Citizen Relationship Management

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INTRODUCTION

Citizen relationship management (CIRM) refers to a cluster of management practices, channel, and IT solutions that seek to use private sector customer relationship management (CRM) in the public sector. Goals can be improving citizen orientation, better accountability, and changing the citizen government relationship. I begin with an overview of citizen orientation in government and the emergence of CIRM. The following section starts with a look at the underlying principles, goals, and components of customer relationship management. Accordingly, there is an in-depth discussion and definition of citizen relationship management. Aspects such as the citizen government relationship, technology, public participation, and organizational changes are addressed. Finally, future trends and conclusions are drawn.

BACKGROUND

It is one of the central interests of government to improve the relationship with its constituents. Public administration (PA) is often ignored in the discussion of the citizen government relationship although it plays a vital role in how the government exerts its role within society. Administrative practices and capabilities are often subsumed within the general discussions of government and governmental obligations to citizens. In fact, with a few exceptions, philosophical foundations of the administrative component of government are seldom discussed at all (Rohr, 1986; Waldo, 1984). On average, citizens have more contacts with public servants than their elected representatives throughout their life. They experience policies and the structure of the state through their interactions with the public administration, the latter being for instance law enforcement or public service agencies. Local public administrations are a strong factor for trust building in the discussed relationship.

The intense competition in the private sector and parallel service sector growth has fostered research and focus on customer management related topics (Brethauer, 2004; Laing, 2003). Furthermore, private sector customer service orientation had an influence on expectations towards public sector services.

Improving public services can be tracked back to the beginning of the 20th century. Throughout the late 1970s and since the emergence of neo-economic new public management (NPM) and its components like total quality management (TQM) (Berman & West, 1995), a customer-driven government has been on the agenda for public servants and researchers (OECD, 2003; Osborne & Gaebler, 1992). This is due to the fact that customer demands are perceived as an agent for organizational change (Lowenthal, 1994). Today, NPM has become a normative model, especially how we think about the role of public administrators, public services, and their goals (Denhart & Denhart, 2003). In fact, as shown by Schedler (2003) or Hood and Peters (2004), there is no common way of understanding NPM. Despite components like TQM, which is a set of management and control activities based on statistics, leadership of top management and involvement of all departments and levels of employees aimed at quality assurance and citizen orientation, NPM tended to have a one-sided, internal focus on issues such as economic controlling (Traummüller & Lenk, 2002). This might also relate to NPM's missing theoretical foundation (Frederickson & Smith, 2003; Lynn, 1998).

Customer approaches to government service increased in the 1990s (Albrecht, 1993; Gore, 1993; Kibler, Bogunil, Greifenstein, & Wiechmann, 1997; Swiss, 1992). Especially true with the managerial/consumerist notion of deconstructing citizens as a consumers raising concerns among researchers (Barnes & Prior, 1995; Hood, 1995). A major objection is that the citizen government relationship is redefined as a passive commercial transaction, rather than an interactive political engagement. It strengthens the idea of elitist politics and reduces a complex relationship to a simplistic voluntary one (Box, 1999). Furthermore, it supports short term politics undermining long term political goals (Swiss, 1992).

The emergence of electronic government (e-government) in the late 1990s added new momentum to the NPM oriented reforms and research on public services improvement through online applications (Abramson & Morin, 2003; Ashford, Rowley, & Slack, 2002; Caldw, 1999; Cook, 2000; Fountain, 2001a; Gisler & Spahni, 2001). I define e-government as the use of information technology to support government operations, engage citizens,
and provide government services (Dawes, 2002). ICT neutralises time, spatial, and hierarchical limits of the administration and public services.

Concurrent with these developments, first publications on public sector customer relationship management appeared (Accenture, 2003; Bleyer & Saliterer, 2004; Hewson Group, 2002; Freeland, 2002; Janssen & Wagenaar, 2002; Kavanagh, 2001; Richter, Cornford, & McLoughlin, 2005; Sharpe, 2000; Souder, 2001; Trostmann, 2002). At this point, it is neither possible to identify a clear research stream on CRM in the public sector, an adapted model or theoretical framework nor to identify the broad existence of public managers responsible for CRM. Other terms used are constituent relationship management or citizen relationship management. This article employs the term citizen relationship management.

