

## Effect of human resource capabilities on customer relationship management in private hospitals in Kenya

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### Abstract

The purpose of this study was to establish the effect of human resource capabilities on customer relationship management in private hospitals in Kenya. The study adopted descriptive survey design. It targeted 161 private hospitals which are accredited by NHIF in Kenya and which formed the unit of analysis of the study. Simple random sampling was then be used to obtain the 644 respondents. The researcher utilized a structured questionnaire with a five-point Likert scale to gather the data. The collected data was coded and entered in SPSS for further analysis. Descriptive and inferential analysis was conducted. The findings found there is indeed a positive statistically significant relationship between human resource capability and customer relationship management. However, human resource capabilities had the least effect with 31.5% implying that most private hospitals either do not have enough staff, the reward system is not adequate, there is no staff involvement or either there is no career progression and therefore staff were not satisfied. This can also imply that the managements were keener on other drivers that are directly involved in customers like information technology infrastructure. The study recommends that hospitals should stand out from the competitors by hiring highly skilled staff as well as embracing an integrated patient centric efficient care delivery for successful delivery of effective CRM. Managers should recognize that human resource capability is valuable, rare, irreplaceable, and difficult to imitate; therefore, it is crucial for creating sustainable competitive advantages, and if utilized appropriately, it can improve CRM of an organization.

**Keywords:** Human resource capabilities, Customer relationship management, Private hospitals

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### Introduction

Human resource capability applies to highly motivated, skilled and paid workers with experience in their field of expertise. Human resource capability is generally regarded as an asset to the organization because it offers skills that enable the company to deliver quality services (Sadiq et al., 2014). According to the RBV theory, human resource capability is an intangible resource. Madhani (2016) confirms that this capability should be enhanced in order to develop strategies that would enable institutions gain competitive advantage.

In the context of CRM, employees have contributed in building relationships with customers regardless of the implementation levels of CRM through the efficient use of technology and other business operations (Chang, 2013). Chang (2013) further asserts that implementation of CRM requires strong human touch since technology on its own is not sufficient. It follows that if only technology is available without adequate human resource capability, then implementation of CRM becomes futile. A customer-oriented culture is also considered an important component for CRM to be affected by employees. This will ensure employees acquire the necessary skills to ensure they have perfected the art of interacting, engaging and retaining customers through effective training workshops (Akroush et al., 2011).

Another perspective holds that CRM skills, such as human resource capability, have faced challenges

such as the lack of employee participation in the implementation of CRM, leading to poor commitment (Bohling et al., 2006). A survey that was carried out by Newby et al. (2014) to investigate how CRM technology was adopted in Small and Medium Enterprises in retail, manufacturing and service industry in South California, findings revealed that it was crucial for the management team and employees to fully participate in the adoption of CRM. According to Kumar (2012), employees' ability to respond in a timely manner to customer enquiries has a positive and significant effect on customer loyalty and experience.

Increase in the number of customers served, customization of services, reduction in the amount of time spent attending to customers and increased productivity, are outcomes of having enhanced human resource capabilities. The emphasis by Simmons (2015) on the importance of firms to support staff through enhancing their skills confirms that this has resulted to an increase in the organizations' effectiveness in delivering service. However, previous studies have also stated that employee satisfaction is an outcome felt as a result of implementing CRM strategies (Lam et al., 2013). This is important to highlight because, service organizations are considered to have more influence on customer satisfaction, especially when workers are satisfied with their work environment.

Githinji (2017) examined the impact of customer relationship management capabilities on performance of commercial banks in Kenya. Correlation and descriptive research design were used which allowed administration of questionnaires as instruments of the study. Sample size was 111 employees who were drawn from different banks. The findings established that the most dominant customer relationship management capability used by commercial banks was the human resource capability where building relationships with customers was emphasized on. Both the information technology and human resource capability had significant positive influence on organizational performance. Based on findings, human resource capability should be enhanced by training employees on how to improve their skills and competencies by developing more profitable and sustainable relationships with customers. Additionally, information technology combined with people skills would further improve the organizations effectiveness in service delivery. This is because technological innovations provide suitable infrastructure for employees to increase their responsiveness to customer queries, increase their productivity and reduce amount of time required in dealing with a large pool of customers.

