



Alexander Schellong

# Citizen Relationship Management



PETER LANG

This study explores Customer Relationship Management (CRM) in government. Based on an interdisciplinary literature review and multiple-case study design, a model of Citizen Relationship Management (CiRM) is developed and discussed. The case studies explore the perceptions of CRM/CiRM by administrators, elected officials and consultants as well as its implementation and impact on the municipal level and in a multijurisdictional environment in the United States. Although the explorative part of the study focuses broadly on a theoretical conceptualization of CiRM, the immediate empirical referent of research are the 311 initiatives in the City of Baltimore, the City of Chicago, the City of New York and Miami-Dade County. Thus, the results help administrators and researchers to convey the idea and challenges of 311 well. The study shows that CRM is to a certain extent only partly able to make novel contributions to currently active reform movements in government. In addition, the study's findings support the idea that CiRM provides the means to a different kind of public participation.

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Alexander Schellong

# Citizen Relationship Management

A Study of CRM in Government



**PETER LANG**

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*To my parents*

*Zita and Priv. Doz. Dr. med. Hubertus Schellong*



Which government is the best? The one that teaches us to govern ourselves

Johann Wolfgang Goethe (1749-1832)

Everything that can be counted does not necessarily count, everything that counts cannot necessarily be counted

Albert Einstein (1879-1955)



## Acknowledgements

Noticing that around the world there is still a major gap between the promise and execution of citizen-orientation in government, I began this endeavour to understand whether a private-sector management practice called Customer Relationship Management (CRM) could work in government. Over time I realized that certain aspects of CRM were in fact not new to government. This study should allow researchers and practitioners alike to better understand, apply or discuss Citizen Relationship Management (CiRM) as well as 311 type initiatives.

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## List of Abbreviations

115	German federally reserved number for non-emergency services
211	U.S. federally reserved number for social- and health related services
311	U.S. federally reserved number for non-emergency services
411	U.S. federally reserved number for directory assistance
511	U.S. federally reserved number for traffic information
911	U.S. federal reserved number for emergency services
B2C	Business to Consumer
B2G	Business to Government
BmI	Bundesministerium des Innern
BPA	Business Process Analysis
BPR	Business Process Re-engineering
CAS	Computer Automated Selling
C	Citizen
C2C	Consumer to Consumer
CIO	Chief Information Officer
CiRM	Citizen Relationship Management
CitiStat	Performance Management System
CitiTrack	Customer Service Request (CSR) software system
CLI	Caller Line Identification
CLV	Customer Lifetime Value
CiLV	Citizen Lifetime Value
CRM	Customer Relationship Management
CSA	Customer Service Advocate
CSR	Customer Service Representative (call taker)
CTI	Computer Telephony Integration
CompStat	Policing Performance Management Concept developed by the NYPD
DMV	Department of Motor Vehicles
DOD	Department of Defense
DOB	Department of Buildings
DoITT	Department of Information Technology and Telecommunications
DOS	Department of Sanitation
EA	Enterprise Architecture
eGov	Electronic Government
EO	Elected Official
ERP	Enterprise Resource Planning
FCC	Federal Communications Commission
G2C	Government to Citizen
GIC	Government Information Center (Miami-Dade County)
GIS	Geographic Information System
ICT	Information and Communication Technology

IRS	Internal Revenue Service
IVR	Integrated Voice Response
KGSt	Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung
MBO	Management by Objective
NAO	National Audit Office
NPM	New Public Management
NPR	National Performance Review
NSM	Neues Steuerungsmodell
NYPD	New York Police Department
OLAP	Online Analytical Processing
PA	Public Administration
PPP	Public Private Partnership
RM	Relationship Marketing
SEM	Structural Equation Modelling
SES	Socio-Economic Status
SOA	Service-Oriented Architecture
SR	Service Request
TQM	Total Quality Management
VoIP	Voice over IP
ZBO	Zero-Based Budgeting

# 1 Introduction

Government, and especially public administration, plays a key role in the lives of citizens. The economic stagnation faced by many democracies in the early 1980s and its association with overregulation, poor bureaucratic responsiveness and simultaneous erosion of trust, forced governments to rethink their models of governance for the first time in fifty years (Frederickson/Smith 2003: 214-215). All these elements resulted in a global push to reshape the formal and informal ties between government and society. One of the common objectives, therefore, was a more citizen-oriented government and public services. Subsequently, governments around the globe viewed the Internet as a powerful force that could increase their responsiveness to citizens or as a means to further empower the state (Fountain 2001a).