**CUSTOMER RELATIONSHIP MANAGEMENT**

Customer relationship management can be defined as a holistic management approach, enabled by technology with a broad customer focus, to start, maintain and optimize relationships and to make customers more loyal/profitable. CRM requires a customer centric business philosophy and culture to support effective marketing, sales and service processes. This is an aggregation of existing perspectives on CRM (Payne & Frow, 2004). For a detailed overview of definitions and research streams see: (Zablah, Bellenger, & Johnston, 2004). Some authors emphasize a single technology solution, others a series of customer-oriented technology solutions and the final group stresses the holistic approach.

CRM's main goal is to optimize the customer lifetime value (CLV) within the customer lifecycle (Homburg & Bruhn, 2005). Customers are long term assets and thus major factors for competitive advantage (Peppers & Rogers, 2004). Further advantages are supposed to be a reduction of marketing costs, strengthening customer loyalty and satisfaction, reduced price sensitivity, new opportunities for up- and cross-selling and erect exit barriers (Janssen & Wagenaar, 2002).

CRM builds on principles of relationship marketing (Berry, 1983). Unlike transaction marketing which focused on a one time transaction (selling process), relationship marketing is about attracting, maintaining and enhancing customer relationships. Other influences come from TQM, business process reengineering (BPR) (McAdam & Donaghy, 1999), and knowledge management (KM) (Alavi & Leidner, 2001; Grover & Davenport, 2001; Nonaka, 1994). Note that TQM and BPR are already included in NPM. Several trends like ICT developments, rigid global compe-

Collaborative CRM involves decisions about appropriate/ economic channel combinations, keeping single customer view and offering a consistent customer experience across channels. Particularly, electronic channels are very attractive as their self-service potential offers the chance to reduce costs (Kracklauer, 2003).

Processes in the back and front offices are integrated through operational CRM. Software applications can be enterprise resource planning (ERP), sales automation (SA), computer-aided selling (CAS) or knowledge management systems.

Organization and interpretation of customer data through data mining or OLAP and creation of a 360 degree view on customers are within the area of analytical CRM. Data warehousing, database management and data mining systems are an important part of the technological component of CRM.

Basic principles of CRM are personalization (products, information, services), integration (planning processes, business process reengineering, product development, collaboration), interaction (channels, long-term communication, surveys), and selection/ segmentation (identify the top 20% of customers who make 80% of the profit (pareto rule), termination of unprofitable customers). Moreover, quality/performance measurements, change management, and a strategy/measures promoting customer oriented culture are vital to any CRM concept or project.

Figure 1 summarizes these principles and visualizes the importance of the holistic approach of a CRM/CoRM. Thus, CiRM is about:

- Organization (change)
  - Culture
  - Processes
  - Structure
  - Responsibilities
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Figure 1. The CiRM framework

- Networked governance
- Cross-boundary collaboration
- Interactions
  - Channels
  - Participation
- Service range
  - Offering
- Insights
  - Analysis
  - Segmentation
  - Personalization
  - Performance measurement

CITIZEN RELATIONSHIP MANAGEMENT (CiRM)

While identifying and retaining the most profitable or most costly citizens in a commercial sense would contravene against basic principles of social justice, delivering high quality citizen oriented public services is a government policy.

Citizen relationship management (CiRM) can be defined as a strategy enabled by technology with a broad citizen focus, to maintain and optimize relationships and encourage participation. This represents a working definition because CiRM is an emerging research area. CiRM is not a theory but rather a management concept. However, it is possible to build a theory on its impact which has yet to be done.

The main goal of CiRM is to create and optimize the relationship with citizens by embedding their opinions throughout public administration instead within a certain processes/agency, certain hierarchy level or elected officials. Citizens are a valuable asset in service planning and provision (i.e., cost reductions). A responsive, accessible and citizen focused public administration that creates opportunities for participation can build a close citizen relationship strengthening democracy and legitimating its role.

Though, understanding and application of CiRM by PA practitioners is currently different than the academic discussion or business claims. Reviewing projects in the U.S. and UK, CiRM is mostly applied in conjunction with call centers (311) or citizen service centers (citizen interactions, citizen service range) with a focus on it’s technological component at the local level. Technological collaboration across agencies and jurisdictional boundaries occurs, however change and collaboration on the organizational level or other aspects of CiRM is in its early stages.

