

# Does Knowledge Management Influence the Customer's Satisfaction and Intention to Quit? Mediating Role of Customer Relationship Management

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**Abstract:** *Satisfied customers are worthy assets for any organization. This study helps in understanding how important is to retain and enlarge these assets by minimizing the intention to quit and maximizing the satisfaction of customers. This research explores the importance of knowledge management and customer relationship management in order to retain advantageous and long-term bonds with customers in hotel industry.*

*The purpose of this study is to examine the effect of knowledge management on customers' satisfaction and intention to quit by concentrating on the mediating role of customer relationship management. Data were collected by applying simple random sampling from employees and customers of hotels in Gujranwala. Results indicated that knowledge management has significant and positive relationships with customers' satisfaction. Moreover, knowledge management is negatively and significantly related to intention to quit. Additionally, customer relationship management also significantly mediates the relationship between knowledge management and customers' satisfaction & intention to quit.*

**Keywords:** Knowledge Management, Customer Relationship Management, Customers Satisfaction, Intention to Quit.

## 1. INTRODUCTION

A significant factor for gaining success in market is termed as customer. In new era of business processes customer satisfaction is directly proportional to the successful achievement of goals of an organization and managers are mainly focusing on the satisfaction of customers. By knowing the customer and its satisfaction grounds a company is doing customer knowledge management and customer relationship management which is beneficial in gaining competitive edge over its competitors. (Hossein Raja, 2011). The organizations which have satisfied customers have the benefit of higher customer loyalty (e.g., Bolton and Drew 1991; Oliver 1980), positive word of mouth (Szymanski and Henard 2001), and customer's willingness to pay premium prices (Homburg, Koschate, and Hoyer). Furthermore customer relationship management is based on the thought of creating a learning association with each client which focusing and resulted in the learning of expectations and requirements of its customers with no trouble and get competitive advantage in market. Furthermore CRM is the tactical procedure in use by an association to build, sustain and maintain long term customer link through the integration of group, method and skill that would improve customer's satisfaction level and results to better firm's performance and productivity (Abdullateef et al., 2011).

Mehrdad Hasanzadeh, (2013) enlightened that knowledge management is the capacity of an organization to get administration, customers' information transmission in real time, products and services for improving to response to customer and faster decision making based on reliable information. The purpose of the current study is to examine the impact of knowledge management on customer's satisfaction and intention to quit by mediating role of customer relationship management on fashion/ hotel industry. The paper address the issue that how an organization get more customer satisfaction and get barrier to customer intention to quit by knowledge management. The current study is based on only the customers of hotel industry but researchers also apply the current study many other organizations of different sectors. The current paper provides a framework to organizations to enhance customer satisfaction and to retain the customers. So the organizations get competitive advantage as to maintained long term relationship with their customers by studying current paper.

## 2. LITERATURE REVIEWS

### 2.1 Customer Relationship Management

Customer relationship management means to make enduring customer relationships and profits, and this theory assists as a channel between marketing policies and information technologies. (Clay et al., 1999) Furthermore Kathleen (2000) explained that "customer relationship management is a strategy which is necessary for an appropriate, valuable and continuous communication with every customer regardless of communication means". Therefore it is the combination of information system and plan with the intention of merging the firm's struggle on reforming the procedures by which consumers are being treated (McKenzie, 2001). Similarly creating customer loyalty is the primary objective of using customer relationship management philosophy. Moreover, other objectives are stated as to make the customer relationships cost-effective, to build and prolong continuing and profitable

relations with the customers, to increase the firm's output, to create distinction, to come across the demands of the customers. (Ergunda, 2003)

Customer relationship management is based on the thought of creating a learning association with each client which resulted in the learning of expectations and requirements of its customers with no trouble and draw together these expectations while get your hands on an advantage of competition. The organizations might be offering its patrons a parallel category of spending and interaction with its competitors which will differentiate the organization from its opponents. (Peppers, 1999) In addition (Abdullateef et al., 2009) summed up that CRM execution can be productive if there is successful cross-functional inclusion of public, process, practice and marketing skill that is triggered by means of knowledge and application. Furthermore CRM is defined as the tactical procedure in use by an association to build, sustain and maintain long term customer link through the integration of group, method and skill that would improve customer's satisfaction level and results to better firms performance and productivity (Abdullateef et al., 2011).