Facing the effects of competition and globalization, the business world also recognized the importance of focusing on its customers instead of on transactions or their products. Thereafter, progressively more sophisticated consumers and advances in academic research made private businesses realize that customers were individuals with distinctive attributes and that customer relationships were an important type of organisational asset. In fact, customer relationships were seen as a potential source of competitive advantage in the 1990s (Porter 1985). The rise of the Internet further strengthened the role of the customer and opportunities for businesses to tap into customer resources such as labour, knowledge or social capital. However, in order to do this, organisations needed to move from narrow product-focused strategies towards customer-focused strategies. Moreover, enterprises had to radically transform into customer-centric organisations and continuously improve the customer relationship. These strategies eventually led to Customer Relationship Management (CRM).

CRM is the acronym and term used for a body of management philosophies, practices and technology utilizations. CRM is interpreted and implemented in different ways, and its impact remains to be completely understood. Many believe that CRM has generic validity which when applied to government improves customer service, citizen-orientation and efficiency. In short, CRM can dramatically improve the citizen-government relationship and public services.

## **This study essentially addresses the following questions:**

How is CRM understood and implemented in U.S. government? What is the impact of CRM initiatives? What is the contribution of CRM to currently active reform movements that aim at improving citizen-orientation? The answers to these questions should support two additional objectives of this study. First, answering the fundamental question of whether there is a difference between private and public CRM, and second, conceptualizing Citizen Relationship Management.

## 1.1 Background and scope of the problem

Public administration is often neglected in the discussion about the citizen–government relationship, although it plays a vital role in the way government exerts its role in society. Citizens experience policies and the structure of the state through their interactions with public administration such as law enforcement and public service agencies. Administrative practices and capabilities are usually subsumed within the general discussions of government and governmental obligations to citizens. In fact, philosophical foundations of the administrative component of government are seldom discussed at all (Waldo 1984; Rohr 1986). Yet citizen-initiated contacts with administrative officials to request or complain about a service are a critically important mode of public participation in the urban political system (Coulter 1988). Those interactions represent a pure form of Hirschman’s (1970) “voice” option, because the subject matter is automatically important and salient for the citizen (Coulter 1988: 1). Opinions offer policy makers information to “(1) understand and establish public needs; (2) develop, communicate and distribute public services and; (3) assess the degree of public service satisfaction” (Vigoda 2000: 167).

On average, citizens have more contacts throughout their lifetime with non-elected public servants on the municipal level than with their other elected representatives. According to Naschhold, Watt and Arnkill (1996: 131), “[L]ocal government has entered the political arena as a central actor.” Administrators are already to a very large extent involved in the means and ends formulation of policies at the political level (Hansen/Ejersbo 2002). Citizens also tend to have the greatest interest in their local community (Steyaert 2000). Therefore, municipal administration can be considered an important factor for trust building in the overall citizen–government relationship (Phillips 1996).

Governments have been aware of becoming more effective and efficient for quite some time. Efforts to improve public services can be traced back to the beginning of the 20th century. Since the emergence of neo-economic New Public Management (NPM) and related approaches such as Total Quality Management (TQM) (Berman/West 1995), a “customer-driven” government has been on the agenda for public servants and academics (Osborne/Gaebler 1992; Swiss 1992; Gore 1993; Albrecht 1993; Kißler et al. 1997; Alkadry 2003 ;OECD 2003). However, while studies about the private-sector customer are plentiful, relatively few offer insights on the citizen as customer. Nevertheless, by its embrace of customer service, public administration committed itself to finding the value of its efforts in the satisfaction of its citizens. In addition, citizen demands were perceived as an agent of organisational change (Lowenthal 1994). NPM became a normative model, influencing the way of thinking about the role of public administrators, public services and their goals (Denhart/Denhart 2003). But as shown by Hood and Peters (2004), there was no common way of understanding and implementing NPM. Accompanying management reforms, such as contracting out or management decentralization, were a matter of detailed negotiation and interaction within the government system rather than a matter of public interest and visible benefit (Batley 2004). Hence, despite TQM, which is a set of man-

agement activities based on statistics that is aimed at continuous quality improvement through employee empowerment and customer consultation, NPM tended to have a single-sided, internal focus (Trautmüller/Lenk 2002).