Miami/Dade County is one of the first cases of a multi-jurisdictional collaboration and a multi-channel, closed loop environment with access to information and services of over 30 municipalities and their agencies in its final level of development. To achieve this, the county takes a gradual approach by bringing in new partners one at a time to cope with any inherent challenges and risks.

Citizen Government Relationship

Before addressing CRM a deeper understanding of the citizen government relationship is needed. It can be reached through an analysis of the reciprocal factors and circumstances of both actors. In fact, psychology of the citizen as a customer/consumer of public services (demand side) as well as public service operations from citizen perspective is not very well researched (Reddick, 2005). To learn more about citizens, public administrations use surveys, focus groups and to a lesser extent citizen counsels. Unfortunately, most of (80%) of this kind of market research serves mainly to reinforce existing conclusions which is also the case for private businesses (Deshpande, 2001).

A major difference exists between customer business and citizen government relationships that offer interesting CiRM scenarios. Citizens in most countries are loyal to their government and public administration (Fountain, 2001b), something that would be a dream for any business. Citizens consider obligations to other, present and even future citizens. They have the moral and legal right (and obligation) to build or to participate in the institutions that provide public services. This is not the case for consumers.

Finally, some questions remain unanswered. Could CiRM help improving public participation? What do citizens think about their roles and segmentation? Are satisfied citizens more active or passive participants?
Contributions of a CiRM Technology Framework

A CiRM technology framework (Figure 2) enables public managers to respond in an accurate and appropriate manner to citizens’ inquiries. Public servants have access to citizen profiles and knowledge base while they are in contact with constituents regardless of the channel or state level (local, county, federal state, federal). Currently most relevant channels for information (I), communication (C), and transaction (T) type services are counter/one-stop service centers, inbound telephone, Web self-service, automated email response and kiosks.

Administrators can build new and real-time databases for future orientation. By cross-referencing citizen surveys with service usage and other related data from multiple organizations they can offer more personalized information, services and identify emerging problems (O’Looney, 2002), process or policy improvements. Since this would be an iterative process it fosters innovation.

Citizen Data

According to a study by Accenture, a consulting company, two thirds of government agencies are not using citizen data they are collecting (Accenture, 2001). Citizen data can be grouped into profile data (i.e., name, address, age, or education), service data (i.e., complaints, suggestions, or questions), contact data (i.e., contact person at agency, date of contact) and service data (i.e., type of service, usage time, costs). Research by Schellong and Mans (2004) revealed that citizens would even allow a personal profile to be saved and shared across public authorities. Those are: name, address, date of birth, education, and the current employment status. Personal history of utilized public services (25%) and personal income (12%) are barely accepted for citizen data profiles. Nevertheless, citizens have more trust in government than in private sector internet services. Information sharing is absolutely necessary to realize the desired benefits of such systems. However, local authority data silos, laws, regulations and culture pose difficult obstacles to overcome (Bannister, 2001).

Citizen Participation

CiRM attempts to integrate citizens into PA. Citizen participation is two-fold. First, it means self-service / co-production. The more automated and standardized (by heavy use of ICT), services can be organized, the more money can be saved by PA and the more work is done by citizens. Organized well, it can raise satisfaction levels as experience from other sectors (i.e., banking) shows. However, design flaws will generate dissatisfied customers using other channels. Efficiency gains can be neutralized if the streamlining potential of ICT in conjunction with self-services is mainly used to reduce the work force in the PA. A case manager that has to work on comparative more cases can be equal or less citizen oriented (in terms of response time, case handling) than before.

The second form of participation is citizen feedback/complaints on service provision (main focus), policies and any form of political issue (sub focus). Citizens reactions are good indicators of policy outcomes (Vigoda, 2002). Analytical CiRM might be able to provide the technical tools to analyze them. Unfortunately, research on citizen participation draws pessimistic conclusions on the willingness of citizens for continuous engagement (Roberts, 2004; Vries, 2000). In addition, many public administrators believe that greater citizen participation increases inefficiency, delays, and red tape (King, Feltey, & Susel, 1998).

