The Critical Success Factors of e-CRM Implementation to Small and Medium Enterprises

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Abstract: *Business entities around the globe are clamouring to catch up with the recent trend of the business world using information technology (IT) applications, such as Customer Relationship Management (CRM). For any business to reap the rewards of CRM initiatives, it has to have a proper plan for its implementation. However, these business entities have little knowledge regarding the critical success factors of CRM implementation and its impact to their organizations. This study, therefore, proposes the critical success factors of e-CRM implementation to the small and medium enterprises (SMEs). The success factors include operational and strategic benefits, top management support, technological readiness, and knowledge management capabilities. This study uses organization as unit of analysis with SMEs as the target population. Data will be gathered by using a cross-sectional survey approach.*

1. INTRODUCTION

Customers are vital to every business entity. Every business runs through customers and without customers, there is no business. Thus, the key to success of every business is building a solid relationship with customers.

Mid-nineties was the period when relationship marketing was changed to Customer Relationship Management (CRM), and many information technology (IT) merchants began marketing their commodities via CRM systems. CRM definitions and scopes have become more inclusive, wider, and extensive over time.

CRM refers to unified business strategy that integrates services, sales, and marketing in a systematic manner (Saleh, 2014). According to Kavosh, Abu Bakar, Melati, and Siti Zaleha (2009), CRM is a one-on-one strategic approach that shapes customer's behaviour and warrants customer satisfaction, loyalty, and revenues. It is a form of management technique that is designed to establish, develop, and improve connection with customers (Ryals & Payne, 2001). Foss and Stone

(2001) defined CRM as a business philosophy which signifies that firm actually believes in its clients or not. Greenberg (2001) argued that CRM is a belief that is aided by technology and system to enhance interactions of human. Development of long-run CRM depends on the mutual values creation and customer's perceived values as a crucial management goal. The purpose of the traditional marketing is to win customers. However, in the new CRM, the aim is to win and retain consumers (Arab, Selamat, Ibrahim, & Zamani, 2010).

In today's business growing world, IT has played an important role of changing the company's business processes. Clientele base now has become more diverse and educated, in addition to having greater anticipations than the past. They always want to be served via different ways of communications. Hence, company cannot contend with outdated strategy anymore and ought to acclimatize towards dynamic business needs and advancement. CRM is becoming an optimal choice for the organization to retain its customers. CRM enables the organizations to meet the customers' expectations and increase the market shares, and concurrently, enhance the customer loyalty and satisfaction.

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Organizations today are reacting to the expectations placed on them through the utilization of IT applications, such as CRM. However, this e-CRM application remains alien to some business organizations, with some of these organizations having little to no knowledge regarding the impact of e-CRM to their businesses and the factors to be considered when implementing e-CRM.

Although a number of businesses are using CRM applications, these applications, however, have failed to deliver benefits to such organizations. A major cause for the failure is mostly because firms focus on customer contact processes but neglect equivalent necessary adjustment to inside structures and systems (Irani & Love, 2009). Irani and Love further stated that the reason why firms implement CRM was just to win customers, but not to offer customers with improved value. The present study, therefore, aims to examine the critical success factors of e-CRM implementation in small and medium enterprises (SMEs) in Malaysia. The study's findings will assist the SMEs in understanding the critical success factors of e-CRM implementation in their organizations.

This paper is structured as follows. The first section introduces what CRM is. Section 2 reviews the literature. Section 3 covers the research model and hypotheses of the study. Section 4 highlights the research design of the study. The study's progress is explained in section 5. The last section concludes the study.

2. LITERATURE REVIEW

CRM is based on customer's data and is aided by the use of IT. CRM is an organization strategy that builds values and profitability via a logical method to effectively obtain and efficiently retain the right customers (Nargundkar & Srivastava, 2002). According to Love, Edwards, Standing, and Irani (2009), CRM is a contemporary and developed tool used for customers data mining, aided by the various communication points in the system and create an ample point of view from customers (Love et al., 2009). Gronroos (2000) argued that CRM in services' marketing can be described as the communication process between service provider and consumers, used for maintaining and attracting the true consumers. Customer relationship department acts as a watcher in a ship.

Technology in CRM is an essential strategic device for a firm to achieve its success. The tools and technologies in CRM must be well-matched to the organizational systems in order to circumvent misalignment and mistakes. CRM strategies need one centre to keep all consumer's information, data, and news. The centre also has to have competent information and communications technology (ICT) architecture and infrastructure that can easily adapt to the ever-changing environment. Particularly, it should have a systematic CRM. In addition, the quality of the information sent to consumers influences the CRM building. The use of technological application could upgrade the qualities of information (Bavarsad & Hosseinipour, 2013).

