

Investigation of the Relationship between Democratic Leadership Style (Relationship-Oriented) and Customer Relationship Management (CRM)

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ABSTRACT

In this study, the relationship between democratic leadership style (relationship-oriented) and customer relationship management (CRM) has been investigated. The present study is applicable in terms of objective and correlative in terms of descriptive method. In this research, statistical population is all employees of different branches of Ghavamin Bank in Dezful city, including queue and chiefs, which their number is 388 and 78 people out of them are active instaff part. Morgan table was used to calculate sample volume; and 196 people were determined as sample number for getting reasonable and reliable results from analysis. The calculated reliability for 20 questionnaires of the present study in customer relationship management was 0.855 and for leadership style 0.714. Pearson's correlation coefficient is used for creating the relationship between two variables; correlation coefficient also indicates the severity and type of relationship between variables. Pearson's correlation coefficient is used because the questions are standard; and Spss software was also used for data analysis. The obtained results indicate that there was a relationship in average (0.583) among participatory management and strategy factors of customer relationship management, relationship management structure, planning of customer relationship management, culture of customer relationship management that shows relatively high relationship; therefore, it can be concluded that participatory management has had a positive effect on these factors.

KEYWORDS: Leadership Style, Democratic, Relationship-Oriented, Customer Relationship Management.

INTRODUCTION

In today's competitive market, understanding customers and their needs, maintaining and developing relationship with them have an important role in company's income and survival; customer relationship management was created for the above mentioned objectives. Customer relationship management follows three objectives: 1- Obtaining new customers 2- keeping and maintaining current good customers 3- Developing relationship with existing customers (HaeriKhiavi, 2006). Certainly, managers should have optimal and healthy thoughts in terms of mental attitude particularly in the area of work culture because they are responsible and have authority. In other words, managers' mental attitude is expected to be more and more consistent with human, social and scientific ideals (Hatefi, 2003). Lack of leadership is often a factor of high failure rate and lack of success in the organizations.

Implementation of CRM needs motivated, skilled managers who have intellectual independence and does non-scheduled tasks (Moghadas, 2006). Successful managers in this area apply types of leadership styles to respond to the type of work that should be done and also individuals' needs who should do the work. Now, for effective implementation of customer relationship management, a suitable and efficient leadership style is naturally required in each organization. It should be considered that organization success is a function of their leadership style. Leadership style can be influenced by customer relationship management. Leadership style is a combination of manager's traits, skills and behaviors which are applied for interaction with employees.

RESEARCH BACKGROUND

Leadership means monitoring the cooperation of all individuals together in a group and group cooperation with others in the organization which led in a harmony by leadership for achieving organization goals (Agvau, 1999). Leadership is a social influence process where the leader seeks voluntary participation of employees in an effort to achieve organizational goals (Rezaeean, 2000). Leadership is a process in which manager tries to create motivation

and an effective communication to facilitate other duties in achieving organizational goals; and also encourages employees to perform their duties willingly (Alvani, 2001).

Leadership management style is attitudes and understood behaviors of a manager that are used to influence on other; therefore, managers' leadership style is the result of their philosophy about motivation and their selection of decision making styles and the range that they consider for workplace (focusing on work or individual). «Leadership style is a behavior that is shown by leader when leads organization members in a suitable direction» (Feizi, 2004).

Leadership is less about your needs, and more about the needs of the people and the organization you are leading. Leadership styles are not something to be tried on like so many suits, to see which fits. Rather, they should be adapted to the particular demands of the situation, the particular requirements of the people involved and the particular challenges facing the organization.

In the book "Primal Leadership," Daniel Goleman, who popularized the notion of "Emotional Intelligence," describes six different styles of leadership. The most effective leaders can move among these styles, adopting the one that meets the needs of the moment. They can all become part of the leader's repertoire.

Democratic: This style draws on people's knowledge and skills, and creates a group commitment to the resulting goals. It works best when the direction the organization should take is unclear, and the leader needs to tap the collective wisdom of the group. Mr. Goleman warns that this consensus-building approach can be disastrous in times of crisis, when urgent events demand quick decisions.

Democratic style assumes that the authority is given to leader by the group under his/her leadership; and if human motivates in a good way so, can be essentially creative and self-control in the work. In autocratic style, all policies are determined by leader while in democratic style are subject to discussion and group decision-making (Harsi and Blanchard, 1996).

The position was considered by Tanenbaum and Schmit for determining leadership style; they believed that participation of subordinate depends on three factors of manager's traits, subordinate traits and the situation (Saadat, 1993). Management decision-making style is a consequence of chief-oriented (autocratic) and subordinate-oriented (participatory), (Saadat, 1993). Mahatma Gandhi said: (customer is the most important visitor in our area, he/she is not dependent on us but we are dependent on him/her, he/she does not disturb our business, he/she is the purpose of our business, he/she is not a foreign in our business, he/she is a part of our business, we do not favor him/her with doing the work, he/she favors us with providing this opportunity), (Aghayar, 2007).

Richard Oliver, one of the most famous scientists in the field of customer satisfaction believed that customer satisfaction or his/her dissatisfaction results from the difference between customer expectations and the quality that he/she received. In other words, the following relation can be used to measure satisfaction.

Customer expectations- customer perception of quality- customer satisfaction

Traditional marketing strategies to increase the market share focused around the three "P" means product, placement, promotion; and their primary attention was to increase the volume of buyer- seller transaction. The volume of sale was performance criteria in marketing strategies and tactics in this field. But, customer relationship management is a kind of business strategy which exceeds from trade volume and its goal is to increase profitability, revenue and customer satisfaction.

The organizations use a wide range of tools, procedures and communication with customers to accomplish these goals.

