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Customer Relationship Management and Organisational Performance of Selected Insurance Firms in Ogun State, Nigeria

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Abstract

In today's competitive landscape, the Nigerian insurance sector has become increasingly dynamic due to various restructuring initiatives. This resilience persists despite challenges such as shifting consumer preferences, technological advancements, demographic changes, political instability, and economic fluctuations. This study investigates the effect of customer relationship management (CRM) practices namely customer-oriented focus, conflict handling, and effective communication on the performance of insurance companies in Ogun State, Nigeria. A survey was conducted with 192 top and middle management personnel from Mansard Insurance, Anchor Insurance, and Leadway Assurance. The results, analyzed using the Statistical Package for the Social Sciences (SPSS) and regression analysis, yielded an R-squared value of 0.845, indicating a significant impact of CRM on organizational performance. The study recommends continuous customer orientation training to ensure employees receive up-to-date and effective guidance, highlighting the crucial role of management commitment in sustaining performance and success. This research contributes valuable insights to the literature and offers practical recommendations for stakeholders in the insurance sector, while also suggesting areas for future research to better understand the evolving relationship between CRM and organizational performance in Nigeria's dynamic market.

Introduction

During the industrial revolution, the primary focus was on mass marketing and production, with business fundamentals evolving rapidly due to changing customer needs, organizational strategies, and competitive dynamics. Today, customer needs continue to evolve quickly, driving changes in organizational processes. The traditional product-oriented model of "design-build-sell" has shifted to a customer-oriented approach, described as "sell-build-redesign". While the Nigerian insurance industry has grown, its market penetration remains low, despite increased customer awareness of the need to insure their property against risks (Anaesoronye, 2023). The key segments in Nigeria's insurance market are life insurance and general

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insurance, with the latter dominating the market in 2022. General insurance covers areas such as property, motor, marine, aviation, transit (MAT), personal accident and health (PA&H), and other miscellaneous insurances. A new law-making health insurance compulsory for all Nigerians has contributed to the growth of the general insurance segment. Notably, Nigeria ranked 62nd globally in 2018, with $1.64 billion in premium collections. However, the insurance industry faces increasing global competition as business dynamics shift. Technology, complexity, innovation, and globalization are reshaping the landscape of insurance in Nigeria (Joyner, 2022).
Survival in this rapidly changing environment hinges on differentiation, and relationships play a crucial role, especially when the services offered (like insurance) are similar. The quality of these relationships is the key differentiator between organizations. Recognizing that relationships determine future organizational value, maintaining a relationship scorecard becomes essential. This scorecard outlines the strengths, weaknesses, opportunities, and threats related to each relationship (Achumba, 2016). Organizations are now focusing beyond mere one-time transactions and instead view each transaction as an opportunity to establish long-term customer relationships through excellent customer service. In recent years, companies have had to quickly adapt their strategies to foster stronger relationships with customers by employing various tools and techniques. Customer Relationship Management (CRM) has emerged as one such tool, offering a range of methods for attracting, acquiring, nurturing, retaining, and building strong relationships with customers. CRM involves a dual creation process where information is gathered, integrated, accessed, and exchanged to generate value for future customers based on insights gained from current customers (Boulding, Staelin, Ehret, & Johnston, 2020).

In the 1990s, significant advancements were made in CRM practices within Nigeria's insurance sector, expanding beyond mere data collection to improve customer service. The focus shifted towards building sustainable, long-term customer relationships aimed at fostering loyalty and maximizing customer lifetime value. This approach focuses on identifying the most profitable customers and prospects, expanding relationships with them through personalized marketing (Onut, Erdem, & Hosver, 2021). Customers are more likely to remain loyal when their needs and expectations are effectively addressed, leading to repeat purchases and consumption of services. Satisfied customers significantly contribute to organizational performance by fostering long-term relationships, which in turn boosts profitability. The goal for companies is to retain these loyal customers, resulting in continuous transactions and improved organizational performance (Adelina, 2020). Today, Nigerian insurance companies are re-evaluating their strategies to meet and exceed customer expectations by implementing robust CRM policies and programs, ensuring their continued relevance in the competitive business landscape.

In today's highly competitive environment, there is minimal distinction between the services offered in the insurance industry. Despite the adoption of various customer relationship management (CRM) strategies and year-on-year growth by insurance firms, customer dissatisfaction with the services provided by insurance companies persists. This dissatisfaction stems from several factors, including inadequate customer service, delayed claims processing, and limited product differentiation, all of which contribute to the industry's low market penetration (Anaesoronye, 2023). Insurance companies struggle to effectively manage and retain customers because of the minimal differences in the services they offer.

