

# **CYBERNETIC PROTOTYPICAL OF CRM FOR VALUE CREATION**

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## **ABSTRACT**

*Theories of marketing register a shift from the paradigm of involving customers for production calls to a more profound relationship between producers and customers. For this purpose, Customer Relationship Management (CRM) has widely been used in organizations to manage, retain and satisfy the customers, but seldom used for the recurrent interaction for value creation. The present study proposes using CRM process with system dynamic perspectives for the recurrent interaction of value creation. CRM is a highly split setting and has come to mean different things to different people, so as it evolves with second order cybernetics it will help to open new horizon of success for organizations. This paper aims to fill this gap and pave the way through a prototypical towards a better understanding of the mechanisms Viable System Model (VSM) of CRM for value creation.*

**Keywords:** CRM, VSM, Cybernetics, Cybernetic Prototypical & Value Creation

## **INTRODUCTION**

Since the beginning of new millennium, the stance changes from customer satisfaction to value creation and has steadily created the improvement and dispersion of computerized innovations and a more profound grip of convinced learning. As discussed by Vallaster and Von Wallpach (2013), over three-decade prior, the inexorably engaged social abilities of individual customers, made conceivable by the progressions of data and correspondence through technologies, have shifted the paradigm from involving customer to value creation. Surely, the traditional rationale of showcasing in view of generation and supply of products to focused customer, has ended up and is incapable of portraying powerful procedures of CRM for value creation (Oulasvirta, Hukkinen & Schwartz, 2009). The previously stated paradigm implies that customers are progressively a dynamic member, not only a minor focus who uses the products or services. This infers organizations that are excited about co-making search for better approaches to designate clients with counseling parts in their procedures of making a quality proposition.

Customers along these lines are no viewed as idle. They focused on worth recommendation yet are fairly co-makers of the quality they purchase. Value creation is, in fact, a complex dimensional experience that accepts diverse undertones relying upon the time and settings of customer's behaviors (Vargo & Lusch, 2010). The CRM can grasp design (co-outline),

communication and creation (advertisement & advancement) features of products and services of the organization, furthermore, is influenced by the proficient customer (Kalyar, Rafi & Azeem, 2013). Understanding the CRM amongst customers and firms through which the estimation of new products is designed can fill the current gap in the literature and administrative practice. Cybernetics can give valuable knowledge to this point, and Espejo (1990) explained that VSM can be utilized to oversee and actualize value creation process for the new product development or to update of existing ones.

Although it has significant important, just few studies have debated and make a structure that helpful in dealing with the procedures of value creation for product improvement, development. Among these studies, Hoyer, Chandy, Dorotic, Krafft, and Singh (2010) made an extensive system and an exploration plan, while Saarijärvi (2012) considered the vital ramifications of quality co-creation components. These works provide pertinent contribution yet don't manage building a comprehensive prototypical for the administration of value creation in product development and customer relationship management. On other hand separately CRM have wide studies but not used for the purpose of value creation (Kalyar et al., 2013). Tailing this stream of studies, this paper means to fill the gap by converging on cybernetics view of value creation with customer relationship management in product development and performance of existing products.

Client Relationship Management is an exceptional part setting and has come to mean distinctive things to various individuals, though it involves with second order cybernetics it will help to open new horizon of success for organizations we aim to fill this and prepare towards a superior comprehension of the components of value creation CRM interaction by using second order cybernetics (Mulej & Schwaninger, 2006). This research supplies a framework that cybernetic can be effectively used to cope with this gap. For this purpose, the exploitation of viable system model (VSM) is well-thought-out of cybernetics. The proposed prototypical, framework and technique are existing as devices to boost customer relationship management in value creation arrangements. The proposed utilization of the VSM has a stronger depiction of systemic associations and permits a superior and more viable implementation of CRM.

