

# **Does Innovating Customer Relationship Management Improve Firm Performance?**

**Jens Geersbro**

Copenhagen Business School  
Solbjerg Plads 3, DK-2000 Frederiksberg  
Denmark  
Phone: +45 3815 2128  
[geersbro@cbs.dk](mailto:geersbro@cbs.dk)

**Thomas Ritter**

Copenhagen Business School  
Kilevej 14A, DK-2000 Frederiksberg  
Denmark  
Phone: +45 3815 2121  
[ritter@cbs.dk](mailto:ritter@cbs.dk)

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## ABSTRACT

Based on an empirical study of more than 400 B2B firms, this paper investigates the role of innovating a firm's customer relationship management capability on firm performance. There is a lot of evidence for the positive impact of customer relationship management capability on firm performance. This paper advances this stream of literature by analyzing whether or not investments into developing a firm's customer relationship capability increase firm performance. The findings illustrate that although relationship management innovation (defined as new (to the firm) processes, systems and tools for relationship management) has a positive correlation with firm performance, the impact is fully mediated by the firms' relationship management capability.

The paper also identifies internal and external drivers of customer relationship management innovation. Not surprisingly customer and competitor dynamics seem to drive relationship management innovation but contrary to expectations, competitor intensity is negatively correlated with innovation; the more intense competition the less innovation.

In conclusion we identify managerial implications and suggest avenues of further research.

## KEYWORDS

Business relationship, customer relationship management, capability, innovation, performance