Njoroge (2016) conducted a study to examine the determinants of customer relationship management strategies on small and medium-sized enterprises performance in Nairobi County. The study used descriptive research design to target a population of 900 and a sample size of 102 SMEs using stratified sampling technique. The study found out that the respondents agreed to a great extent that management of SMEs was customer focused, reduces organizational constraints as much as possible, engaged all employees in creating CRM strategies, supplies enough training material and information as well as assign enough resources and budget for CRM. The study suggested that management should take enough measures to make sure that CRM strategies are adopted, and that the government and relevant organizations should supply more training to the youth on the best CRM strategies to use in marketing, finance management and production process in order connect their operation to the customers to enhance performance in SMEs.

Keshtidar, Reza, Ghandehari, and Harati (2017) explored the impact of knowledge management through Human Resources Information Systems on Customer Relationship Management in Aquatic Sport Centres. Population of the study comprised 600 managers and employees of Mashhad's aquatic

sport centres like 'Blue Waves', 'Armaghan', 'Surging Waves', and 'Sunshine Coast Park'. The study employed descriptive research design and data was collected using questionnaires. The study further used a questionnaire as measurement tool to test knowledge management, human resources information systems and customer relationship management. Cronbach's alpha method was used to validate data. Results showed that knowledge management through human resources information systems has a significant positive effect on customer relationship management. The study summarized that aquatic sport centres should pay more attention on the important role of information systems to improve on customer satisfaction along with knowledge management.

Pittaway (2017) studied service quality approaches to determine a process-based foundation for implementing best practices in Customer Relationship Management. This study used explanatory research design to close the gap on the existing literature. The study problem was that the previous literature had not defined on how to establish organization CRM capabilities. The study therefore sought to connect strategy, technology, employees and process in customer aligned organization structure. The study identified thirteen stages in the customer resource lifecycle by which customer transitions in buying cycle. The study revealed five levels of enhancing CRM capabilities which were based on human resource capability. The lowest level in CRM is level one which is characterized by ad hoc customer relationship processes and its success relies on personal heroics. This level may be profitable and the firm is responsive and regularly grapples with emergencies. Technology in this level comprises of depots of disconnected tools. Level two of CRM capabilities arose from standardized, frequent transactional activities, where staff understand their tasks and are responsible to standards, where those dependent on these services such as suppliers are acknowledged. Technology in this level coordinates these transactional activities.

Pittaway (2017) further asserts that CRM Level 3 capabilities add an organizational dimension where there is a library of standards and approved meta-processes and where transactional processes are developed in accordance with guidelines. There is active management of risks, customer requirements, and dependencies. In order to support collaboration and performance metrics, CRM technology is integrated across the company. CRM Level 4 capabilities implement quantitative CRM metrics management and controls using standards and baselines aligned with business goals. CRM Level 5 refers to an organization that regularly analyzes CRM data, metrics, controls and results at senior level and then takes action to improve processes, innovate and leverage emerging opportunities. The study confirmed the importance of human resource capabilities which allows smooth transitions through the five levels.

The reviewed literature has revealed the importance of human resource capability on CRM constructs. Studies have reported positive impact of human resource capabilities on result of success of various enterprises. Githinji (2017) identified people skills as important in improving the CRM capabilities. Njoroge (2016) examined human resource and skilled staff as crucial for the success of CRM while Keshtidar et al. (2017) established knowledge management as important for success of CRM. Additionally, Pittway (2017) studied the important of employees on success of service quality in Europe. As such, the studies focused on other industries and this study will concentrate on private hospitals for comparison purposes since there is no study which has been previously conducted on human resource capability on CRM in health sector. In that regard, the study hypothesized that human resource capability drives CRM implementation. To confirm this, the study tested the null hypothesis that there was no significant relationship between human resource capabilities and CRM.

Global health statistics report on monitoring health for SDGs indicated that weak and poor health systems remain a hindrance to progress resulting in insufficient in coverage for the most basic health services. Additionally, the AU Agenda 2063 states that, the main challenge in healthcare system is that, Africa countries lack advanced modern technology and informatics tools. In Kenya, the vision 2030 and big four agenda aim to attain universal health coverage that is accessible and affordable as well as safe medicines and vaccines for all. The government intends to upscale insurance scheme to all Kenyans to increase the universal health coverage through NHIF registration. This however remains a challenge and a complex task.

