Organisational Adoption of CRM: Towards a Conceptual Framework

Abstract
CRM has attracted considerable attention from academics, particularly among the marketing, management and IT communities. Although a considerable overlap between the three disciplines appears to exist, as a consequence of the different success criteria, each discipline appears to have its own distinct view of what constitutes successful CRM implementation. This paper builds on the cumulative studies from the marketing, management and IT disciplines to develop a conceptualisation of the major factors affecting organisations’ adoption of CRM systems. A conceptual research framework is proposed based on incorporating key success factors that includes: organisation’s customer-centric orientation, strategic plan, internal marketing, organisation culture and leadership, project management, knowledge management and innovation essentials. Without understanding these issues, it is unlikely that an organisation will reap the full benefits from CRM.

Keywords: CRM, marketing, conceptual model, relationship marketing, strategy implementation, CRM adoption

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1. Introduction

Relationship marketing (RM) is one of the paradigms of modern marketing (Gummeson, 2008). The explosion of technology has supported RM, and has led to a rapid increase in the number of organisations adopting CRM globally. CRM is built on the foundation of RM by using technology to enable businesses to position profitable segments and implement RM strategies better (Payne, 2006). Recent studies identify CRM projects as failing to deliver the promised improvement in business performance (Frow et al., 2011). In fact, many companies perceived the CRM adoption as not delivering proven business value as a marketing tool (WU & WU, 2005). These include the companies’ inability to achieve profitable growth, and in some cases CRM negatively affected the companies’ return on investment (ROI).

CRM has evolved from technological advances and organisational changes in customer-centric oriented processes (Jayachandran et al., 2005). This suggests that CRM adoption issues are not just technical, but encompass a wide variety of factors. Interactions of theories from marketing, management and information technology (IT) disciplines and their interrelationships remain under-developed. Drawing on the CRM literature from these three perspectives, the authors seek to bridge this gap, and to develop an integrated and balanced approach to theories from these three perspectives.

This research aims to develop a holistic understanding of the major factors affecting organisations’ adoption of the CRM system. A conceptual research framework is proposed, including factors such as the organisation’s customer-centric orientation, the strategic plan, internal marketing, organisation culture and leadership, project management, knowledge management, and innovation essentials. This framework offers a combination and consolidation of the research results, with a foundation for a theory-based and empirical assessment of the CRM adoption.

2. Innovation adoption process

The innovation adoption decision process could be conceptualised as five stages: knowledge, persuasion, decision, implementation and decision (Rogers, 1983). To explore the status of CRM adoption among organisations, Ko et al (2008) focus on three of these stages: persuasion, decision and implementation. Persuasion occurs when decision-makers or individuals perceive the benefits of adopting CRM. The choice of adopting or rejecting CRM represents the decision stage. In the implementation stage, the organisation makes use of a wide range of CRM technologies to achieve its objectives. According to Kamal (2006), successful IT innovation adoption can be interpreted in different ways including individual acceptance of the technology and its implementation across organisational boundaries.

3. Multi-disciplinary review of factors affecting CRM Adoption

Over the last two decades, CRM has been addressed in the literature of both business and IT disciplines, with considerable overlap between the two fields. In spite of this overlap, these fields significantly differ in their CRM focus. Within the business discipline, CRM is involved with
marketing and management and reflects the development of marketing strategies that focus on customers’ retention. Business researchers have focused on business strategy (eg: Buttle, 2008), RM (eg: Gummeson, 2008), and customer-centric orientation (eg: Baker & Hart, 2007). They emphasise that CRM implementation requires the notion of RM to be accepted as a customer strategy across all levels of organisation. Conversely, the IT discipline has focused on knowledge management and software applications. Researchers from this field attempt to make efficient use of the technology to achieve value for business and are concerned with critical success factors involved in technology implementation (eg: Romano & Fjermestad, 2003).

However, all CRM definitions have highlighted IT as an essential component to achieve and deliver CRM goals, with RM as its underlying foundation. CRM has been defined as, “a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments.” (Payne, 2006: 22).

**The marketing discipline**
Marketing scholars stress that an organisation’s marketing strategy should be customer-centric to maximise organisation’s profitability. According to Wetsch (2003:4), “the elements of RM when combined with a customer-centric approach marketing serve as a foundation for CRM”. Organisations need to consider CRM as a strategic marketing approach to understand and influence customer behaviour, through meaningful communication to improve customer acquisition, profitability, retention, loyalty (Swift, 2000). Customer-centric orientation is a resourced and organised strategy which aims to satisfy profitable customers. It involves elements that are also characteristics of CRM including customer segmentation, acquisition, profitability analysis, satisfaction, and retention. CRM helps businesses to analyse and examine customers’ past purchases and learned characteristics, so that they can improve acquisition, cross-selling and up-selling, and increase profits (Peppard, 2000). Marketing scholars have suggested that customer segmentation is significant for CRM implementation, for redefining CRM strategies and tactics, and for effective resource allocation (Meadows & Dibb, 2008).