## **LITERATURE REVIEW**

### **Second-Order Cybernetics & CRM**

The first order cybernetics deals with request artificial intelligence that offer overwhelming nature to observer watching secret elements such as black box out there as "real" thing whose presence was autonomous of that observer. While second order cybernetics explains that you cannot separate the observer from the system, it effects the system as well as effected by the system. The things under observations are no more imagined as 'things out

there' but second order cybernetics explains these are self-developed, self-referential frameworks, so that we name this system and by doing this we are bringing them (system) into presence. So that was a shift from modern perspective, that detachment of observer from system, so things cannot be separated from reality and system, many anthropologist and social scientist have discussed individuals are the main constituents of world they take part in circularity of world. CRM is the basic wording used to depict association to conjecture completely through the whole exchange process between customer and producers (Rafi, Kalyar & Azeem, 2011). CRM is often complete information framework that can either be move, for example, a file card framework or a mechanized framework.

CRM is a standout amongst latest oddity developments in client administration and help arranged approach to get increasingly fulfilled clients. CRM remains for client relationship administration, and it helps the administration and also keeps up the reasonable aggressive edge in the business sector. CRM essentially incorporates creating a considerable measure of data about the client, and advises how to utilize this information for the hierarchical execution (Kalyar et al., 2013). CRM is for most part realized framework for administrating the association's trades with customers, clients and arrangements projection. It holds using advancement to form, robotize, and synchronize business systems and methods chiefly bargains works out, moreover those for showcasing, customer organization, and particular support. The general targets are when in doubt to find, attract, and triumph of new clients, backing and hold those the association starting now has, entice past clients again into the fold, and diminishing the costs of promoting and customer administrations. A CRM framework at long last showed up as containing of organization data's which is indicated sophisticatedly to upsurge business benefit and build consumer loyalty and unwaveringness, on same hand diminishes business expense and speculation (Payne & Frow, 2005).

Historically, the suppliers provided services and produced goods, created products, and customers purchased those goods and services. Presently, clients can include in exchange with suppliers through each stage from the design of the product to the delivery of that product. This procedure of discussion should be perceived as an intuitive procedure of adaptive learning together (Ballantyne, 2004). Suppliers and customers have the chance to make esteem through tweaked and co-produced offering by working together. The value co-creation is an anticipated goal as it can be helpful for firms to emphasizing on the customer's or consumer's point of view and it also result in improving front-end procedures for identification of customers' needs and wants (Lusch & Vargo, 2014). The co-creation of value includes the supplier producing superior value suggestions, with customers determining value by consuming a good or service. Superior value suggestions, that are appropriate for target customers. It should result in more opportunities or co-creation and shall result in paybacks for the supplier in shape of more revenue and profits. If managed

successfully value co-creation and exchange companies can pursue to take full advantage of the life time value of desirable customer segments (Payne & Frow, 2005).

The definition for the co-creation of value process can be “a sequence of actions executed by the customer to achieve an explicit area of concern. One important feature of the client’s or customers capability for co-creation of value is volume of data, information, aptitudes and other operant assets that they can get to and utilize (Maglio & Spohrer, 2008). In order to improve the competitiveness, a supplier has to develop its ability to either add to the customer’s total pool of resources in terms of competence and capabilities (relevant to the customer’s mission and values), or to influence the customer’s process. The supplier has to make it sure that customer is able to use accessible resources with more efficiency and effectively. CRM procedures ought not to be found in old-style "designing & engineering" rationale, yet as dynamic, intelligent, non-straight, and regularly apathetic procedures. Korkman (2006) recommends that client takes part in practices. Building on the thoughts of (Reckwitz, 2002) and (Schatzki, 2001), he characterizes an activity as an arrangement of routinized activities which comprise of instruments, ability, pictures, physical space, and a dynamic player why should willing do and bear on the practice. Korkman talks about that quality is dug in clients' practices and that this worth can be enhanced through positive intercessions or further improvement.

