamorphose links into friends and partners. In another study, Mandic [8] also argued that CRM can be employed as a survival strategy in order to manage relationship marketing, and create a win-win situation between companies, and customers being loyal in return.

A plethora of studies on CRM has been carried out by academic scholars from diverse fields of study in both advanced economies and developing economies [7,8,9,10,11,12,13,14]. However, most of the studies focused on large organizations while small size organizations have not been explored especially in Nigeria. This study intends to fill this missing gap by examining the influence of CRM on the performance of SMEs in Nigeria.

1.1 **Research Objectives**

The main objective of the study is to examine the influence of customer relationship management on SMEs' performance. Other Specific objectives are:

i. To assess the influence of customer orientation on SMEs' performance.

ii. To determine the influence of personalized services on SMEs' performance.

iii. To examine the influence of service quality on SMEs performance.

1.2 **Research Questions**

i. To what extent does customer orientation influence SMEs' performance?

ii. To what extent does personalized services influence SMEs' performance?
iii. To what extent does service quality influence SMEs’ performance?

1.3 Research Hypothesis

H01: Customer orientation does not influence SMEs performance.
H02: Personalized services do not influence SMEs performance.
H03: Service quality does not influence SMEs performance.

2. LITERATURE REVIEW

2.1 Customer Relationship Management (CRM)

There is no consensus definition of customer relationship management among scholars. Different scholars viewed customer relationship management from different perceptive. Peppers, Rogers and Dorf [9], for instance, viewed CRM as a strategic way of one-to-one marketing and relationship marketing, responding to an individual customer's needs. Swift [10] also viewed CRM as a business approach to understanding and influencing customer behaviour through effective communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability. Equally, Kincaid [11] also viewed CRM as a system of using of information, processes, technology, and people to manage the customer's relationship via Marketing, Sales, Services, and Support across the whole customer life cycle. In the same vein, Parvatiyar and Sheth [12] also viewed CRM as a comprehensive strategy and process of acquiring, retaining, and partnering with customers to create superior value for the company and the customer. According to Buttle [13], CRM is a marketing strategy that integrates internal activities and external networks so as to create value to selected customers and achieve both short term and long term objectives.

This connotes that the CRM concept assists SMEs in retain existing customers, attract new customers, build customer confidence, and inform customers about an array of products and services with aim of increasing profits or prevent losses. To support this assertion, Hassan and Parvez [14] postulated that CRM is a powerful marketing tool to communicate with and retain existing customers. Similarly, Garrido-Moreno and Padilla-Melendez [15] also confirmed that CRM assists companies to find it more profitable to retain existing customers rather than attract new ones. In another study, Wu and Lu [16], argued that many companies see CRM systems as a marketing strategy to help them add value to existing customers and improve customer satisfaction.

2.2 Concept of Organizational Performance

According to Aluko [17], performance is the ability of an organization to organize its work and control and or adapt to its environment sufficiently for the achievement of set goals or targets within a given time span and with available resources. Performance is the execution or accomplishment of work, tasks or goals to a certain level of desired satisfaction [17].

According to Akindele et al. [18] organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.) (b) product market performance (sales, market share, etc.) and (c) shareholder return (total shareholder return, economic value added, etc.). Pitt and Tucker [19] see organizational performance as a vital sign of the organization, showing how well activities within a process or the outputs of a process achieve a specific goal. It is also defined as “a process of assessing progress towards achieving pre-determined goals, including information on the efficiency by which resources are transformed into goods and services, the quality of these outputs and outcomes, and the effectiveness of organizational objectives” [20].

2.3 Benefits and Challenges of CRM

A customer relationship management system will enable you to quickly identify your customers, address their primary needs, and subsequently recommend additional products or services that match their profile. According to Xu and Walton [21], CRM implementation enhances organization’s ability to interact, attract, building relationships and the ability to gain customer knowledge. CRM system helps to add a personal touch to existing relationships between the business and the customers. It is also helps to treat each client individually rather than as a group, by maintaining a repository on each customer’s profiles. This system allows each employee to understand the specific needs of their customers as well as their transaction file.
However, Bligh and Turk [22] argue that the common reason of CRM failures are categorize as follows; poor objective setting, lack of senior leadership, inadequate planning and scope setting, implementation missteps, lack of change management and, inadequate post implementation operation.