Organizational Changes

Beyond a change of the external relationships the internal relationships change. Agencies, departments, and public managers have to collaborate closely. Consolidations and changes of processes can be necessary measures. Individuals and organizational units need to treat each other like customers to be consistent with the intended cultural change of CRM and seamless service environment. Additionally, CiRM systems can give clerks low in
the hierarchy more accountability as the rules they are to follow can be embedded within the software and not the decision maker (Fountain, 2001a). As claimed by Janowitz and Delany (1957) CiRM systems in combination with other applications might finally connect the substantive knowledge (i.e., clients, face-to-face contacts) of lower level employees with the functional knowledge (i.e., strategy, communication, management) of upper-level administrators or policy makers and avoid their isolation and at the same time give them clear information.

However, a knowledge-centric system and organization requires a front-line worker who has a broad understanding of goals, strategies, stakeholders, and how their work fits in this context. A term being used is system-level bureaucrat (Reddick, 2005). How these people capable of executing such a new role can be attracted to public administration and how upper-level administrator will react to sharing the power of “knowing” has yet to be determined. Furthermore, transparencies through reorganization and ICT will cause political battles over such issues like ownership of data (Fountain, 2001a).

**Private sector CRM lessons**

Technology facilitates improving citizen orientation or satisfaction, yet it is not required. The same conclusion is true for the private sector CRM (Rigby, Reichheld, & Scheffter, 2002). Improving office hours, accelerating service processes through redesign, training employee friendliness are just some “offline” examples that have and had a positive impact on citizen satisfaction/citizen orientation (Bogumil, 1997). CRM does not mean that the PA starts offering new services demanded by the citizens and identified through data base analysis or market research. In the medium term, it rather supports tailoring existing services to citizens needs.

Recent empirical studies suggest that CRM technology only has a moderate to weak impact on overall success of companies’ relationship building efforts (Reinartz, Krafft, & Hoyer, 2003). Reported failure rates of private sector CRM solutions can be up to 70% (Verhoef & Langerak, 2003). Interestingly similar success rates (20-30%) are reported from public sector TQM projects (Bennington & Cummame, 1997; Kelemen, 2000).

The organizational challenges inherent in any CRM initiative and the diversity of people involved pose another threat (Agarwal, Harding, & Schumacher, 2004). A large number of internal and external stakeholders creates accountability problems and makes behavioural/organizational change difficult. Many projects fail because of the lack of coordination between strategy and processes. Not establishing clear business goals before launching a CRM effort is one of the most common and important source of these problems (Ebner, Hu, Levitt, & McCrory, 2002). Public Administrations need a broad understanding of all processes and the demand side (here citizens). Continuous Leadership and communication by elected officials and executive administrators is a key to success even when there is strong opposition caused by the inherent changes over a longer period of time.

The 311/CiRM initiative in New York City is such a case. The 22 Mio USD project was planned and implemented during a budget crisis, fire stations were closed down and more than 20 administrative call centres were consolidated, but the success, especially from the citizen side, was so overwhelming that neither the media nor other political actors opposed.

Costs are as critical to companies as they are to cities, counties or federal states with tight budgets. It takes up to 36 months until a CRM strategy/system is implemented—a rather long time lag in the political sphere. Costs in the private sector usually run from 60 to 130 Mio. USD (Rigby, Reichheld, & Scheffter, 2002), (Ebner, Hu, Levitt, & McCrory, 2002). Costs for a public 311 call centres for cities like Miami, New York City or Chicago are around 15-25 Mio USD. Therefore, sunk costs have to be considered before a CRM solution chosen. Switching between systems and solutions is merely impossible and not economically justifiable towards taxpayers. Furthermore, a rise in quality of service and information transparancy can lead to an increase in its use, raising costs by enlarging facilities or staff.

- CRM systems rely heavily on databases and establishing connections to legacy systems (Foss, Stone, & Woodcock, 2003). To be efficient, information systems need to exchange data horizontally and vertically on all state and agency levels. Front and back-offices have to be integrated to offer a “closed loop” environment. A certain level of standardization is required. There needs to be more research on how far (state levels, standardization) and where (authorities, services, type of data) this is feasible. The idea runs contrary to the general understanding of federalism and call for subsidiarity particularly at the local level. Virtually, institutional boundaries would be removed. This conclusion is also true for e-government. However, the chances of creating more, rather than cutting red tape are high if we consider a paper by Peled (2000).