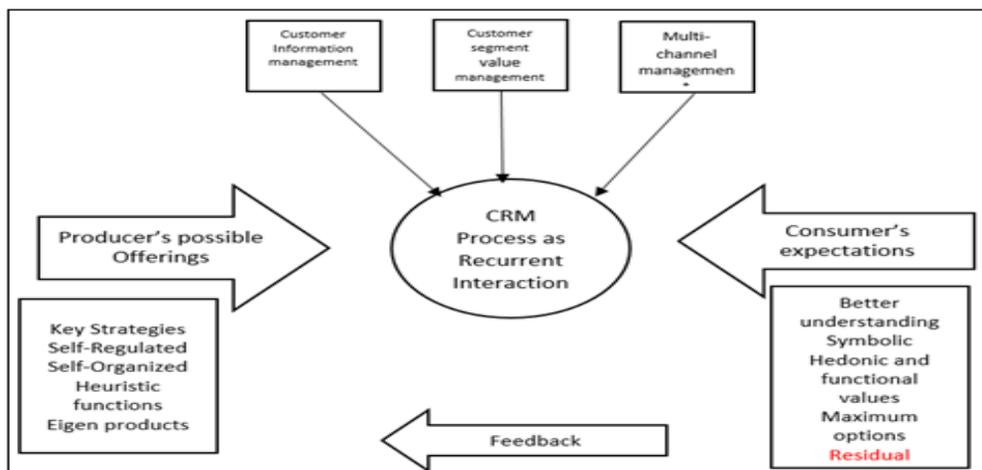
The supplier's motivation ought to be to build these client hones for co-making of quality for the client and a more loved part for itself in the client's exercises (Spohrer & Maglio, 2008). CRM value creation highly depends on the residual of the customer’s expectation as through the feedback process of this residual expectation customers notifies the supplier about required changes or modification in the offering (Payne, Storbacka, & Frow, 2008). No product can be perfect match for the wishes of customers, even if for time beings it is, then after getting the value for the product the customer will reconsider its satisfaction level and will ask for more (Vargo, Maglio, & Akaka, 2008). As per Feedback dominance theorem of cybernetics “For high gain amplifiers, the feedback dominates the output over wide variations in input”. So we can say that residual feedback from the customer is a continuous process as can be seen in Fig 1. This continuous process encourages producer to add value to the offerings and inventing the new items.

## **PROCEDURE AND DISCUSSIONS**

**Proposition 1:** Stronger feedback of the customer will push the producer to widen range of its offerings. Marshall McLuhan, a famous Canadian educationalist and a writer first used the phrase, "the global village" to define our world. Today, after more than a century of electric technology have extended our central nervous system itself in global embrace, abolishing both space and time as far our planet is concerned (McLuhan, 1964). Customer

of today's modern world have the knowledge about the technological changes around the globe. Only the product offering best features would attract his attention. World renowned companies are in process of continues development of their products. For their premium customers they design specialized and customized products to fit their need and demand. They are producing new versions of the products and this is possible only because of the feedback from the customer. Feedback from the customer is the most powerful driver for the development and customization. If the customer is satisfied with the product and don't want any change in the product, then there will be no need for research and development wing of company and there will be no innovation. Fact is customer is never satisfied with the offering of the producer it's the desires of customers which push the companies for higher value offerings.

Figure 1. Showing customer feedback as a continues process



Another aspect of cybernetics is Self-Organizing Systems Principle: Complex systems organize themselves; the characteristic structural and behavioral patterns in a complex system are primarily a result of the interactions among the system parts. Understanding the feedback of the customers to the core and delivering the offerings as per their feedback look like simple task but it is not. It is a complex system in which customers/consumers evaluate their experience of particular service or product.

**Proposition 2:** CRM self-organized system enables the producer for the value creation.

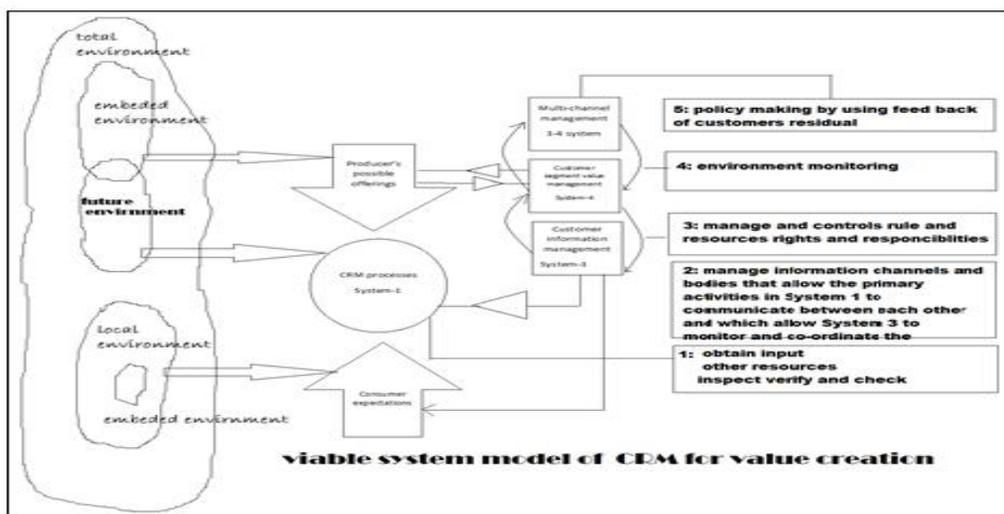
### **Design of Viable System Model of CRM for Value Creation**