- Customer relationship management includes business process, technology and the required roles to manage customers in different stages of organization life cycles.
- Customer relationship management is comprehensive business and marketing strategy that integrate technology and all business activities around customer.
- «Customer relationship management» is a comprehensive and systematic solution which has a significant role in achieving, development and maintaining customers satisfaction; increasing profitability and creating economic value added (in organizations) by integration of principles of customer relationship means marketing processes and after sale services.

Tanveer Ahmed in his master's thesis titled electronic relationship management with customer in online banking in Lulea University of Technology in February 2009 investigated and studied qualitatively two banks in Sweden and Denmark that used E-CRM methods and performance for mass customization, customer identification, individual-to-individual exchange and automatic locks in financial data flow such as price security. It finally resulted in reducing performance cost.

Roya Rahimi in her master's thesis titled "Feasibility study of performing customer relationship management in hotel industry" in Lulea University in February 2008 mentioned that the goal of this article is Feasibility study of performing customer relationship management CRM in hotel industry. The results of effects determining the accomplishment of customer relationship management (CRM) in guest satisfaction, loyalty and maintaining and

surviving showed that this study in data collection to privatize services using individual-to-individual marketing programs, promoting guest services and supporting and using IT to provide more services in hotels cause guest satisfaction, adherence and survival.

Ali HjiZamanali in his master’s thesis titled “A framework for implementing relationship management with customer in Iranian organizations in the year 2004 in Tarbiat Modares University “it has been attempted in this thesis to draw a framework for implementing CRM in Iranian organizations. Therefore, after describing the concepts and developing the issues related to CRM, the proposed framework in modern Iranian organizations was considered and their common components between three areas of processes, technology and human issues were taken out; and then a framework proposed for Iran environment considering specific characteristics of Iran environment.

Seyed Mohammad Bagher Mirhadi in his master’s thesis titled customer relationship management in Refah bankin Tarbiat Modares University in the year 2006 obtained this result that by promoting level of customer relationship management can increase satisfaction, loyalty and quality of services. Generally it can be concluded that by implementation and continuous improvement of CRM processes in the bank can achieve customer satisfaction who are the most important asset of a bank.

RESEARCH METHOD

The present study is applicable in terms of objective and correlative type in terms of descriptive method. In this research, statistical population is all employees of different branches of Ghavamin Bank in Dezful city, including queue and chiefs, which their number is 388 and 78 people out of them are active in staff part. Morgan table was used to calculate sample volume; and 196 people were determined as sample number for getting reasonable and reliable results from analysis. The calculated reliability for 20 questionnaires of the present study in customer relationship management was 0.855 and for leadership style 0.714. One factor of KMO test was used in this study to change Items because it should be clarified that whether these questions are able to change to strategy factor or not; KMO test is used in this situations however KMO value should be greater than 0.5. Pearson’s correlation coefficient is used for creating the relationship between two variables; correlation coefficient also indicates the severity and type of relationship between variables. Pearson’s correlation coefficient is used because the questions are standard; and Spss software was also used for data analysis.

DATA ANALYSIS

The first hypothesis: There is a significant relationship between participative leadership style and customer relationship management strategy.

Hypothesis H_0 : There is not a significant relationship between participative leadership style and customer relationship management strategy.

Hypothesis H_1 : There is a significant relationship between participative leadership style and customer relationship management strategy.

Table 1: Pearson’s test for the first hypothesis

Value for Pearson	Number	Significant level
0.527	196	0.000

Since, the test is significant at the one percent level then hypothesis H_0 is rejected and opposite hypothesis confirmed, therefore, there is a significant relationship between participative leadership style and customer relationship management strategy.

The second hypothesis: There is a relationship between participative leadership style and customer relationship management structure.

Hypothesis H_0 : There is not a significant relationship between participative leadership style and customer relationship management structure.

Hypothesis H_1 : There is a significant relationship between participative leadership style and customer relationship management structure.

Table 2: Pearson’s test for the second hypothesis

Value for Pearson	Number	Significant level
0.433	196	0.025

Since, the test is significant at the five percent level then hypothesis H_0 is rejected and opposite hypothesis confirmed, therefore, there is a significant relationship between participative leadership style and customer relationship management structure.

The third hypothesis: There is a significant relationship between participative leadership style and customer relationship management plan.

Hypothesis H_0 : There is not a significant relationship between participative leadership style and customer relationship management plan.

Hypothesis H_1 : There is a significant relationship between participative leadership style and customer relationship management plan.

Table 3: Pearson's test for the third hypothesis

Value for Pearson	Number	Significant level
0.613	196	0.007

Since, the test is significant at the one percent level then hypothesis H_0 is rejected and opposite hypothesis confirmed, therefore, there is a significant relationship between participative leadership style and customer relationship management plan.

The fourth hypothesis: There is a significant relationship between participative leadership style and culture of customer relationship management.

Hypothesis H_0 : There is not a significant relationship between participative leadership style and culture of customer relationship management.

Hypothesis H_1 : There is a significant relationship between participative leadership style and culture of customer relationship management.

Table 4: Pearson's test for the fourth hypothesis

Value for Pearson	Number	Significant level
0.701	196	0.002

Since, the test is significant at the one percent level then hypothesis H_0 is rejected and opposite hypothesis confirmed, therefore, there is a significant relationship between participative leadership style and culture of customer relationship management.

CONCLUSION

Value for Pearson that was obtained from participative management and strategy factors of customer relationship management, relationship management structure, customer relationship management plan, and culture of customer relationship management were in average (0.583) that shows a relatively high relationship, therefore, it can be concluded that participative management has a positive effect on these factors.

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