## **2.2 Knowledge Management**

(Norozian, 2005) purported that knowledge management is the capability of a corporation in using of rational principals means that the facts and information of the individual and group understanding in turn to accomplish its purpose through the procedure of knowledge creation, knowledge distribution and using it by means of technology. Knowledge management principles include growth, accomplishment and maintain the technological and managerial infrastructures as responsibility to publish and choose the precise technology. Therefore knowledge is an essential feature in the financial system, but there is one more significant factor for gaining success in the market which is termed as customer. In new era of business processes customer satisfaction is directly proportional to the successful achievement of goals of an organization and managers are mainly focusing on the satisfaction of customers. By knowing the customer and its satisfaction grounds a company is doing customer knowledge management which is beneficial in gaining competitive edge over its competitors. (Hossein Raja, 2011).

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## **2.3 Customer Satisfaction:**

Tse & Wilton, (1988) defines customer satisfaction as the consumer's response after the assessment between the expectations and actual performance of the product that consumer perceived after usage or consumption of a product. Furthermore Johnson and Fornell (1991) explained customer satisfaction as the overall judgment of the performance of a product that used for some time period by the customer is defined as customer satisfaction. In general evaluation based on the total purchase and consumption experience of customer over the time with a good or service (Anderson et al., 2004) is called Customer satisfaction.

In all businesses customer satisfaction has been acknowledged as a significant part of corporate strategy Fornell et al. (2006) and a key indicator long-term profitability and market value Gruca and Rego, (2005) of firms. In addition Most of the studies discover that the high level of customer satisfaction direct to high customer loyalty in market (Boulding et al., 1993). With the higher level of customer satisfaction customers willing to pay premium prices which can increase the firm's profitability. The customer satisfaction also has strong positive effect on customer loyalty. The company can enjoy many benefits from high customer satisfaction fornell (1992) such as, high customer loyalty, reduce cost of creating new customers or retention existing customers, reduced operating costs, reduced advertising cost, reduced risk of failure in market.

## **2.4 Intention to Quit**

Maertz & Campion (1998) described intention to quit as the antecedent to the act of leaving a job. According to Mowday et al. (1984) intention to quit is the behavioral intent to leave employment instantly earlier to the actual turnover decision. Similarly Calisir et al. (2011) identified that intention to quit is a state where a worker due to the dissatisfaction with existing working environment or job in a firm has looking for another job in a new organization.

According to Shields & Ward (2001) intention to quit is also called turnover intention. The turnover has many different dimensions such as Organizational Turnover; Terborg & Lee (2001) indicates that when a person did not stay with the same organization it is termed as organizational turnover. Usually this is proposed that the person has not voluntarily moved out from an organization. Job-Hopping, Amaram(2005) proposed that job hopping is a situation in which job is often changed to increase in benefits or salary and to stay away from dead-end jobs. Job Turnover, Kirschenbaum & Weisberg (2002) explained the job turnover as a change in the possibility to performs current job for the existing company. Voluntary Turnover, Terborg & Lee (2001) defined voluntary turnover as an own choice to stop their existing employment by an employee and Involuntary Turnover (Lee et al. (2008) described the term involuntary turnover as through termination or being fired an organization lost an employee.

## **2.5 Knowledge Management and Customer Relationship Management**

Knowledge Management has positive relationship with the success of CRM. For the successful execution of relationship management with customer Knowledge management plays an important role. Valuable knowledge is the essential strategic resource in order to acquire and expansion of advantages for sustaining the competitiveness (Grant, 1996), as it reinforce the assets and resources in differentiated form which is beneficial for customers. The competitive edge for a company is being able to create

and continue the learning of knowledge (Zack, 1999). Currently companies learn that knowledge management plays vital role in successful implementation of CRM, so companies are aligning the customer relationship management and knowledge management. Customer Relationship Management has a strong bonding with knowledge management principles. The effective customer relationship management system is based on updated customer knowledge. Moreover, for effective knowledge management companies should grow related abilities because knowledge management is main micro process of CRM (Zabala et al, 2004). According to Gholamian & et al, 2006 knowledge management provide opportunities in market and allow organizations to take competitive edge upon others.

Akhayan and Heydari 2007, establish that knowledge management system manages and uses the knowledge for creation of value and improved organizational performance. However, correct CRM process is only possible when process of knowledge management is integrated with it and it enables the organization to evaluate customer usefulness, customer satisfaction and loyalty to support marketable decisions.