### 2.4 SMEs Defined

There is no universally accepted definition of SMEs among academic scholars, organizations, government agencies, and governments all over the world. According to Hallberg [23], SMEs vary by country and are usually based on the number of employees and the value of assets. The author argued that the lower unit for small scale enterprise is usually 5-10 workers and the upper limit is 50-100 workers, while the upper limit for medium scale enterprises is usually set between 100 and 250 employees. World Bank [24] viewed SMEs as enterprises that have at most 300 employees and an annual turnover not exceeding 15 million US dollars. Companies Act 2006 of UK, sections 382 and 465 of the Act defined small businesses as enterprises that have a turnover of not more than £5.6 million, a balance sheet total of not more than £2.8 million and not more than 50 employees and medium-sized businesses that have a turnover of not more than £22.8 million, a balance sheet total of not more than £11.4 million and not more than 250 employees.

In China, SMMEs is defined as having up to 2,000 employees; while a medium-sized business has between 301 and 2,000 employees; and small business has less than 300. In Tanzania, SMMEs are defined as micro, small and medium-sized enterprises in non-farm activities which include manufacturing, mining, commerce, and services. A microenterprise is defined as a firm with fewer than five employees whereas a small firm is a firm with 5 to 49 employees, medium enterprises is a firm with 50 to 99 employees. Any firm with 100 employees or more is regarded as a large enterprise. Small and medium scale enterprises (SMEs) are understood in India as enterprises where the investment in plant and machinery or equipment is between Rs. 25 lakhs (US $ 0.04 million) to Rs. 10 crores (US$1.6 million) in case of a manufacturing industry and between Rs. 10 lakh (US $ 0.02 million) to Rs. 5 Crore (US $ 0.8 million) in case of a service sector enterprise. Central Bank of Nigeria defined SMEs as any enterprise with a maximum asset-based on 20 million naira, excluding land and working capital, with no lower or upper limit of staff. This study therefore adopted Hallberg [23]’s definition of SMEs.

### 2.5 Relationship between CRM and Organizational Performance

In the work of Ayo-Oyebiyi, Ladokun, and Jooda [25], the authors evaluated the influence of CRM dimensions on organizational performance with specific reference to Zenith Bank Plc. Purposive and judgmental methods were employed to select respondents for the study. Data analysis was performed with the aid of multiple regression analysis. The study established that CRM measured by customer involvement, long-term relationship with customers, joint problem solving and information sharing jointly and independently influence bank performance measured by customer satisfaction, deposit mobilization, and profit level. Akyüz, Akyüz, Ersen, and Beker [26] also examined the relationship between CRM and organizational performance, with particular reference to furniture and other forest products industry business in the province of Istanbul. The study established that CRM is a strong tool for anyone organization who wants to survive in today’s customer-oriented business world and an intensely competitive environment.

The study of Sulieman and Faraj [27] established that customer relationship management (CRM) dimensions (information sharing, customers’ involvement, and long-term relationships with customers, joint problem-solving and technology-based CRM) have a positive and significant relationship with innovation capabilities. Marko et al. [28] who evaluated the influence of CRM on organizational performance, reaffirmed that CRM is a driving force of the organizational performance. Saka, Elegunde, and Lawal [29] also affirmed that CRM helps in increasing banks’ profitability and enhances improvement in banks’ market share. In another study, Soliman [30] concurred that customer relationship management has a significant relationship with marketing performance. In the same vein, Ogbadu and Usman [31] also agreed with the previous studies that customer relationship management is a major determinant of performance. Kumar, Sunder and Ramaseshan [32] and Kincaid [11] findings also show that CRM provides a comprehensive set of strategies for managing those relationships with customers that relate to the overall process of marketing,
sales, service, and support within the organization.

2.6 Conceptual Framework for the Study

The study presents a summary diagram of the proposed causal model for the prediction of CRM, measured by customer orientation, personalized of services and quality service from the concept: SMEs’ performance, measured by customer satisfaction customer loyalty, profit level, sales volume and retain existing customers. The model specifies the role of CRM as a predictor of SMEs' performance. The proposed conceptual framework is presented and it is expected that CRM will have a direct link to SMEs’ performance. Thus, the hypothesis regarding the relationships between the variables is specified.

3. METHODOLOGY

A survey research approach was adopted to sample the opinion of SME operators in Oyo State, Nigeria. Purposive sample technique was adopted to select 20 SME operators each from Ibadan, Oyo Town, Iseyin, Ogbomoso, and Saki, respectively totaling 100 participants as a sample size for the study. The data collection instruments for the study were structured questionnaires designed for the study. To ensure validity and reliability of the research instrument, the researchers ensured that the questions that are asked are in conformity with the research objectives of the study and a pilot test of the research instrument was conducted. The scales were further subjected to item analysis to determine their psychometric soundness as indicated in Table 1.