CRM makes it possible for the producer to make the customer more comfortable while using customer information management and customer value management system. Value

co creation is only possible if all the elements of the CRM are aligned and working in the same direction (Payne & Frow, 2005). System has the tendency to adjust itself as per the requirements of the customers. It is because of the reoccurring nature of the system. Fig 1 explains the reoccurring behavior of System dynamics of value creation through CRM Process prototypical. If the system does not have the ability to organize itself then it may be an impossible working for the producer as well as for the customer. Producer will never understand what the demand of its customer is and all the efforts from the producer will be of no use then. From the point of view of second-order cybernetics, the business sector stadium is the physical or virtual spot where correspondences of worth suggestions produce Eigen forms and produce Eigen products (Espejo & Dominici, 2016).

Second order Cybernetics is about Viability Principle: Viability is a function of the balance maintained along two dimensions: 1) autonomy of sub-systems versus integration of the system as a whole, and 2) stability versus adaptation. A part of CRM is working on the multi-channel management system. While a system must have the ability to organize itself, the viability of the system is even more vital. Where all systems must flow independently without any hurdle the integration of the system as a whole is much needed. If all systems are not integrated, then all information will be in bits and pieces and will be good for nothing. System should be able to adjust the changes required for value creation.

Figure 2: Conceptual Model for Viable System Model of CRM for Value Creation



By focusing viable system model scheme in system 1 organization obtain input information and other resources from the residual of consumer expectations, inspect verify and checked that to fulfil it. In system 2 they manage information by using different channels and connecting it 1 and 3 to monitor and control while in system 3 there is management and

control of rules and resources about producer's possible offering. In system 4 monitoring environment (total, embedded, future and local). In system 5 policy making is carried out by using feedback of consumer residual and environment information.

A few conventions in cybernetics have existed next to each other since its starting. One is worried with roundabout causality, show in innovative improvements - strikingly in the configuration of PCs and automata and discovers its scholarly expression in speculations of calculation, direction and control. Another custom which rose up out of human and social concerns, accentuates epistemology how come to know and examines speculations of self-reference to see such wonders as independence, character, and reason. Some cyberneticians look to make a more others conscious world, while others look for simply to see how individuals and surroundings have co-developed. Some are keen on frameworks as we watch them, others in frameworks that do the watching. Some try to create strategies for displaying connections among quantifiable variables. Early work looked to characterize and apply standards by which frameworks might be controlled. Later work has endeavored to see how frameworks depict themselves, control themselves, and sort out themselves. Regardless of its short history, computer science has built up a worry with an extensive variety of procedures with individuals' dynamic coordinators, sharing communicators, and as self-sufficient, capable people.

## **CONCLUSION**

The legitimacy of the prototypical can be completely tended to by considering criteria for CRM and system theory specific model which have been met to a substantial degree:

- This prototypical of CRM and value creation ought to be associated with generally perceived crucial properties and procedures of any product and services for the consideration of both customers and producers.
- This prototypical ought to decrease intricacy for the use of customer residual as new chance to create novelty in products and services.
- It gives an effective and extensible develop for demonstrating that is ready to react to inquiries about issue circumstances.
- This CRM prototypical ought to perceive epistemic refinements like items, occasions, limits, Eigen forms of different products and services.
- Through the application of cybernetic rule in this prototypical there is capacity to give organized and self-regulated strategies are made to handle complex issues.

## **Limitations and Future Directions**

- There is nothing without limitations so this paper also strives from several, which can be studied in future. Presented research is needed to explore on both level the methodological and empirical levels.

- Indeed, while all structural and interactive practices can be construed as CRM processes linked with producer's offerings and customer expectations, getting value out of them requires approaches for their diagnosis and design.

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