According to Love et al. (2009), advances in ICT serve as an effective platform to perform CRM function. In 2004, Microsoft's CRM package also significantly amplified the demand for CRM applications in the SMEs. One of the factors that cause enterprise applications like CRM traditionally fall short in delivering value is because the organization concentrates on the consumer contact processes without equivalent adjustments to internal systems as well as structures. Many researches have shown that the rate of CRM technology failure tends to be as high as 70% to 90% (see, for example, CRMGuru.com, 2002; IBM Business Consulting Services, 2004; Payne & Frow, 2005). Love et al. (2009) suggested that the failure of the CRM application is commonly due to an absence of cross-functional planning, a disjointed CRM strategy, weak business process management, inappropriate organization structure, absence of senior management commitment, and an absence of a knowledge administrative capability. Hence, this study is conducted to examine the critical success factors of e-CRM implementation to the business organizations, specifically SMEs. Following Iacovou, Benbasat, and Dexter (1995) and Love et al. (2009), the factors covered in this study include operational and strategic benefits, top management support, technological readiness, and knowledge management capabilities. These factors are discussed in detail in section 3.

3. RESEARCH MODEL AND HYPOTHESES

The research model of this study is developed based on Iacovou et al. (1995) and Love et al. (2009). Following Love et al. (2009), the CRM impact is operationalized as the actual benefits of using e-CRM.
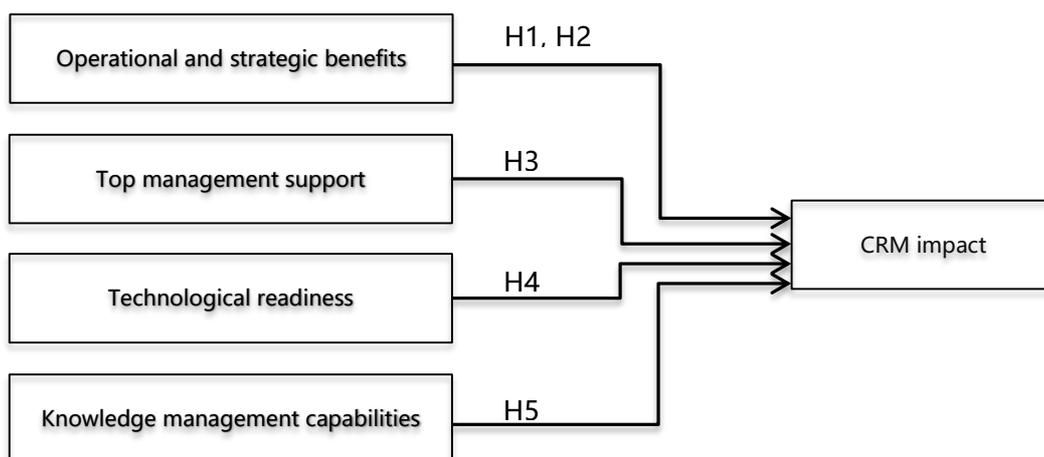
Fig. 1. Research model

The four factors highlighted in the research model captures the main factors that affect the adoption of a new technological innovation. Irani, Sharif, and Love (2007) asserted that these factors could affect the application of e-CRM from within (business entity) and external (customer) contexts.

3.1. Operational and strategic benefits of CRM

Benefits refer to the degree of gains that technology can offer to an organization before the implementation of the technology (Wilson, Daniel, & McDonald, 2007). These benefits are categorised into two dimensions: direct benefit (i.e., operational) and indirect benefit (i.e., strategic).

Direct benefits are classically operational, easily quantified, and aims at enhancing internal effectiveness of an organization. The operational benefits of CRM include maximizing profit margin, minimizing costs of buying products and services, increasing market share, minimizing costs of customer handling, increasing revenues, enhancing stock returns or profitability, improving response time to client requests for information, immediate access to order status, and delivering products that meet customer requirements.

Indirect benefits, on the other hand, are naturally strategic and not easily quantified. The strategic benefits are relatively related to the competitive edge. These benefits include enhancing customer's understanding, increasing customer's satisfaction, and the ability to forecast factors that influence customer behaviour and satisfaction. Hence, below are the proposed hypotheses:

H1 : Operational benefits from using CRM technology are positively related to CRM impact.