Businesses realise that they do not want relationships with all customers; alternatively they are targeting more profitable customers. It helps businesses to segment customers based on profitability, and so build up a portfolio of relationships with customers in those segments which are, or have the potential to become profitable. Therefore, once businesses have identified their customers’ drivers and profitability, they can better develop attractive offerings to maximise the profitable customer lifetime value and earn their loyalty (Gleaves et al., 2008). Given the relevant importance of customer profitability analysis to businesses, researchers have suggested that customer profitability analysis is significant for CRM adoption (Meadows & Dibb, 2008).

**The management discipline**
From a management perspective, businesses are concerned with organisational issues related to CRM business strategy development and implementation, and the role of the people and organisation in managing the adoption of the CRM. The review of the literature suggested that these organisational issues also include strategic planning, culture and leadership, internal marketing, and project management.

The adoption of CRM is not an easy process, since it is deeply embedded in other business processes (Harrigan et al., 2011). Consequently, businesses are re-engineering their strategies to
meet the evolving needs of customers and incorporate CRM into their business strategy. CRM is a strategy supported by technology, not a tactic; it involves substantial restructuring of organisational elements and processes, often planning strategic organisational change, whose aim is to maximise the value of relationships with company customers (Chaffey, 2008). Therefore, strategic planning processes need to adapt the new customer-centric philosophy. CRM adoption should also enable strong support among senior management, in order to create an organisational environment that is conducive to effective CRM implementation. Based on this, strategic planning at a corporate level can help businesses to maintain a strategic fit between business strategy and CRM adoption (Meadows & Dibb, 2008).

CRM can only be effective when the business redesigns the necessary structures, processes and incentives. The leading exponents of CRM adoption have cautioned of the organisational and communication issues which may potentially hinder the effective adoption of CRM (Cascio et al., 2010). This indicates that internal marketing plays a vital role in resolving these issues in RM and CRM implementation (Christopher et al., 2002). Researchers often used internal marketing terms to conceptualise the development of customer-centric orientation, employees involvement, management support, and change management issues.

Because of the complexity of CRM implementation, project management has become essential for successful CRM adoption. Accordingly, project managers need to implement specific CRM initiatives, in order to achieve CRM goals. These initiatives include creating a multi-functional project team, agreeing on specific objectives for value creation, providing detailed implementation plans, appropriate training of users, clear milestones, carrying out monitoring, and motivating employees (Reynolds, 2002). The implementation plans should implement operational procedures, measure results, and adjust plans according to results obtained during the implementation of CRM projects (Ocker & Mudambi, 2003).

It would appear that organisational culture and leadership is critical in actively supporting CRM implementation, and improving customer and shareholder values (King & Burgess, 2007). Consequently, it has become essential for managers to assess and understand how CRM goals fit with the organisation’s culture and values. A senior management team should view itself as a sponsor and champion for the adoption of CRM as a major goal for the organisation. The CRM strategy relies on management support and having customer-centric values in place; this way a culture is created to support cross-functional working across the organisation (Payne, 2006). Nurturing a supportive organisation’s culture for CRM implementation is a continuous leadership task at all organisational levels. Hence, it is not surprising that businesses with CRM champions are more enthusiastic to undertake heavy investment to ensure that CRM initiatives work together efficiently (Finnegan & Currie, 2010). CRM needs a champion that conducts analysis of the current organisation’s culture via different types of techniques (i.e. walking by management and surveys), and then acts to develop the desired new culture. The supportive culture serves the CRM implementation, and should include four elements: a positive organisational climate, a customer-centric culture, a strong culture, and a learning climate.

**The information technology (IT) discipline**

Researchers from IT discipline mainly discuss two main themes: CRM alignment with knowledge management capabilities (KM), and CRM usage and implementation factors.
gaining customer information and subsequently customer knowledge is a mean to attaining CRM objectives, it is concluded that CRM is strongly related to KM and especially to customer knowledge management (Massey et al., 2001). From the potential synergy between CRM and KM, a theoretical model is emerged: the customer knowledge management (CKM) (Gebert et al., 2003). CRM implementation entails organisation to refine and realign knowledge management methods in order to obtain a value-added knowledge from and about customers to understand not only customer purchasing behaviour and trends but preferences and attitudes. Such realignment involves a change in the organisational vision and thus learning and innovation within an organisation (Moreno & Meléndez, 2011). An organisation implementing a CRM system needs the capability of capturing and pulling together vast amounts of information about customers. In particular, knowledge about profitable customers is vital for CRM, as it aids developing a ‘learning relationship’ between the organisations and customers (Sin et al., 2005). Information on customers can be captured indirectly through business intelligence tools like data mining or data warehouses, and directly through employees. The challenges of getting employees to record and share information they have cultivated on customers are daunting enough (Gibbert et al., 2002). This is why organisations need consider designing incentives plan which serve knowledge generation and sharing. On the other hand, business intelligence tools help on incorporating customer information into business strategy (Sin et al., 2005).

