

Determinants of Implementation and Adoption of Customer Relationship Management (CRM) System

John Wamai¹, David M. Nzuki, PhD²

¹Equity Bank

²Kenyatta University

Abstract: For CRM to be implemented, adopted and used effectively, the organizations requires to understand how to implement and get maximum benefits from a CRM. This study sort to find out the factors that determine implementation and adoption of CRM through a review of other studies in the areas of CRM implementation and adoption. The paper discusses the results of the review in relation to factors that determine the adoption of the CRM systems. The study concluded that the main factors affecting CRM adoption are environment, People, Objectives and Requirements, processes, technology and Data as the key factors.

Keywords: CRM, Adoption, Environment, People, Processes, Technology, Data

1. Introduction

Customer Relationship Management (CRM) is defined as the holistic process of identifying, attracting, differentiating and retaining of customers [3]. Customer Relationship Management is also defined as outgrowth of marketing concept through an organization's committing to consistently providing high quality experiences to customers which leads to improvement of service and customer satisfaction as well as increased returns for shareholders [5]. CRM takes many definitions (Pancucci, 2002). It has been observed that constant change and technological evolution is one of the main factors that drive changes [2]. Due to this changes, the CRM concept has come to be viewed as the main strategy to develop and maintain long term customer relationship [25]. CRM is an integration of business processes and the technologies which are adopted to ensure that the customer needs are satisfied as they are interacted with by the organizations. In order to win the battle in the ever increasing competitive economy, companies have invested heavily in to implement strategies, tools and infrastructure [6].

A CRM system provides an organizations with capabilities of data warehousing together with the data mining reporting tools decision supporting and sales automation[8]. A CRM system, a company is able to maintain a centralized database of customer information hence reduce duplication of data entry and maintenance as well as ensuring that as staff leave the organization, they leave customers' data behind [9]The electronic Customer Relationship Management (eCRM) ensures an all-round aspects of the customer needs by focusing on the customers instead of the products or services. CRM provide a critical support to business' sections including services, marketing and sales by providing information data and historical profiles of customers[10]. Basically, many organizations will use the CRM for; customizing and tailoring products to specific customers or a group of customers, sharing customer information from a central location, reducing cost through efficient communication to customer, targeting and classifying customers and cross selling among many others.

Just like in any other implementation, CRM faces many challenges and often have many reasons for success or failureas is described by various stakeholders involved in the whole project. The stakeholders range from the employees, management, shareholders and customers among many more that are affected directly or indirectly by CRM usage. This study looks into the factors that contribute to either failure or success of CRM implementation and adoption.

2. Theoretical Survey

2.1 Theories

2.1.1 Technology Organization environment Framework (TOE)

TOE framework was created by Tornatzky and Fleisher (1990). It explains a process by which technology, Organization and environment contexts influences a firm decision to implements and adopt technological innovation [11]. Technological context refers to technologies both internal and external that are relevant to the firm and includes equipment and processes. Organization context refers to the firm's characteristics like size, managerial structure, amount of slack resources, relationship among employees, degree of centralization and formalization as well as human resources. The environment context is about the structure and size of industry, the competitors, regulatory environment as well as macroeconomic [11]. CRM technological innovation adoption fits well into the theories of technology adoption. TOE as framework has a strong theoretical basis, has potential for application in IS innovation domains and has consistent empirical support [12].

2.2 Empirical Review

According to a study by Forsyth with a 700 sample companies, the causes of CRM failure were distributed as; 29% is cause by Organizational change, 22% caused by poor CRM skills, 22% caused by Company policies, 20% by little understanding of CRM while poor CRM skills stood at 6%, concluding that technical skills least affect successful implementation of CRM projects [13].

Volume 5 Issue 11, November 2016

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

Organizations have different approaches for CRM with some considering it as an IT tool for management while others take it as strategy for business management. A survey by Gartner showed that in 2002, 65% of USA companies were intending to initiate CRM projects. Europe at the same time, only 3% had fully implemented CRM with 17% having initiated and 35% were on about to develop concepts to introduce CRM [13]. Despite the understanding that about 30 to 50 percent of CRM initiatives and projects do not meet the company's objectives with 20% actually damaging customers' relationships, the CRM market was to grow to about \$23 billion by 2005 from \$7 Billion in 2007[14].

Successful implementation of CRM depends on four critical success factors (CSF) namely; CRM readiness assessment which is an overview audit of organization in terms of self and the other organizations, CRM change management which involves organizational strategic and cultural changes, CRM Project Management which involves forming strategic team for CRM implementation and finally the employee engagement which involves the employee motivational, support and commitment to the CRM project [1].