### 2.6 Customer Relationship Management and Customer Satisfaction

For a successful business the customer satisfaction is a crucial element. The main challenge for companies is to satisfy as well as to retain the customers. CRM have a complex relationship with customer satisfaction. CRM assure the enhancement in customer satisfaction as there is a symbiotic relationship between customer satisfaction measurement program and CRM (Allen, 2000). Previous studies unveiled that customer satisfaction is positively impacted by customer relationship management and without highlighting the CRM businesses cannot be successful in this era. The impact of customer relationship management on customer satisfaction is being assessed by using data on key variables to negate common biasness on separate sources. There is a positive relationship exist between customer satisfaction and CRM as shown by the results (Fornel et al. 2005). Meanwhile, a study conducted on Umaid Bhwan Hotel using data from customer revealed that CRM have a positive impact on customer satisfaction (Ahmed & Jawaberh, 2012). In addition, Gilaninia et al. (2011) adopted the descriptive method of study and by using analytical and causal analysis on customers of credit and financial institutions of Iran and after running regression analysis they found that the CRM effects the customer satisfaction. Moreover Rajput & Singh (2010) develop a standardize measure to assess the significance of customer relationship management on customer satisfaction in services sector. Data were collected from 200 respondents and results revealed that there is a significant and positive relationship between customer satisfaction and customer relationship management.

### 2.7 Customer relationship Management and Employees Intention to Quit

There should be a proper utilization of CRM dimensions in order to resolve the issue of employee's intention to quit and to attain desired result through efficiency. CRM is a strategic approach to indentify key customers in order to develop a profitable and positive relationship with them (Kumar and Reinartz, 2006). According to Sin et al. (2005) and Yueh et al. (2010) the convenient ways of realizing CRM organizations on employee's job satisfaction and performance are based on employee empowerment, employee involvement, standard reward system and effective internal communication. Moreover, Claver-Cortes et al. (2007) recognized that improved satisfaction and performance can be attained if firms adopt flexible management style and an environment of knowledge which allows teamwork and strengthened communication among employees. Similarly, Eylon and Bamberger (2000), Fraser, Kick and Kim (2002), Watkins and Marsick (2003), and Egan, Yang and Bartlett (2004) suggested that knowledge management is a key element to decrease employee's intention to quit and to enhance job satisfaction.

## 3. THEORETICAL FRAMEWORK

This study involves knowledge management as an independent variable and customer satisfaction and intention to quit as dependent variables, mediating role of customer relationship management. The relationships between under study variables are shown in following figure:



### 3.1 Hypotheses Development

**H1:** There is a significant and positive relationship between knowledge management and Customer's Satisfaction.

**H2:** There is a negative and significant relationship between knowledge management and Intention to Quit.

**H3:** Customer Relationship Management significantly mediates the relationship between knowledge management and Customer’s satisfaction and Intention to quit.

**4. METHODOLOGY**

The purpose of the current study is to examine the impact of knowledge management on customer’s satisfaction and intention to quit by considering the mediating role of customer relationship management in hotel industry. The deductive method is used in current study as research approach. In current study survey method is used to collection required data from targeted respondents. The current study is descriptive and quantitative in which researcher get response through questionnaire, which is consists in two parts, the first is consists in demographics and second measures the magnitude of the people behaviors. The target population of current study is general customers that purchase different products of a company.

The simple random sampling technique is adopted in current study through which the required data is collected. The survey of only 200 customers was conducted in this study due to time constraints. The unit of analysis in current study is individual. A five-point Likert scale was used in questionnaire for the survey, which range starts from 1 that is “strongly disagreed” to 5 which is “strongly agreed. The questionnaire designed in four sections related to (1) knowledge management; (2) customer relationship management; (3) customer satisfaction and (4) intention to quit (5) demographic questions also included about age, gender and education.

Knowledge management is independent variable and its scale was adopted by ..... (200...) ..... Items are adopted from this scale. Customer satisfaction is dependent variables and its 6 items scale is adopted from ..... (200...) and intention to quit is also dependent variables and its 4 items scale adopted from .....(200....).The customer relationship management is mediator and 5 items scale is adopted from (200...).

**4.1 Data Collection:**

To collect the data Simple Random sampling technique was used. The questionnaire was delivered to full time employees working and customers visiting in Hotel sector. Easily understandable questions were designed for the respondents. For all questions a five-point Likert scale was adopted in the survey, ranging from 1 is “strongly disagree” to 5 is “strongly agree”. There are 5 sections in the questionnaire starting from (1) demographic variables (five questions relating to age, gender, education, nature of employment and length of service) (2) Knowledge Management (3) Customer Satisfaction, (4) Customer Relationship Management and (5) Intention to Quit.

**4.2 Demographics:**

Mostly respondents were between the age group of 0-25 whose percentage is 84.7%. Following to this 8.7%, 4.7% and 2% were age group of 26-45, age group of 46-55 and age group of 56+ respectively. Furthermore respondents were 46.7%, 48.6% and 4.7% belonged to Bachelors’, Masters’ and PHD respectively. 38.7%, 60.7% and 0.7% respondents were doing their jobs as permanent employees, contractual employees and others respectively. 54% respondents have 1 year length of service and 4.7%, 32.7% and 8.7% respondents have 5-10 years, 2-5 years and more than 10 years length of service at visited Hotels respectively.