All these statistics demonstrate a gap in the industry, owing to the government's effort to fund and improve health standards of Kenya. The new millennium is in the centre of volatile transformation, witnessing expeditiously dynamic market environment, explosive equity markets, modernized value chains and advanced global competitors. Customer needs and preferences have as well changed and customer loyalty in the sustainable competitive business world is no longer a priority and has been replaced by CRM concept. Long-term success calls for lucrative CRM strategy to meet customer-oriented objectives, and as such organizations are making CRM their first priority. Hospitals are not an exceptional and are showcasing their capabilities to gain competitive advantage in today's unstable economy. Being the vehicles used by the government in delivering healthcare services to the people, these hospitals can contribute to the agenda through effective CRM/ PRM, to increase health coverage and improve health standards. Enhanced management of customer relationship in healthcare organizations is an important component in meeting customers' demands and therefore attracting, maintaining, retaining and building customer loyalty.

Literature from different studies shows that the Kenyan hospitals' information system applications (such as hospital automation, electronic database and patient information) gather data entirely from hospital staff's viewpoints. Study done by Kathini (2012), in Mbagathi hospital found out that staff were not experienced in CRM practices. Yung et.al., (2018) did a study on CRM Systems adoption in hospitals and concluded that CRM is influenced by hospital size, complexity and compatibility. These studies failed to determine factors that contribute to low CRM adoption in hospitals as well as determine the extent of implementation. Lack of customer feedback denies hospitals the opportunity to learn the needs, aspirations and contribution of a crucial mass in their value chain. Thus decision-making may be based on incomplete and skewed information that may lead to waste, inefficiency, ineffectiveness and in worst case scenario poor management practices.

There is uncertainty regarding exactly what CRM is, the best way to implement it, or its role in improving customer interaction. Based on this background, this study aimed to investigate the factors driving the adoption of human resource capability in private hospitals in Kenya, by examining those that hospitals should prioritize when adopting customer relationship management to improve management of patient relationship in health care system, and specifically in private hospitals in Kenya.

### **Research and Methodology**

The study adopted descriptive survey design. The target population for this study was all private hospitals in Kenya. The sampling frame for this study was all 270 NHIF in-patient accredited private hospitals in Kenya.

The study applied the multi-stage sampling procedure. A sample of 161 hospitals was considered as

unit of observation. To get as accurate results as possible, four respondents on management level with the knowledge of the areas of the study were selected from each facility. They were identified as; the hospital superintendent, ICT manager, HR manager and accounts manager. This gave a total of six hundred and forty four (644) respondents.

A structured questionnaire was utilized with a five-point Likert scale to gather the data. The collected data was coded and entered in SPSS for further analysis. Descriptive and inferential analysis was conducted. Before inferential analysis was conducted, diagnostics tests were done. Descriptive statistics (frequencies, mean scores, and standard deviations) were used to describe the characteristics of the variables. Descriptive statistics provide the basic features of the data collected.

Inferential statistics was used to conclude the findings of test done on a population by taking a sample of information from the large population. The inferential statistic techniques were used to measure the significance of the relationship while the bivariate regression was employed to evaluate the role of human resource capability in customer relationship management in private hospitals in Kenya. In addition, a variance analysis (ANOVA) was presented.

The results of the study were presented using tables, cross tabulation, frequency and percentage.

## Analysis and Findings

### Descriptive Analysis for Human Resource Capability

The study sought to investigate the effect of human resource capability on customer relationship management in private hospitals in Kenya. Statements on Human resource capability were measured using a five-point likert scale with the following equivalences; 1 - strongly disagree, 2 - disagree, 3 - Neutral, 4 - Agree and 5 - Strongly Agree. Results are presented in Table 1.