Data analysis was performed with the aid of mean, standard deviation, Pearson Product Moment Correlation Co-efficient and ordinary least square method.

3.1 Mathematical Model

Customer relationship Management is measured by customer orientation, personalized of services, and quality service. SMEs’ performance is measured qualitatively by ability to satisfy customers, ability to increase sales volume, 

![Fig. 1. Conceptual model](image-url)

Table 1. Reliability alpha coefficient

<table>
<thead>
<tr>
<th>Scale</th>
<th>No of items</th>
<th>Reliability alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Orientation Questionnaire</td>
<td>10</td>
<td>0.79</td>
</tr>
<tr>
<td>Personalized of Services Questionnaire</td>
<td>8</td>
<td>0.81</td>
</tr>
<tr>
<td>Service Quality Questionnaire</td>
<td>13</td>
<td>0.77</td>
</tr>
<tr>
<td>Organizational Performance Questionnaire</td>
<td>5</td>
<td>0.78</td>
</tr>
</tbody>
</table>
ability to retain existing customers, and ability to meet the target profit level.

SMEs’ Performance = \( f(\mathbf{X}_1, \mathbf{X}_2, \mathbf{X}_3) \)

\[
\text{SMEs' Performance} = \beta_0 + \beta_1 \mathbf{X}_1 + \beta_2 \mathbf{X}_2 + \beta_3 \mathbf{X}_3 + \mu_i \quad \text{(1)}
\]

where:

- \( \mathbf{X}_1 = \) Customer orientation
- \( \mathbf{X}_2 = \) Personalized of services
- \( \mathbf{X}_3 = \) Quality service
- \( \beta_0 = \) intercept
- \( \beta_1 - \beta_3 = \) Regression coefficient
- \( \mu_i = \) stochastic error term

### 4. DATA ANALYSIS, RESULTS AND DISCUSSION

Table 2 reveals a strong positive and significant correlation (0.766; \( P < 0.05 \)) between SMEs’ performance and customer orientation, service quality is strongly positively correlated with SMEs’ performance by a coefficient (0.580) and there is a strong positive correlation between Personalized of Services and SMEs’ performance. The positive relationship implies that the variables change together in the same direction. This implies customer relationship management is an alternative paradigm to the survival of SMEs in today’s cut-throat competitive environment. This finding is in support of previous studies that customer relationship management apparatus are the major determinants of SMEs’ performance [25,26,27, 28,29,30].

Table 3 shows \( R^2 = 0.587 \), which indicates that a 58.7% change in SMEs’ performance is explained by customer orientation. \( p\)-value (0.000) is less than a significant level (0.05) and this indicates that customer orientation does have a significant influence on SMEs’ performance. The regression coefficient (0.766) indicates that a unit increase in customer orientation will bring about (0.766) increases in SMEs’ performance. The estimated Durbin - Watson value of 1.916 clears any doubts as to the existence of positive first-order serial correlation in the estimated model. The model was constructed to test the null hypothesis that customer orientation does not influence SMEs’ performance. The F-statistic of 139.254 indicates that the overall regression plane is statistically significant. Therefore, null hypothesis is rejected while alternative hypothesis is accepted.

Table 4 exhibits \( R^2 = 0.337 \), which indicates that 33.7% change (variation) in SMEs’ performance is explained by service quality. \( p\)-value (0.000) is less than a significant level (0.05) and this indicates that service quality has a significant impact on SMEs’ performance. The regression coefficient (0.580) indicates that a unit increase in service quality will result in a (0.580) increase in organizational performance. The estimated Durbin - Watson value of 1.721 clears any doubts as to the existence of positive first-order serial correlation in the estimated model. The model was constructed to test the null hypothesis that service quality does not influence SMEs’ performance. The F-statistic of 49.762 indicates that the overall regression plane is statistically significant.