In a survey of international companies who had implemented CRM to support sales teams it was estimated that only 25 percent of 1,337 reported significant improvement in performance [15]. A report [16] on ways of avoiding failures of CRM, it was found out that CRM had the lowest satisfaction score with nineteen percent out of 245 polled managers having drooped CRM projects compared to other management systems in the same survey which had nine percent. A study found out that only 30 to 70 percent of CRM implementations are successful. Clearly CRM implementation has not been a success based on the research discussions from various researchers and organizations [17].

The rate of unsuccessful outcome of CRM is attributed to seven 'sins'. These are; looking at CRM initiative as a technology initiative, insufficient appreciation of customer lifetime value, lack of customer-centric approach, lack of top management support, ignoring change management effect, not re-engineering business processes and lastly underestimating complexity of data mining and integration [18]. This results agrees with the previous researchers findings but considers one more critical factor. Many organizations have massive data lying in the data centers and others in some data warehouses but have never used it beyond the original entry that was done when customers was introduced to the organization. There are so many sources of data that can be used by the organization to analyze and understand the customer. The myriad sources of data range from supermarkets, business transactions, the government and most of all social media. Among many failures of CRM is an organizations lack of bigger picture by failing to consolidate the data they have on customers from various users and systems and combine it with external sources like social media. The bigger picture will give users a three sixty degree view of customers hence make it easy for sales people to up and cross sell

As per Forrester research, the best practice for successful CRM deployment can be summarized as strategy and governance, Objectives and processes, Customer data management, User adoption and finally technology site.

3. Discussion

Environment

It is important to critically analyze the environment in which the company is doing the business. A research or fact finding mission should be initiated first before initiating the CRM project. Both micro and macro economy environments should be studied in order to understand the customers and the market including knowing what competitors are offering, if the IT infrastructure like internet connectivity is easily available. It is also a must to consider regulations and legislation especially in relation to data storage and privacy of information as well as the government of the day policies which may have an indirect effect on CRM usage. The availability of suppliers and vendors within reasonable reach in terms of time and place need to be considered. Companies will definitely need to study and take a stock of the existing customer facing systems that will be integrated with CRM.

People

People factor is a critical determinant of failure or success of CRM project. Right from onset of the project idea, the executive and top management have to be involved. David like many user based projects, lack of user involvement contributes to failure of CRM. The buy in and sponsorship of the project by executive will ensure full support and funding of the CRM project. The intended users of CRM in various sections like Sales, marketing and customer service people must buy in the idea. They should be involved right from the time of requirement gathering through testing, implementation and eventual use of CRM. The right skills for the people should be a mixture of business people and Information Technology. The vendor selection should be done through competitive professional evaluation. This will ensure proper project management, competency of implementers as well as experience of the implementing company. Change management is an integral activity for any change being introduced in any organization. CRM implementation may be very well implemented technically but beyond implementation, it must be cascaded down from the management who are the principal sponsors to the project or implementers and finally to the users. The whole organization must be taken through a change process and this may involve organization culture as well as business processes change. There should be investment in terms of time and finances to take the people through this change process and take up of CRM. This factor is important as it is likely to address and assist in overcoming some adoption or change barriers like resistant to change. Managing customer relationships involves multiple and complex operations and therefore for implementation of CRM to be successful, the organization requires to go through significant transformation [19].

Objectives and Requirements

Lack of planning is planning to fail, therefore, an organization must adequately plan and assess internal and external readiness in terms of budgetary allocation, the

status of the competitors in the market, the data and systems already available and the target customers. It has been observed that lack of strategic planning prior to implementation of CRM is the main reason for the CRM project failure [4]. In any project, prior preparation and acquisition of information is crucial as lack of actionable information mostly leads to a failure and CRM project is no exception to this failure. This can be avoided by ensuring initial proper planning and capturing of user requirements and setting objectives. This is in line with the study which attributes failure of CRM projects to poor design, planning and measurement of the CRM projects which is seen in inability to integrate people and business processes, unclear goals, selecting inappropriate strategy and capturing of wrong customer information. It is of paramount importance that the objectives of CRM are specifically set and in a manner that is measurable and achievable. Strategy should guide the overall objective which should in turn inform the CRM objectives which should be listed and prioritized even before the project begins. The user requirements, which should be in line with the main objectives should be clearly gathered in details, documented and signed off by all the stakeholders. This should serve as a reference for initiation and running of the CRM project and will help avoid scope crepe which may end up delaying the project which in turn may have impact on cost.