The emergence of electronic government in the late 1990s added new momentum to NPM and the goal of finding ways of improving citizen-orientation through electronic information and service provision (Caldow 1999; Cook 2000; Hagen 2000; Fountain 2001a; Gisler/Spahni 2001; Ashford/Rowley/Slack 2002; Abramson/Morin 2003; West 2005a). Information and communication technology offered the opportunity to build the “virtual state”, (Fountain 2001a) neutralizing the temporal, spatial and hierarchical limits of government and public services. In the context of eGovernment research, however, both practitioners and academic scholars argue that governments are not exploiting the potential benefits of ICT for citizen-orientation and participation (Christensen/Verlinden/Westerman 2002). Instead of infusing organisational and institutional change, most eGovernment projects represent simple reproductions of existing institutional patterns and structural relations among agencies (United Nations 2003).

Concurrent with these developments, vendors and researchers showed interest in Citizen or Constituent Relationship Management (CiRM) (Kavanagh 2001; Janssen/Wagenaar 2002; Trostmann/Lewy 2002). The term is derived from CRM, which was influenced by the study of relationship marketing (Berry 1983).

In the private sector, CRM is a widely-applied concept dealing with building stronger relationships between an enterprise and its customers (Peppers/Rogers 2004). At the core of CRM lies the goal to increase customer revenue over the lifetime of the customer relationship. Further benefits are believed to be the reduction of marketing costs, strengthening of customer loyalty or identification of opportunities for up- and cross-selling. Relationship development and management require significant resources, commitments and organisational changes. CRM typically builds on information technology to support and coordinate different types of exchanges that occur across multiple channels. Information about current and prospective customers is centrally stored, analysed and combined with additional data for management decisions and service operations. CRM definitions vary. Some scholars limit CRM to a series of customer-oriented technology solutions; others stress its holistic character, which requires a customer-centric business philosophy, business processes re-engineering and often dramatic cultural and organisational changes (Zablah/Bellenger/Johnston 2004). Evidence about the impact of CRM on a firm or evidence about customer perceptions of CRM efforts is still scarce. In fact, the literature reported that CRM projects often fail or pose many obstacles to successful implementation (Verhoef/Langerak 2003). For example, the effective management of customer relationships grows in complexity as the heterogeneity (preferences and needs) in a firm’s customer base increases (Sawhney/Zabin 2002; Eriksson/Mattsson 2002). CRM has also been criticized for misunderstanding the fundamental nature of a human relationship and factors such as trust and intimacy (Fournier/Dobscha/Mick 1998). Companies struggle with creating and sustaining good customer relationships (Price/Arnould/Tierney 1995). In contrast to CRM, knowledge about Citizen Relationship Management is in its nascent stage.

Current initiatives are mostly technology-driven through the use of CRM software in contact centers. Some publicly-owned utility agencies (e.g. water, sewer or power) have actually been using CRM software to manage their customers. Deriving a conceptualization of CiRM from a holistic understanding of CRM leads to the question of the validity and applicability of the use of CRM in government. A large-scale introduction of CiRM wreaks havoc with the structure of traditional administration, federalism, accountability and privacy, and it changes the roles of political and administrative actors. Financial revenues used by government agencies come from a collective tax base and not from product and service-generated sales. On the other hand, many aspects of CRM are not sector-specific (e.g. providing services through a variety of channels) and can be translated into the context of government. Public servants in welfare already keep files with detailed information about their clients in order to offer personalized support. Advice and services can be offered through different channels (phone, in person, Internet) to those in need.