Previous studies by Vasiliu (2012), Feinberg and Kadan (2022) have primarily focused on the impact of relationship management on customer satisfaction in industries such as manufacturing and banking. However, these studies overlook how relationship management practices such as customer-focused orientation, conflict handling, and effective communication affect customer satisfaction specifically in the insurance sector. Furthermore, although CRM is recognized as an essential tool for improving customer relationships, there are significant challenges and gaps in its implementation within the insurance companies operating in Ogun State. This research aims to fill a knowledge gap by investigating the direct connection between customer relationship management and its impact on organizational performance within selected insurance companies in Ogun State, Nigeria. This study aims to investigate the effect of customer relationship management on organizational performance of selected insurance companies operating in Ogun State, Nigeria.

Literature Review

Conceptual Review

Customer Relationship Management

Customer Relationship Management (CRM) has emerged as an integral facet of contemporary marketing, rooted in the principles of Relationship Marketing (RM). The prominence of CRM in the business landscape during the 1990s, driven by Relationship marketing principles, captured widespread attention and interest within both the research community and the international business arena. This evolution marked the inception of a novel business environment, creating avenues for the implementation of customer relationship management strategies. The primary emphasis of Customer Relationship Management (CRM) lies in establishing connections with customers with the aim of enhancing customer satisfaction and maximizing profitability. CRM consists of three essential components: customer, relationship, and management (Al-Badawi & Enayat Tabar, 2019).

In the twenty-first century, with the pervasive shift towards online platforms, the Internet has profoundly influenced society, instigating a revolution in various domains. This significant societal and technological transformation underscores the increasing reliance on technology as an indispensable and valuable component of contemporary existence. At its core, CRM is a strategic approach that integrates people, processes, and technology to manage and optimize interactions with current and potential customers throughout their lifecycle with the organization. Effective CRM relies on robust customer data management systems, facilitating the collection, storage, and analysis of relevant customer information. This allows organizations to gain insights into customer preferences, behaviors, and needs.

The overall goal of CRM is to boost marketing productivity and augment reciprocal value for the entities engaged in the relationship. CRM holds the capacity to enhance marketing productivity and generate mutual value by elevating marketing efficiencies and/or refining marketing effectiveness. The scope of customer relationship management encompasses various aspects of marketing and strategic decision-making. Its recent prominence is driven by the intersection of multiple marketing paradigms and corporate initiatives centered around the idea of cooperation and collaboration among organizational units and stakeholders, including customers. Additionally, organizations need to allocate resources for data entry, system updates, and user support, which can strain budgets, especially for small and medium-sized

enterprises (Payne & Frow, 2021).

Customer-Oriented Focus
As far back as 1954, Drucker asserted that the primary purposes for a business's existence were innovation and the satisfaction of customers at a profit (Drucker, 1954). In the same vein, in 1960, McCarthy introduced the idea of a marketing concept as a novel philosophy, distinguishing it from the production-oriented philosophy. Kotler (1967) aligned with a similar perspective and introduced what he termed as the new marketing concept. The "new" marketing concept partially reversed the logic of the old one. In the old concept, the company initiated its approach from existing products, contemplating ways to boost sales. Conversely, in the new concept, the company commences with the customer (both existing and potential) and retraces its steps back into the company, pondering on what products – or preferably, what solutions – are essential to meet the needs of those customers.

Conflict Handling
Conflict is an unavoidable and occasionally persistent aspect of personal, professional, and organizational existence. Conflict is an inherent aspect of human interactions, and in the realm of business, effective conflict handling with customers is pivotal for maintaining positive relationships and ensuring long-term success. Customer conflict arises from disparities in expectations, misunderstandings, or dissatisfaction with products or services. Managing these conflicts requires a nuanced understanding of customer needs and effective communication strategies (Rahim and Magner, 2019).

Effective Communication
Effective communication is a cornerstone of organizational success, interpersonal relationships, and overall societal functioning. Effective communication involves the transmission of information in a manner that is clear, understood, and elicits the intended response. It encompasses verbal and non-verbal cues, active listening, and adaptability to diverse communication styles. Clarity and conciseness in messaging are essential for effective communication. Ensuring that messages are straightforward and easily comprehensible reduces the risk of misinterpretation.