### Table 2. Relationship between variable

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SMEs' Performance</td>
<td>4.4000</td>
<td>.63564</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Customer Orientation</td>
<td>4.4600</td>
<td>.59323</td>
<td>.766</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Service Quality</td>
<td>4.4400</td>
<td>.64071</td>
<td>.580</td>
<td>.552</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Personalized Services</td>
<td>4.4100</td>
<td>.60461</td>
<td>.568</td>
<td>.426</td>
<td>.416</td>
</tr>
</tbody>
</table>

### Table 3. Influence of customer orientation on SMEs’ performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R square</th>
<th>Adjusted R square</th>
<th>Std. error of the estimate</th>
<th>Durbin-Watson</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.766</td>
<td>.587</td>
<td>.583</td>
<td>.41060</td>
<td>1.916</td>
<td>139.254</td>
<td>0.000</td>
</tr>
</tbody>
</table>

### Model

<table>
<thead>
<tr>
<th>B</th>
<th>Std. error</th>
<th>Beta</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>.739</td>
<td>.313</td>
<td>2.361</td>
<td>.020</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>.821</td>
<td>.070</td>
<td>.766</td>
<td>11.801</td>
</tr>
</tbody>
</table>

* a. Dependent Variable: SMEs' Performance*
Table 4. Influence of service quality on SMEs’ performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R square</th>
<th>Adjusted R square</th>
<th>Std. error of the estimate</th>
<th>Durbin-Watson</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.580(^a)</td>
<td>.337</td>
<td>.330</td>
<td>.52027</td>
<td>1.721</td>
<td>49.762</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Model Unstandardized coefficients

<table>
<thead>
<tr>
<th>B</th>
<th>Std. error</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.844</td>
<td>.366</td>
</tr>
<tr>
<td>Service Quality</td>
<td>.576</td>
<td>.082</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: SMEs’ Performance

Table 5. Influence of personalized services on SMEs’ performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R square</th>
<th>Adjusted R square</th>
<th>Std. error of the estimate</th>
<th>Durbin-Watson</th>
<th>F</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.568(^a)</td>
<td>.322</td>
<td>.315</td>
<td>.52594</td>
<td>1.488</td>
<td>46.402</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Model Unstandardized coefficients

<table>
<thead>
<tr>
<th>B</th>
<th>Std. error</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.768</td>
<td>.389</td>
</tr>
<tr>
<td>Personalized Services</td>
<td>.597</td>
<td>.087</td>
</tr>
</tbody>
</table>

\(^a\) Dependent Variable: SMEs’ Performance

significant. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted.

Table 5 reveals that 32.2% variation in SMEs’ performance is explained by personalized Services based on R-square (0.322). P-value (0.000) is less than a significant level (0.05) and this indicates that the personalized Services has a significant impact on SMEs’ performance. The regression coefficient (0.568) indicates that a unit increase in the personalized of Services will result in (0.568) increases in SMEs’ performance. The estimated Durbin - Watson value of 1.488 clears any doubts as to the existence of positive first-order serial correlation in the estimated model. The model was constructed to test the null hypothesis that personalized services do not influence SMEs’ performance. The F-statistic of 46.402 indicates that the overall regression plane is statistically significant. Therefore, the null hypothesis is rejected while the alternative hypothesis is accepted.

5. DISCUSSION OF FINDINGS

The study reveals a strong positive and significant correlation between SMEs’ performance and customer relationship management measured by customer orientation, service quality and personalized of Services. The positive relationship implies that the variables change together in the same direction. The study further reveals that customer orientation, independently contributes 58.7% to SMEs’ performance is explained by customer orientation and it has a significant influence on SMEs’ performance. The result also indicates that quality service has significant influence on SMEs’ performance with the contribution of 33.7%. More also, result reveals that personalized Services is independent predictor of SMEs’ performance with R-square value of 0.322 and regression coefficient value of 0.568. This indicates that a unit increase in the personalized of Services will result in 0.568 increases in SMEs’ performance.

The implication of this finding is that implementation of customer relationship management is an alternative paradigm to the survival of SMEs in today’s cut-throat competitive environment.

6. CONCLUSION AND RECOMMENDATIONS

This study sought to examine the influence of CRM on the performance of SMEs in Oyo State, Nigeria. Purposive sample technique was adopted to select 20 SME operators each from Ibadan, Oyo Town, Iseyin, Ogbomoso, and Saki, respectively totaling 100 participants as a sample size for the study. In conclusion, customer
relationship management is an alternative paradigm to the survival of SMEs in today's cut-throat competitive environment. The study is consistent with previous studies that customer relationship management apparatuses are the major determinants of SMEs' performance. The study also reveals a strong positive and significant correlation between SMEs' performance and customer relationship management measured by customer orientation, service quality and personalized of Services. SME operators should be designed as a feasible customer relationship strategy that can identify potential and profitable customers to enable tailoring products and services to their needs.

COMPETING INTERESTS
Authors have declared that no competing interests exist.

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