Finally, the concept of “customer”, which was borrowed from the private sector, has flaws (Moore 1995). In this model, self-interest and the pursuit of maximizing individual utility are valued (Roberts 2004). As a resource, customers mostly supply information or capital (Mills/Chase 1983). Moreover, it is difficult to identify who the customers of a government agency are. Advocates of traditional public administration point out that agencies serve their clients but also owe accountability to the collective interests of citizens, not the aggregation of their preferences (Kelly 2005). Even if all customers are identified, government has another dilemma. Citizens seem to have different and competing interests (Denhart/Denhart 2003). Value creation and citizen satisfaction in one sector of the public market may also lead to dissatisfaction in another sector. Furthermore, agencies are in many cases in the business of imposing obligations, not providing services (Smith/Huntsman 1997).

In particular, the consumerist notion of deconstructing citizens as customers raised concerns among researchers (Barnes/Prior 1995; Hood 1995). A major objection was that the citizen–government relationship is redefined as a passive commercial transaction rather than democratic participation. According to Box (1999) and others (Walsh 1991; Brown 1992; Ryan 2001), the ideas underlying the term “customer” strengthen elitist politics and reduce a complex relationship to a simplistic, voluntary one. Findings from a study in Israel that tested the relationship between public administration performance and citizenship involvement support Box’s critique. Vigoda (2002a) showed that citizens were less inclined to actively participate in political and community affairs as they became gradually more satisfied with performance. Furthermore, extensive customer orientation in government increases the probability of short-term politics at the expense of long-term political goals (Swiss 1992).

## **1.2 Definition of terms**

In this study, the term “Customer Relationship Management” (CRM) is understood holistically. CRM is essentially a cluster of philosophies, strategies and practices facilitated by technology that are designed to build a customer-centric organisation. I use

the term “Citizen Relationship Management” (CiRM) to clearly delineate CRM’s application in government. “Understanding” refers to the iterative process whereby a person tries to conceptualize an abstract or physical object (Miyake 1986). The term “implementation” refers to the process or a series of events that aim at putting into practice a concept, policy or idea. Finally, “impact” refers to the effects a concept has at the intra- and inter-organisational level on organisational culture, governance and the relationship between politics, public administration and citizens.

### **1.3 Orientation of the research**

This dissertation is based on interdisciplinary literature that seemed relevant to understanding the context of CRM. The literature included studies in political science, administrative science, business management and information science. Thus, the fundamental orientation of the research is similar to that of the policy sciences. The general approach of the policy sciences is problem-oriented, multidisciplinary, multimethod, empirical, intentionalist, process-oriented, value-committed rather than value-neutral or value-free (Brunner 1982; Torgerson 1985; deLeon 1997). The focus on a single academic discipline would lead to an overly narrow understanding of a complex phenomenon such as CiRM and eventually ill-defined policy recommendations (deLeon/Steelman 2001). Minsky (1986) also argued that in order to understand an issue, it is necessary to understand it in more than one way.

The political science literature revealed a great deal about the characteristics of the setting in which CiRM is applied. It offered insights into the political context that surrounds policy making and implementation, the nature and behaviour of legislative institutions, and the philosophical ideas of citizenship. The administrative science literature supplied a rich, well-developed theory of public administration and public management in democracies. It also described important reform movements such as NPM and eGovernment, and discussed the differing roles of citizens. In addition, it provided empirical evidence on reform initiatives and their effects on public administration. The literature on business management, especially in the field of marketing, provided the frame of reference for CRM and its exploration in government. In addition, findings from research on CRM, consumer behaviour and customer satisfaction were considered when attempting to build a better understanding of the citizen as customer. The literature on information science, especially administrative information science, offered technical insights into CRM and eGovernment. The possibilities and limits of technology have a strong influence on the way it is enacted to facilitate CRM strategies and CRM operations.

### **1.4 Significance of the Study**

The argument of advocates for CRM in government often focuses on the potential inefficiency and lack of customer service in public administration. However, advocates mostly present the concepts of CRM. Based on the few actual examples of CRM presented by authors, it becomes evident that there is no commonly-accepted framework that allows one to identify when CRM is taking place in government and when it