Organizational Performance
Organizational performance is a multidimensional construct encompassing various aspects of an entity's effectiveness, efficiency, and success. Operational performance focuses on the efficiency and productivity of organizational processes, aiming to optimize resource utilization and reduce operational costs (Roth & Menor, 2021). Positive customer experiences, satisfaction, and loyalty are vital components of organizational performance, influencing market share and long-term success (Homburg, 2019). Assessing the general workforce's conduct in handling specific tasks or assignments within an organization is termed organizational performance. Individual performance is scrutinized to gauge the effectiveness with which a particular activity or job was carried out. Motivation stands out as one of the numerous factors influencing an employee's job performance, subsequently impacting organizational performance (Kalogiannidis, 2021).
The performance of an organization is intricately tied to its adept utilization of employee knowledge, emphasizing that employees should not be isolated or demotivated (Sahabuddin et al., 2021).

Research Hypotheses

H_{o1}: *Customer relationship management does not affect organizational performance of selected Insurance companies operating in Ogun State, Nigeria.*

Theoretical Review

Social Exchange Theory

Social Exchange Theory, originally introduced by George Homans in his 1958 publication "Social Behavior as Exchange," defines the concept as the reciprocal exchange of actions between two or more individuals, encompassing both tangible and intangible elements that can be rewarding or costly (Homans, 1961). The fundamental premise of social exchange theory posits that human social behavior consists of exchanges of value, where individuals are driven to maintain some form of value (rewards) when making sacrifices (costs). People engaged in social exchanges that yield more rewards than costs. At the core of research on behaviors and work attitudes lies the conceptual foundation of social exchange theory, rooted in long-term exchanges of favors that lack explicit accounting but are grounded in a tacit promise to reciprocate (Aryee, 2019). Employee attitudes, behaviors, and beliefs concerning their organization are linked to the promotion of social connections by managers, as evidenced in work satisfaction and organizational commitment (CIPD, 2007). By applying this theory, insurance companies in Ogun State can understand that maintaining a balance of rewards over costs for new customers leads to higher satisfaction, loyalty, and the overall performance. By focusing on the reciprocal nature of customer relationships and the long-term benefits of positive social exchanges, insurance companies can develop strategies that enhance customer loyalty, improve employee engagement, and ultimately drive better business outcomes.

Empirical Review

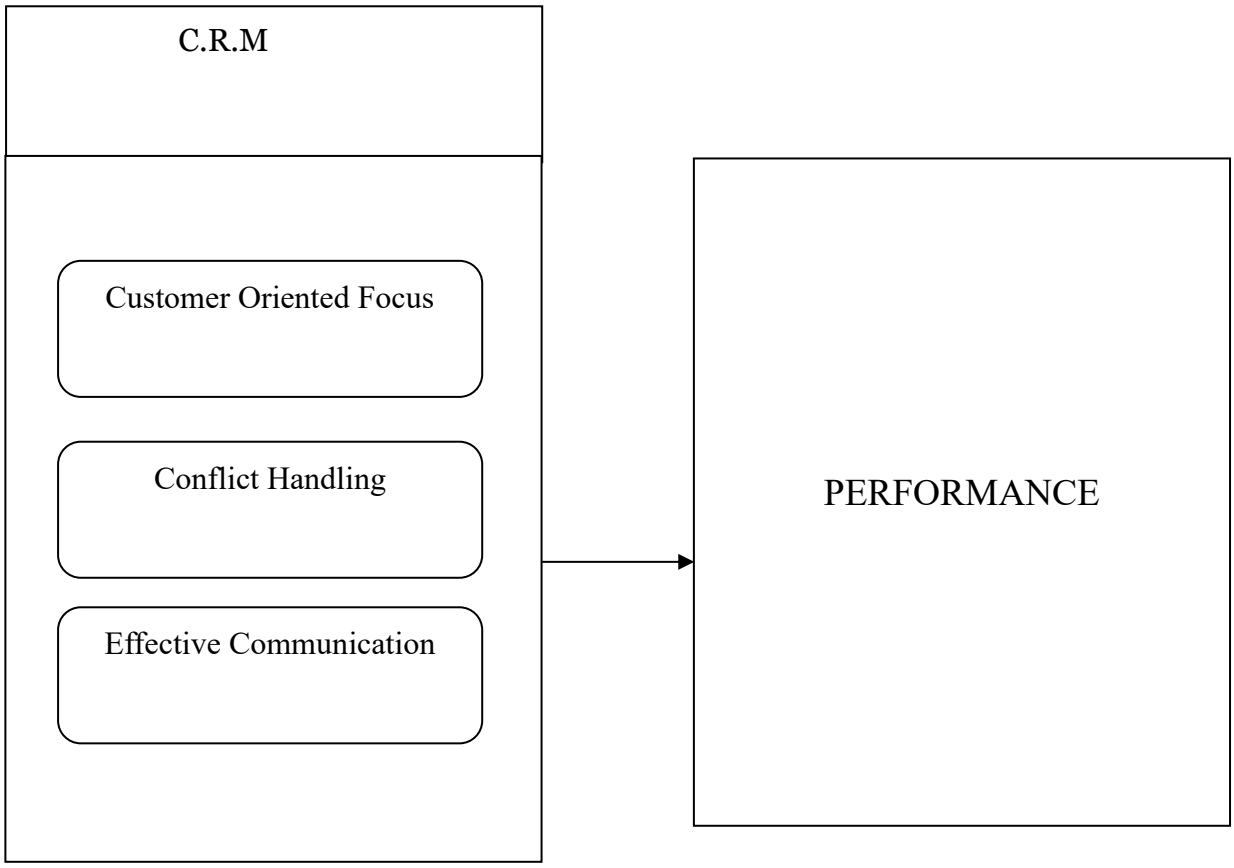
Review of Customer Relationship Management on Organizational Performance