Processes

Organizations often view CRM as an IT which eventually according to leads to failure of CRM projects [18]. In order to adopt new ways of interacting with customers, firms may require to align some of organization aspect like employee training, strategy, business processes and strategies with the CRM system [19]. A CRM implementation will mostly lead to organization an adjustment in the way an organization runs its operations in order to have a successful CRM implementation and later a smooth running of the same. The three stage cycle that a CRM implementation should follow are; Integration, Analysis and finally the Action. The initial stage of integration is all about preparation and taking stock of the company's systems and centralizing customer data that will require to be integrated with CRM. CRM system projects are usually initiatives that involve entire organization [22]. The systems especially customer facing or front office need to be integrated and this will mostly involve change of business processes and may even lead to business processes and procedures to be reviewed. This requires the organizations to be ready to re-engineer their processes and this must be planned since the resources required in terms of people, time and expertise may be huge and costly. The other processes to observe is the project management. There should be skilled and experienced people to manage both the program and the projects within the CRM initiative even if it means outsourcing if skills are not available within. The right project methodology should be adopted and followed right from the project contracting, selecting of project team members and project execution. It is a must that the executive be the sponsor of the project if it has to succeed. The third and final stage is where strategic decisions are made and at this level the business processes and/or organization structures may be adjusted or changed completely. The change should be well planned

communicated and cascaded to all the stakeholders especially staff who are directly affected by the change. At the time of contracting and implementation, the right Service Level Agreements (SLAs) should be set between the vendors of CRM and the company. The information and Information Systems policies and procedures is a must change during CRM implementation. It is important for organization to institutionalize change management within and without the organization and at the same time ensure proper execution of the change.

Technology

The technological component is a must observe for any CRM system implementation. The right application system should be evaluated prior to purchase. The organization may choose to develop a CRM system internally but it is highly recommended that instead of recreating the wheel, they check for any that have stood the test of time and implement rapidly so as to begin reaping benefits from the on-set. An already existing and in use system may help with shortening the integration and testing as it may already have the standard integrators in place. The correct structure, sizing and specification of platform should be implemented in conjunction with the vendors of both hardware and the CRM application. The availability of support for both the implementation and post implementation should be put in place to ensure adoption. The CRM application should be ready to integrate easily in a standard way companies surrounding systems like Enterprise Resource program (ERP), Data warehouse, accounting and Transaction systems.

The Data

This is one area that most companies assume that will be available by default and hence no preparation may be required. On the contrary, this area is the most critical for CRM to be effective. The company must have the entire customer data kept in a way that it is easily available to the CRM system. The data becomes a critical input for the analytical stage of CRM implementation. Emphasis has been put that analytics is a critical phase to CRM implementation and if ignored, the customers may never know that the company ever exists [24]. The CRM analytics supports companies in analyzing customers' behaviors to get their buying patterns and then discover causal relationships [24]. There are many ways of ensuring that the data is available and one is to have all customer data from different company systems or individuals consolidated at one location in form of data warehouse or some kind of Master data file or integrate the CRM on a real time basis. It is also important to have policies and data handling and storage reviewed in line with the systems integrated and implemented. There is need for organizations to take advantage of big data and use the analytics capabilities of CRM to mine customer data, analyze the data and use the information to target, segment, upsell and cross sell to the customers.

4. Conclusion

Customer Relationship Management (CRM) system plays a significant role in an organization as it helps shape and build a smooth relationship between an organization and its

customers. Most companies have CRM in their Core Strategy as they aim at giving the best service to the ever demanding customers in order to remain competitive in this challenging and highly competitive economy. It is in the interest of every companies to fully implement the CRM systems and reap the benefits in terms of return on asset (ROA), improved customer service, efficient in operations among other myriad of benefits that come with it. With a successful CRM, companies are able to enhance customer satisfaction, enable cross and up-selling by providing real time customer data in a single view to the users. A CRM system does not only enable organizations provide tailored solutions and drive sales but also facilitates online training for customers and employees. This in turn ensures that the customer is happy, retained and hence future business with the customer can be assured. The most important factors to consider for a successful CRM implementation are; environment in which the company is operating, People, Objectives and Requirements, processes, technology and Data. If these factors are carefully considered by the organizations intending to use CRM, then, they are assured of a successful implementation and return on their investment.