**4.3 Finding**

**Table 1:-**

	<b>Construct</b>	<b>Mean</b>	<b>SD</b>	<b><math>\alpha</math></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Customer Relationship Management	3.85	.416	.77	--			
2	Customer Satisfaction	3.81	.523	.76	.491**	--		
3	Knowledge Management	4.38	.289	.86	.443**	.261**	--	
4	Intention to Quit	1.78	.591	.70	-.324**	-.158	-	--
							.428	

The above-mentioned table is representing the descriptive statistics, reliability and Pearson correlation among all understudies variables. The highest correlation existed between customer satisfaction and customer relationship management which is valued at 0.491. It is reflecting that emotional intelligence and employee commitment are positively related with each other with a moderate standard deviation. All other variables named as customer relationship management, knowledge management and intention to quit are also correlated with each other. The mean values are showing the trend of responses that most of them are laid towards agreeableness. Results indicate that alpha values for all variables are under acceptable range to prove data reliability.

**Table 2:****Fit Index for CFA & SEM**

Fit Indices	CFA	SEM
Chi-square/df	2.34	2.31
GFI	0.89	0.90
AGFI	0.86	0.85
CFI	0.91	0.90
RMSEA	0.06	0.07

Table 2 is presenting the results of model fitness from both CFA and SEM dimensions. Goodness of fit index is given at the first place which represents the variance covariance matrix and as its value is touched the minimum limit which is 0.90 so it is declaring a good fit of the model. AGFI is adjusted GFI whose value is greater than 0.8 which is quite good to prove that model is good fit. CFI is representing the comparative fit index which is showing more realistic values that are proving that model is near to absolute fit due to greater than 0.9 values. RMSEA is root mean square error of approximation whose value is lesser than 0.10 so that is also indicating the good fitness of model.

**Table 3:****SEM Path Analysis**

Independent Variables	Effects	Customer Satisfaction	Intention to Quit
Knowledge Management	Direct Effect	.226*	-.216*
	Indirect Effect	.323*	-.283*
	Total Effect	.549*	-.499*

**Mediating variable:** Customer Relationship Management

Table 3 findings elaborated that knowledge management is significantly and positively related to customer satisfaction ( $b=0.226$ ;  $P < 0.05$ ) and supported to  $H1$ . Similarly there is negative association between knowledge management and intention to quit ( $b = -0.216$ ;  $P < 0.05$ ) and supported to  $H2$ . Results also divulged that customer relationship management significantly mediates the relationship between knowledge management, customer satisfaction and intention to quit.

## 5. DISCUSSION AND CONCLUSION

In this highly competitive era of businesses it is very necessary to retain customers by maintained customer relationship through knowledge management. By using the knowledge management companies can gain many benefits by using the data they collect and convert it into constructive information. Knowledge management is an ability to get management of customer's information in real time and use this information for improving their products and services to response to customer and faster decision making based on consistent information. This study results purported that knowledge management and customer relationship management are important factor that positively affected to customer satisfaction and employees intention to quit.

Hypothesis one affirmed that knowledge management has significant positive relationship with customer satisfaction. The second hypothesis stated that knowledge management has significant positive relationship with employees' intention to quit. The next hypothesis shows that the customer relationship management significantly mediates relationship between knowledge management and customer satisfaction. The last hypothesis states that customer relationship management significantly mediate relationship between the knowledge management and employees intention to quit.

## 6. PRACTICAL IMPLICATIONS

This study is very useful to understand the importance of knowledge management and customer relationship management and its relationship with customer satisfaction and employees intention to quit. The current study is related to hotel industry and it is very useful for those hotels who want to build strong and long term relationship with their customers as well as they will be able to solve several problems related to their customers. This study also contributes to the related industry in helping them by knowing about the effect of knowledge management on customer satisfaction and employees intention to quit.

## 7. LIMITATIONS & FUTURE DIRECTIONS

In conducting the current study the all possible efforts were made to minimize the limitations but still many limitations are need to be addressed. The current study was conducting only on hotel sector of main Gujranwala city that is a limitation of this study. One major constraints of this study is that its sample size is not enough, which consists of only 450 respondents. This study can be more precise and accurate by overcoming these constraints: - time, finance, sector, sampling techniques, population size. In addition, this type of research should be conducted in other business sectors of different major cities to generalize the findings as well as to deeply explore this topic.

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