**Table 1:** Descriptive Analysis results for Human Resource Capability

		SD	D	N	A	SA	Mean	S.D
	Statements	%	%	%	%	%		
HRC1	Our staffing is adequate to avoid long working hours by our staff.	1	10	17	39	34	3.94	0.99
HRC2	Staff are rewarded adequately resulting to employees satisfaction	1	11	16	37	34	3.93	1.01
HRC3	Employees are involved in the implementation of customer relationship management strategies to ensure customer satisfaction	0	14	15	38	34	3.91	1.02
HRC4	There is a career progression system that increases staff morale through growth.	0	12	16	37	35	3.93	1.02
HRC5	Our staff are highly skilled resulting to high levels of performance.	0	13	13	34	40	4.00	1.03
	<b>Overall</b>						<b>3.94</b>	<b>1.01</b>

Results show that the highest mean was 4.00, where respondents were asked to state whether the staff in their facilities were highly skilled resulting to high levels of performance and 74% agreed with the

statement. This implicit that, private hospitals were keen on hiring qualified staff and this could be due to the fact that hospitals are regulated by Kenya Medical and Dentists Board on qualifications needed. It may also be ways of ensuring staff are professionally trained to avoid errors that may lead to lawsuits due to negligence. This statement supports study by Njoroge (2016) which stated that skilled staff are crucial for the success of CRM as well as study by Keshtidar et al. (2017) which established knowledge management as important for success of CRM. The second highest mean was 3.94 where 73% of the staff agreed with the statement that staffing was adequate to avoid long working hours by our staff. This may imply that private hospitals were concerned about their staff being fatigued which may result to poor performance leading to unsatisfied customer. This statement supports work by Pittaway (2017) which concluded that staff adequacy is an important unit of human resource capabilities as it allows smooth workflow and transitions as well as adequate reward to boost satisfaction.

The second lowest mean was 3.93 with statements that there was a career progression system that increased staff morale through growth and that staff were rewarded adequately resulting to employee satisfaction. Both statements suggest that private hospitals had career progression program in place as confirmed by 72% of the respondents who agreed with the statement while 71% agreed and confirmed that staff were adequately rewarded though not to their satisfaction as 11% disagreed and 16% were not sure. This statement contradicts study by Githinji (2017) which stated that human resource capabilities should be enhanced by training employees on how to improve their skills and competencies by developing more profitable and sustainable relationships with customers. The lowest mean was 3.91 with the statement that employees were involved in the implementation of customer relationship management strategies to ensure customer satisfaction. This shows that top management were not ready to compromise customer relations through delegation of the key issue. The findings refutes those by Miyonga et al.(2018) which concluded that strategic leadership practice should increase employee motivation and decision making since motivated employees recognize what is expected of them and that they are key contributors in providing service quality.

The overall mean score was 3.94. This value implies that a majority of the respondents agreed to the statements measuring human resource capability role as a driver of customer relationship management. The Table further shows that standard deviation of all the measures of human resource capability was 1.01. This value indicates that a large number of respondents agreed that human resource capability driver contributed to customer relationship management adoption as well as implementation in private hospitals in Kenya.

### **Inferential Analysis of Human Resource Capability on CRM**

The study sought to investigate influence of human resource capabilities on customer relationship management in private hospitals in Kenya. A simple regression model was used to test the statistical significance of the independent variable (human resource capabilities) on the dependent variable (customer relationship management) in private hospitals in Kenya. The null hypothesis was:

*H<sub>03</sub>: Human Resource Capability does not have a statistically significant effect on customer relationship management in private hospitals in Kenya.*

To test the hypothesis, model  $CRM = \alpha + \beta_3 X_3 + \varepsilon$  was fitted and results are presented in Table 2.

**Table 2:** Model Fitness of Human Resource Capability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.563a	0.317	0.315	0.32008

Results show that  $R^2 = 0.317$  implying that about 32% variation in customer relationship management is explained by the management of Human Resource Capability. This relatively low relationship can be attributed to the fact that most private hospitals in failed to acknowledge their employees well resulting to poor employee satisfaction. Factors such as staff working for long hours due to lack of adequate staffing may have contributed to low staff morale. The model failed to account for 68% of the variation in CRM. This indicates that there are other factors associated with CRM which were not expounded by the model such as pension and retirement benefits. Private hospitals in Kenya may be faced with type II error meaning that there is no proper guideline on how to compensate staff after exit.