Customer Relationship Management (CRM) has been identified as a crucial factor influencing organizational performance across various industries. In the Nigerian insurance sector, CRM practices, including customer-oriented focus, conflict handling, and effective communication, have shown a positive correlation with performance indicators such as customer loyalty and profitability. Olowokudejo and Fagbemi (2021) found that CRM significantly improves organizational performance, but they also highlighted that other factors like the company's image and branch network play critical roles. This finding suggests that while CRM enhances customer relationships and satisfaction, it needs to be part of a broader organizational strategy for maximum impact. Effective CRM strategies not only retain existing customers but also attract new ones, ultimately boosting the overall market performance of insurance firms (Feinberg & Kadan, 2022).

Moreover, empirical studies in other industries also underscore the importance of CRM in organizational success. For instance, Muathe, Karanja, and Kuria (2014) demonstrated that marketing capabilities and CRM jointly contribute to improved performance in mobile service intermediary organizations in Kenya. They recommend focusing on elements such as marketing research, pricing strategies, and customer relationship management to achieve better outcomes. In a similar vein, Rahim and Magner (2019) emphasize that effective conflict handling, and

communication are critical in maintaining long-term customer relationships, especially in-service industries like insurance. This is particularly important in competitive markets, where the ability to resolve conflicts quickly and maintain transparent communication can lead to increased customer satisfaction and loyalty (Wang, 2019).

Conceptual Framework



Source: Researcher Conceptual Model, (2024)

Research Methodology

The research design selected for this study was a survey design, which was appropriate for systematically collecting and analyzing data from the study population to explore potential cause-and-effect relationships between the identified variables. The population consisted of 192 employees from selected prominent insurance providers such as AXA Mansard Insurance, Anchor Insurance, and Leadway Assurance operating in Ogun State, Nigeria. Ogun State, being a significant industrial hub in Nigeria, hosts many insurance companies, making it a suitable location for this study. A self-administered questionnaire was utilized to collect data regarding the impact of Customer Relationship Management (CRM) on the organizational performance of these insurance companies. The study employed a total enumeration technique, where all 192 employees of the selected insurance companies were included as the sample, due to the relatively small population size. This approach ensures a comprehensive understanding of the opinions and characteristics of the respondents. Simple random sampling was not needed as all employees were surveyed. This methodology is consistent with related studies

(Gasemi & Rasak, 2016; Onyali & Okerekeoti, 2018). The data collected were analyzed using SPSS version 26, allowing for an in-depth analysis of the relationship between CRM practices and organizational performance in the selected insurance firms. The study did not measure the attitudes of the respondents, focusing instead on their opinions and characteristics as they relate to CRM and performance. A breakdown of the target respondents per insurance company are as stated in Table 3.2

Table 3.2: Sample Size Distribution According to the Insurance Firms

S/N	Company	Population
1	Leadway Assurance Ltd	72
2	AXA Mansard Insurance	78
3	Anchor Insurance Company Ltd	42
	Total	**192**

Source: Human Resource Department of Respective Firms (2022)

Content and face validity will be employed to assess the validity of the research instrument. This involves ensuring that all the questions in the questionnaire comprehensively address the research questions and hypotheses. The study utilized Test-Retest reliability to ascertain the research instrument's dependability and stability. A structured and validated questionnaire was adopted for data collection. Cronbach's alpha reliability coefficients for the constructs ranged from 0.71 to 0.80.