Customers interact with organisations not only through sales and marketing departments. In fact, they interact with different people and departments at different levels. This suggests that CRM implementation efforts are successful when top management implement suitable processes and technologies that support KM dynamics. These dynamics include coordinated information gathering and sharing throughout all customer channels (Lee-Kelly & Gilbert, 2003). KM dynamics are paramount for CRM strategy, in order to equip all staff with knowledge of customer wealth so as to enhance long-term relationship with profitable customers (Bose & Sugumaran, 2003). In fact, the majority of CRM projects fail due to improper KM, which leads to a narrow view of the customers (Romano & Fjermerstad, 2003).

IT researchers focusing on CRM usage and implementation factors (eg: WU & WU, 2005) indicate that system use has a strong effect on employees’ adoption of CRM in organisations. This refers to the idea that employees must use the CRM system to achieve marketing goals which are often correlated with other constructs. A number of studies have applied a technology acceptance model (TAM) developed by Davis (1989), to examine the acceptance of new technologies in the CRM domain. TAM explains IS usage-behaviour, which is subsequently influenced by behavioural intention, in turn influenced by attitude and perceived usefulness of the system. Additionally, attitude and perceived usefulness are influenced by the perceived ease of use. Recently, researchers have tested and extended the TAM model to explain CRM adoption within organisations (Schillewaert et al., 2005), extending the TAM model to include the effects of individual characteristics, personal innovativeness, organisational support, social influences, technology experience, and computer self-efficacy. Moreover, organisations with greater perceived usefulness are predicted to become adopters of CRM system (Vella & Caruana, 2011).

4. Discussion
Based on an extensive review of the CRM and CRM adoption literature from the marketing, management and IT disciplines, a conceptual framework is developed which incorporates areas of specific interest, as shown in Table 1. Each discipline appears to have its own distinct view of what constitutes successful CRM. However, there is a considerable overlap between these disciplines. For example, researchers from IT discipline focus on CRM characteristics and usefulness, which are linked to a certain extent to the elements of customer-centric orientation that receive most attention from marketing researchers. The insights from these disciplines and their overlaps are relevant for extending each discipline’s perspective.

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<th>Factors</th>
<th>Marketing</th>
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<td>Culture and leadership</td>
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**Table 1: a list of sub-factors for each factor in the conceptual framework**

Marketing scholars view CRM as a concept that adds value to the customer; they are primarily concerned with the essentials of customer-centric and RM, as an effective business strategy, given that customer-centric orientation places customer knowledge, interaction, acquisition, value, satisfaction, and retention at the centre of the value creation process. Overall, management scholars propose that an organisation’s strategic plan, internal marketing, organisation culture and leadership, and project management have a strong influence on the success of CRM. For the most part researchers have focused on organisational and communication issues surrounding business strategy development and implementation, and the role of the people and organisation in managing the adoption of the CRM. IT researchers focus on the two main themes: CRM alignment with KM dynamics (Romano & Fjermerstad, 2003), and CRM usage and implementation factors (WU &WU, 2005). Customer-centric analysis needs a comprehensive framework for a systematic management of customer knowledge and therefore needs to integrate KM capabilities with CRM activities in order to achieve successful CRM implementation (Finnegan & Currie, 2010). IT researchers indicate that system use has a strong effect on employees’ adoption of CRM in organisation, referring to the idea that employees must use the CRM system to achieve the marketing goals which are often correlated with other constructs. A number of studies have successfully adopted and extended the technology acceptance model (TAM) developed by Davis (1989), to examine the acceptance of CRM as a new technology.

This study builds on extant research from the marketing, management and IT disciplines to develop a holistic perspective on CRM, making a number of contributions to these three
disciplines. Hence, this should bridge the gap in understanding and provide deeper insight into achieving success with CRM adoption. This study will further contribute to key debates surrounding the rationale and consequences of CRM adoption. It will also shed new light on potential management processes and practices which managers may use to consider the complexity of CRM, providing them with a tool with which to exploit the potential of CRM.

References