In addition, this study did not consider staff's welfare such as the last expense and group life insurance which play key role in managing human resource, contributing to motivation, and in turn good performance in customer relations.

**Table 3:** ANOVA for Linear Relationship between Human Resource Capability and CRM

	Sum of Squares	df	Mean Square	F	Sig.
Regression	22.745	1	22.745	222.002	.000b
Residual	49.075	479	0.102		
Total	71.82	480			

Analysis of variance was used to check the residual variance is reduced by predictors in regression model and the overall model significance. The linear regression F statistics presented in Table 4.20 shows that there was a statistically significant linear relationship between human resource capabilities and customer relationship management  $F(1,480) = 222.002, p = 0.000 < .05$ . The  $p = 0.000 < .05$  was less than 0.05 and thus implied that the overall model was statistically significant.

**Table 4:** Regression Coefficients for Human Resource Capability

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	3.574	0.042		84.923	0.000
Human Resource Capabilities	0.188	0.013	0.563	14.9	0.000

The regression coefficients presented in Table 4.21 shows that human resource capabilities had a statistically significant effect on the CRM in private hospitals ( $\beta = 0.563, t = 14.9, p < .05$ ) implying

that for one increase in effective management of human resource capability, CRM increases by .56 units. Given the ANOVA of 0.000 and human resource capability had a P-value of 0.000 which was <0.05, the study thus, rejected the null hypothesis and adopted the alternative hypothesis that human resource capability has a statistically significant effect on customer relationship management in private hospitals in Kenya.

The estimated regression equation is given by:

$$CRM = 3.574 + 0.188 * \text{Human Resource Capabilities}$$

It was evident from the descriptive analysis that majority of senior management in private hospitals in Kenya were keen on hiring highly skilled staff to achieve high levels of performance. Similarly, career progression system in most of private hospitals was found to increase staff's morale, with 72% of the respondents agreeing with this statement. This therefore implies that as senior management in private hospitals efficiently manage human resource well, CRM becomes more effective. The findings are consistent with Githinji (2017) whose findings established that the most dominant customer relationship management capability used by commercial banks was the human resource capability where building relationships with customers was emphasized on. Both the information technology and human resource capabilities had significant positive influence on organizational performance. This study further corroborates with one that was done by Njoroge (2016) which established that management of SMEs was customer focused, reduces organizational constraints as much as possible, engaged all employees in creating CRM strategies, supplies enough training material and information as well as assign enough resources and budget for CRM. Similarly, this study validates study by Pittway (2017) which confirmed the importance of human resource capabilities which allows smooth transitions through five levels of CRM. Finally, the findings of this study confirm findings by Keshtidar et al. (2017) in their study on the Effect of Knowledge Management through Human Resources Information Systems on Customer Relationship Management in Aquatic Sport Centers which established knowledge management as important for success of CRM.

## Conclusion

The findings found there is indeed a positive statistically significant relationship between human resource capability and customer relationship management. Therefore, the study null hypothesis (H01): human resource capability does not have a statistically significant effect on customer relationship management in private hospitals in Kenya was rejected. However, human resource capabilities had the least effect with 31.5% implying that most private hospitals either do not have enough staff, the reward system is not adequate, there is no staff involvement or either there is no career progression and therefore staff were not satisfied. This can also imply that the managements were keener on other drivers that are directly involved in customers like information technology infrastructure.

The study concluded that measures such as adequate staffing should be improved to avoid fatigue as an unsatisfied staff would not give the customer the required attention. Hospitals should also come up with good reward systems and career progression plan to motivate staff as the results show that most of the staff employed in private hospitals are highly skilled and as such, their efforts should be recognized.

The study recommends that hospitals should stand out from the competitors by hiring highly skilled



staff as well as embracing an integrated patient centric efficient care delivery for successful delivery of effective CRM. Managers should recognize that human resource capability is valuable, rare, irreplaceable, and difficult to imitate; therefore, it is crucial for creating sustainable competitive advantages, and if utilized appropriately, it can improve CRM of an organization. Finally, top leaders/management should support strategic policy process from formulation, development all through to implementation to ensure effective application of CRM in their institutions.

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