Results

The study is a census survey hence, the total target population of the study was one hundred and ninety-two (192) employees of the selected insurance companies in Ogun state. Therefore, a total of one hundred and ninety-two (192) copies of questionnaire were distributed to all the employees of the selected insurance companies in Abeokuta, Ogun state but a total of 174 copies are properly filled and retrieved. This represent 91% response rate and it is however considered a successful response rate and acceptable to make reliable and accurate conclusions on the study objective.

H_{o1}: Customer Relationship Management has no significant impact on Performance of selected Insurance companies operating in Ogun State, Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.919[a]	.845	.844	.50800

a. Predictors: (Constant), C.R.M

ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	241.664	1	241.664	936.440	.000[b]
	Residual	44.388	173	.258		
	Total	286.052	172			

a. Dependent Variable: Performance; Predictors: (Constant), C.R.M

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.042	.067		15.641	.000
	C.R.M	.825	.027	.919	30.601	.000

a. Dependent Variable: Performance

b.

The above statistical computations show that the R-squared value is 0.845 can however be inferred that performance accounted for 85% customer relationship management variables and the remaining 15% can be accounted for by factor outside the model. The R-squared value obtained is also in agreement with the F-statistic and t-statistic obtained in a and b above which show a good representation of its data. The residual value above has also helped to overcome the problem of autocorrelation. It can therefore be concluded that customer-oriented focus has significant impact on customer loyalty of selected Insurance companies operating in Ogun State, Nigeria. the rejection of the null hypothesis subject to the decision rule

Discussion

The result analyzed using the Statistical Package for Solution Service (SPSS) with the regression method with an R-squared value is 0.845 shows that there is significant effect between Customer Relationship Management practices and Organizational Performance.

It shows that effective customer relationship management variables have significant impact on Performance of selected Insurance companies operating in Ogun State, Nigeria. This finding aligns with a study by McKinsey (2023), which emphasizes the critical importance of seamless, omnichannel customer experiences in the insurance sector, highlighting the impact of each customer interaction due to its infrequency. Additionally, Doe et al. (2023) reinforce this by pointing out the significance of digital innovation in enhancing customer loyalty. Smith and Jones (2023) further corroborate this, illustrating how personalized services considerably influence customer loyalty. In the same vein, a 2021 study by Olowokudejo and Fagbemi on management of customer relationships and the organizational performance of the insurance industry in Nigeria further support the findings of this study. Brown's research (2023) confirms that understanding and catering to customer needs through both digital and personalized services cultivates stronger loyalty.

Taylor (2023) elaborates on the critical role of responsive and fair conflict handling in sustaining customer relationships. Finally, Green et al. (2023) emphasize the necessity for insurance companies to leverage customer feedback and data analytics to optimize their conflict resolution strategies.

Conclusion and Recommendations

The research aimed to explore the impact of customer relationship management (CRM) practices on the performance of selected insurance companies in Ogun State, Nigeria. The hypothesis was investigated: the effect of customer relationship management on performance. Data were analyzed using the Statistical Package for Solution Service (SPSS) with the regression method. The findings with an R-squared value of 0.845 revealed significant correlations between the CRM practices and the

respective performance indicators of the insurance companies. These results are in line with contemporary literature and studies in the field, underscoring the critical role of CRM in the insurance sector.

The study concludes that customer relationship management is a pivotal factor in the success of insurance companies in Ogun State, Nigeria. The findings suggest that insurance companies that invest in understanding and catering to customer needs, resolving conflicts effectively, and maintaining clear and consistent communication are likely to see improvements in customer loyalty, retention, and competitive positioning. These aspects of CRM are not only essential for customer satisfaction but also for the long-term viability and profitability of the insurance companies.

The study recommends that insurance companies in the region should focus on enhancing their CRM practices, utilizing data-driven strategies, and adapting to the evolving needs of their customers to maintain a competitive edge in the market. area for future research is the exploration of the role of technological advancements in CRM. With the rapid evolution of digital tools and platforms, future studies could examine how emerging technologies like artificial intelligence, machine learning, and blockchain can further enhance CRM strategies in the insurance sector.

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