H2 : Strategic benefits from using CRM technology are positively related to CRM impact.

3.2. Top management support

CRM entails application of client-centric business strategies, a re-model of functional activities and work processes. It is the duty of the top management to upgrade the systems and to implement new technologies. Management support, just like any other technology led initiatives, is an important success factor. Prior researches (see, for example, Irani & Love, 2001; Law & Ngai, 2007; Wagner, 2004) found a significant relationship between top management support and technological innovation. These studies have attested that when there is top management support, CRM technological initiatives easily actualize benefits. The following hypothesis is, therefore, proposed:

H3 : Top management support is positively related to CRM impact.

3.3. Technological readiness

Technological readiness refers to the degree to which technological resources are accessible in a company. CRM is said to be a pricey and a complicated invention that requires high technological knowhow, expensive information system infrastructure, and combined information services. The scope and present infrastructure in place influence the price of the CRM system.

Goodhue, Wixom, and Watson (2002) and Hendricks, Singhal, and Stratman (2007) postulated that organizations with much experience in using IT (i.e., IT sophistication, resources, and technological skills) are highly likely to realise the real gains from CRM implementation. Hence, the following hypothesis is proposed:

H4 : Technological readiness is positively related to CRM impact.

3.4. Knowledge management capabilities

Alavi and Leidner (2001) defined knowledge management capabilities as the capability of a business to capture, manage, and deliver real time authenticated customer, products, and services information to enhance client's reaction and deliver quick decision-making on the basis of reliable information. These capabilities are relatively based on the information, technology, and culture within a business entity.

The information-based capabilities tackle the need to access competitor, client, and human resource information, present the financial status of an organization, and cover the product and market information activity-based costing. On the other hand, technology-based capabilities investigate matters, like IT infrastructures, information retrieval, and interoperability of present data system, wider bandwidth, and application integration. Culture-based capabilities denote the enablement of adjustment and the enhancement of knowledge sharing. The concept of knowledge management capabilities is essential for projects implementation (Love, Fong, & Irani, 2005).

Standing, Benson, and Karjaluoto (2005) asserted that a significant necessity in developing and gaining knowledge management capabilities rests in the infrastructure of the information system. The following hypothesis is, therefore, proposed:

H5 : Knowledge management capabilities are positively related to CRM impact.

4. RESEARCH DESIGN

Cooper and Schindler (2003) defined research design as a blue print that specifies the methods and procedures for the collection and analysis of data. For this study, a quantitative research methodology, using a cross-sectional survey approach, will be used. The quantitative research approach enables the researcher to look at the relationship between the variables.

Organization will be used as the unit of analysis of the study. The target respondent will be SMEs in Malaysia. The reason is that SMEs are facing challenges in regards to e-CRM application (see, for example, Harrigan, Ramsey, & Ibbotson, 2011). Hence, they best suit the target respondent.

The key informant who will fill the questionnaire on behalf of the organization is the SME manager. The manager knows best about the organization as a whole, hence, their responses are likely to represent well their organizations (To & Ngai, 2006).

The literature used in this study are obtained from online searching of various journals, such as Emerald Management Plus, Science Direct, EBSCOhost, ACM, and Digital Library. All of the variables covered in this study are taken from the existing literature (see Table 1 for details).

Table 1. Source of Variables

Variable	Source
Strategic and operational benefit	Iacovou et al. (1995); Love et al. (2009)
Top management support	Love et al.(2009); Wilson et al. (2002)
Knowledge management capabilities	Irani et al. (2007); Love et al. (2009)
Technological readiness	Iacovou et al. (1995); Love et al. (2009)
CRM Impact	Love et al. (2009)

5. PROGRESS OF STUDY

The study is currently at the questionnaire development stage. The questionnaire will be going through a pre-testing stage, including review by CRM researchers and selected SMEs, before final distribution takes place.

6. CONCLUSION

Due to the lack of understanding of the concept of CRM, the study attempts to investigate the critical success factors of e-CRM implementation to the business organizations (specifically, SMEs). The factors covered in the research model include

operational and strategic benefits, top management support, technological readiness, and knowledge management capabilities. The study contributes to the existing literature on CRM, by providing an insight on the critical success factors of e-CRM implementation in the business organizations.

However, this study is not without limitation. The focus of this study is on the SMEs. Hence, the findings should be carefully generalized to other population.

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