A government connected at all state levels (a term being used is joined up government (National Audit Office, 1999; Pollitt, 2003) and data bases with citizen profiles is on the one hand much more efficient and implies major improvements but raises a vast array of questions from a democratic viewpoint. These include questions on controlling data access and how to protect it and again on the effect of the role of the citizen within the state. At its very core, such a scenario also underpins the collectivist
Table 1. Major differences between private and the public sector CRM environment

<table>
<thead>
<tr>
<th>Private Sector CRM</th>
<th>Public Sector CRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition (some)</td>
<td>Monopoly</td>
</tr>
<tr>
<td>Market orientation</td>
<td>Jurisdiction</td>
</tr>
<tr>
<td>Million relationships</td>
<td>Billion relationships</td>
</tr>
<tr>
<td>Homogeneous product range / controllable quantity</td>
<td>Huge number of heterogeneous products (services) / uncontrollable due to political decision making</td>
</tr>
<tr>
<td>Personalization</td>
<td>“One size fits all”</td>
</tr>
<tr>
<td>Segmentation (Pareto rule 20-80)</td>
<td>Segmentation possible/no termination of unprofitable citizens</td>
</tr>
<tr>
<td>Processes flexible</td>
<td>Processes static</td>
</tr>
<tr>
<td>Budget/sunk costs</td>
<td>Budget/sunk costs</td>
</tr>
<tr>
<td>Legacy systems (IT)</td>
<td>Legacy systems (IT)</td>
</tr>
<tr>
<td>Organization culture</td>
<td>Organization culture</td>
</tr>
<tr>
<td>Laws</td>
<td>Laws</td>
</tr>
<tr>
<td>Federalism</td>
<td>Political influence (planning cycle)</td>
</tr>
<tr>
<td>Profit orientation/maximising the shareholder value</td>
<td>Democratic understanding</td>
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</tbody>
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CONCLUSION

I argued that former attempts of improving citizen orientation in the public sector have partly failed. E-government and CiRM share many objectives, tools, implications and to a certain extent the role of ICT. Indeed, CiRM adds a clear customer strategy to e-government. As demanded by Marshall (1990) CiRM and its bidirectional channel character can enhance citizenship in the administrative process. So far e-government falls short of providing researchers and professionals with a concept on creating a citizen oriented organization and public services. This is where CRM fills the gap. Implicitly or explicitly, ICT can not be the main driver of internal change processes. However, the use of ICT combined with external pressures (constituents) has change potential but may also fail due to the same reasons NPM did not meet its expectations: the logic of bureaucratic politics and multiple stakeholders within the government sphere. Instead of theoretic disquisitions on a brave new CiRM or e-government world we need more empirical evidence on many aspects of public administrations and public services to approach the obstacles in an appropriate way. The most pressing issue is the structural change of the state which is inevitable if we want to truly benefit from CiRM, ICT and other concepts. In this regard, many questions concerning understanding, ownership, control, use, responsibility, collaboration, laws, processes, and costs have to be answered by research.

REFERENCES


Ashford, R., Rowley, J., & Slack, F. (2002, September). Electronic public service delivery through online kiosks:
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**KEY TERMS**

**311:** The number was approved by the U.S. Federal Communications Commission in 1997. It is a single point of contact call centre for all non-emergency public services.

**Citizen Relationship Management (CiRM):** A strategy or management approach enabled by technology with a broad citizen focus to maintain, optimize relationships and encourage citizen participation.

**Customer Lifetime Value (CLV):** Model to measure the customer value over time. Present net value and expected future value minus costs associated with a customer.

**Customer Relationship Management (CRM):** A holistic management approach enabled by technology with a broad customer focus to start, maintain, optimize relationships and make customers more loyal/profitable. CRM requires a customer centric business philosophy and culture to support effective marketing, sales, and service processes.

**Enterprise Resource Planning (ERP):** Software solution to assist organization with all aspects of operational planning

**Online Analytical Processing (OLAP):** Approach and tool to analyze complex queries of multidimensional databases. It belongs to the broader family of business information tools which include data mining or relational reporting.

**Total Quality Management (TQM):** A set of management and control activities based on statistics, leadership of top management and involvement of all departments and levels of employees aimed at quality assurance and citizen orientation.