References

- [1] Payne, A., & Frow, P. (2006). Customer relationship management: from strategy to implementation. *Journal of Marketing Management*, 22(1-2), 135-168.
- [2] Mendoza, L. E., Marius, A., Pérez, M., & Grimán, A. C. (2007). Critical success factors for a customer relationship management strategy. *Information and Software Technology*, 49(8), 913-945.
- [3] Strauss, J., & Frost, R. (2001). *EMarketing*. Prentice Hall.
- [4] Day, G. S. (2000). *Capabilities for forging customer relationships* (No. 118). Marketing Science Institute.
- [5] Grönroos, C. (1999). Internationalization strategies for services. *Journal of Services Marketing*, 13(4/5), 290-297.
- [6] Grabner-Kraeuter, S., Moedritscher, G., Waiguny, M., & Mussnig, W. (2007, January). Performance monitoring of CRM initiatives. In *System Sciences, 2007. HICSS 2007. 40th Annual Hawaii International Conference on* (pp. 150a-150a). IEEE.
- [7] Suresh, H. (2002). CUSTOMER RELATIONSHIP MANAGEMENT" An Opportunity for Competitive Advantage. *PSG Institute of Management Articles*.
- [8] Katz, H. (2002). How to embrace CRM and make it succeed in an organization. *SYSPRO White Paper*. SYSPRO, Costa Mesa, CA.
- [9] Hendricks, K. B., Singhal, V. R., & Stratman, J. K. (2007). The impact of enterprise systems on corporate performance: A study of ERP, SCM, and CRM system implementations. *Journal of Operations Management*, 25(1), 65-82.
- [10] Fingar, P., Kumar, H., & Sharma, T. (1999). *Enterprise e-commerce*. Meghan-Kiffer Press.
- [11] Tornatzky, L. G., Fleischer, M., & Chakrabarti, A. K. (1990). *Processes of technological innovation*. Lexington Books.
- [12] Oliveira, T., & Martins, M. F. (2010, September). Information technology adoption models at firm level: review of literature. In *European Conference on Information Management and Evaluation* (p. 312). Academic Conferences International Limited.
- [13] Alt, R., Puschmann, T., & Österle, H. (2005). Erfolgsfaktoren im Customer Relationship Management. *Zeitschrift für Betriebswirtschaft*, 75(2).
- [14] Mishra, A., & Mishra, D. (2009). Customer Relationship Management: implementation process perspective. *Acta Polytechnica Hungarica*, 6(4), 83-99.
- [15] Raman, P., Wittmann, C. M., & Rauseo, N. A. (2006). Leveraging CRM for sales: the role of organizational capabilities in successful CRM implementation. *Journal of Personal Selling & Sales Management*, 26(1), 39-53. Google Scholar
- [16] Rigby, D. K., Reichheld, F. F., & Schefter, P. (2002). Avoid the four perils of CRM. *Harvard business review*, 80(2), 101-109.
- [17] Verhoef, P. C., & Langerak, F. (2002). Eleven misconceptions about customer relationship management. *Business Strategy Review*, 13(4), 70-76.
- [18] Kale, S. H. (2004). CRM Failure and the Seven Deadly Sins Are your CRM undertakings lost in a sea of failed or uncompleted projects?. *Marketing Management*, 13(5), 42-47. Google scholar
- [19] Karimi, J., Somers, T. M., & Gupta, Y. P. (2001). Impact of information technology management practices on customer service. *Journal of Management Information Systems*, 17(4), 125-158.
- [20] Jain, R., Jain, S., & Dhar, U. (2007). CUREL: A SCALE FOR MEASURING CUSTOMER RELATIONSHIP MANAGEMENT EFFECTIVENESS IN SERVICE SECTOR. *Journal of Services Research*, 7(1).
- [21] King, S. F., & Burgess, T. F. (2008). Understanding success and failure in customer relationship management. *Industrial Marketing Management*, 37(4), 421-431.
- [22] Wu, J. (2008, June). Customer relationship management in practice: A case study of hi-tech company from China. In *2008 International Conference on Service Systems and Service Management* (pp. 1-6). IEEE.
- [23] Kennedy, A., Kelleher, C., & Quigley, M. (2006). CRM best practice: getting it right first time at ESB International (ESBI). *Irish Journal of Management*, 27(1), 255.
- [24] Hahnke, J. (2001). The Critical Phase of the CRM Lifecycle. Without CRM Analytics, your customer won't even know you're there. www.hyperion.com
- [25] Bose, R. (2002). Customer relationship management: key components for IT success. *Industrial management & Data systems*, 102(2), 89-97.
- [26] Ocker, R. J., & Mudambi, S. (2003, January). Assessing the readiness of firms for CRM: A literature review and research model. In *System Sciences, 2003. Proceedings of the 36th Annual Hawaii International Conference on* (pp. 10-pp). IEEE.
- [27] Ocker, R. J., Mudambi, S. (2002) Assessing the Readiness of Firms for CRM: A Literature Review and Research Model, *Proceedings of the 36th Hawaii International Conference on System Sciences (HICCS'03)*, IEEE Computer Society

- [28] Hering, D., & Phillips, J. (2005). Innovation Roles: The people you need for successful innovation. *White Paper, NetCentrics Corporation.*
- [29] Nguyen, T. H., Sherif, J. S., & Newby, M. (2007). Strategies for successful CRM implementation. *Information Management & Computer Security, 15*(2), 102-115.
- [30] Foss, B., Stone, M., & Ekinci, Y. (2008). What makes for CRM system success—Or failure?. *Journal of Database Marketing & Customer Strategy Management, 15*(2), 68-78.
- [31] Finzel, H. (2013). *The top ten mistakes leaders make.* David C Cook.