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Article

Triumph after the hype? Success factors for CRM implementation

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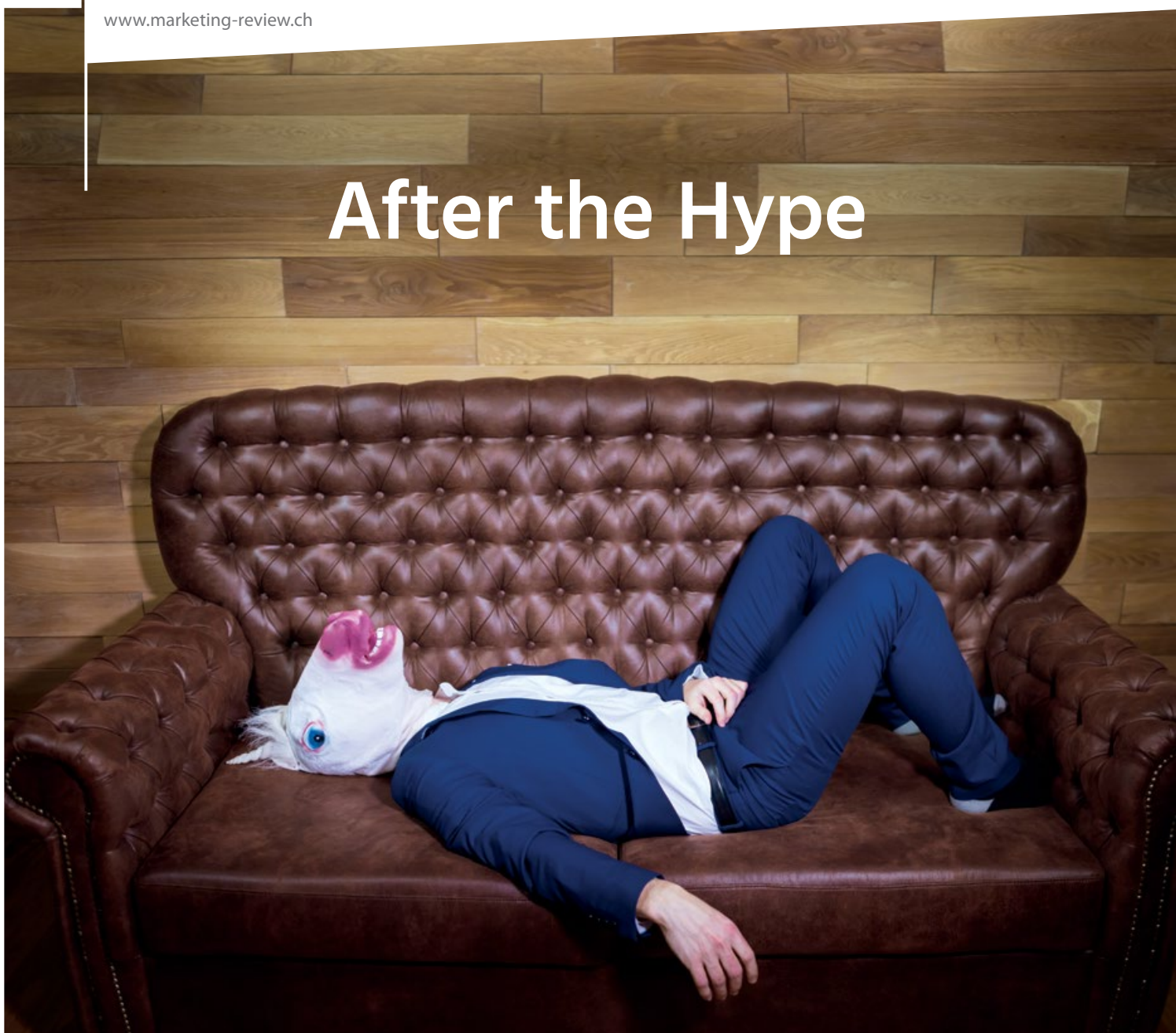
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After the Hype



Triumph after the hype? Success factors for CRM implementation

Customer orientation should be the core engine of every organisation while IT can be considered as the enabler to generate competitive advantages along customer processes in marketing, sales and service. Research shows that customer relationship management (CRM) enables organisations to perform better and experience indicates that organisations that focus on customer orientation are more successful. With marketplace organisations such as Amazon, Alibaba or Conrad shaping the future of customer centricity and information technology, German B2B organisations need to shift their value contribution from product-centric to customer-centric. While these organisations are currently attempting to implement CRM software and putting their customers more into focus, the question remains how organisations are approaching the implementation of CRM and whether these attempts are paying off in terms of business performance.

Dr. Manuel Kern, Prof. Dr. Marco Schmäh

The impact of technologies like CRM is a big risk and at the same time a huge opportunity for any organisation attempting to realise competitive advantages. Organisations must fulfil customer demands that are increasingly influenced by IT (Leußer, Rühl, & Wilde, 2011). This covers well-established services like online payment but also advanced requirements such as customer service via social media. In recent years, social media but also the integration of multi-channel communication and individual personalisation have become hypes within the CRM context while at the same time many organisations are still building a 'basic CRM'. Anytime soon, digitalisation will enable organisations to embed artificial intelligence or self-service solutions not only in B2C communication but also in a daily B2B CRM practice. Recent studies suggest that businesses should make use of these technologies in social media and integrate them into their CRM (Choudhury & Harrigan, 2014). To do so, frameworks such as CRM house (Malt-house, Haenlein, Skiera, Wege, & Zhang, 2013) help to manage customer relationships. Due to customer usage of new technologies, services are being transformed by the customers themselves, who are in direct communication with marketing and sales departments of B2B organisations (Guenzi & Troilo, 2006). To meet these new customer requirements, companies need innovative approaches to CRM. For instance, Reinecke and Köhler (2004) found in 77 interviews that a holistic approach is vital for implementing CRM within service organisations. Moreover, products are changing from isolated products to integrated solutions. These integrated solutions or 'smart' products must also be incorporated into CRM and service concepts. Otherwise, organisations will face dramatic challenges with regard to their competitiveness because isolated products are under high price pressure. In addition, big marketplaces such as Amazon, Alibaba or Conrad are invading and penetrating other markets due to their vertical diversification. Thus, enterprises which are specialised product producing organisations will struggle to maintain their market leader position if they do not provide solutions that combine their high-quality products with knowledge and suitable software to enable best-in-class services.

Due to all these factors, organisations need to invest more time and resources into their CRM implementations. The present article presents findings from a quantitative B2B study and discusses critical success factors for CRM implementation. Within the CRM context, the main challenges of B2B organisations are addressed, i.e. the high failure rate of implementations, the missing CRM strategy and

the lack of technological usage. In doing so, the following questions will be answered:

- What are the relevant pillars of CRM?
- What are the key success factors in German B2B organisations with regard to implementing CRM and how do they impact business performance?
- What are strategic recommendations for successful CRM implementation?

For answering these questions, we provide insights from recent literature, practical experience and empirical findings derived from a quantitative B2B study.

Methodology of the B2B Study

Applying structural equation modelling, the methodology of our study is based on the following five steps.

First, a conceptual model was established, based on a profound literature review. Different CRM constructs were identified and hypotheses were defined to test whether these constructs have an impact on the business performance (BP) of the organisations (see figure 1).

Second, a questionnaire was developed which operationalised the theoretical constructs derived from existing studies and measured them with standardised scales (7 point agree/disagree scale for CRM constructs and 10-point comparison scale for business performance). The study followed a mono-method and cross-sectional data collection approach. An online B2B panel was used and data was gathered within one month.

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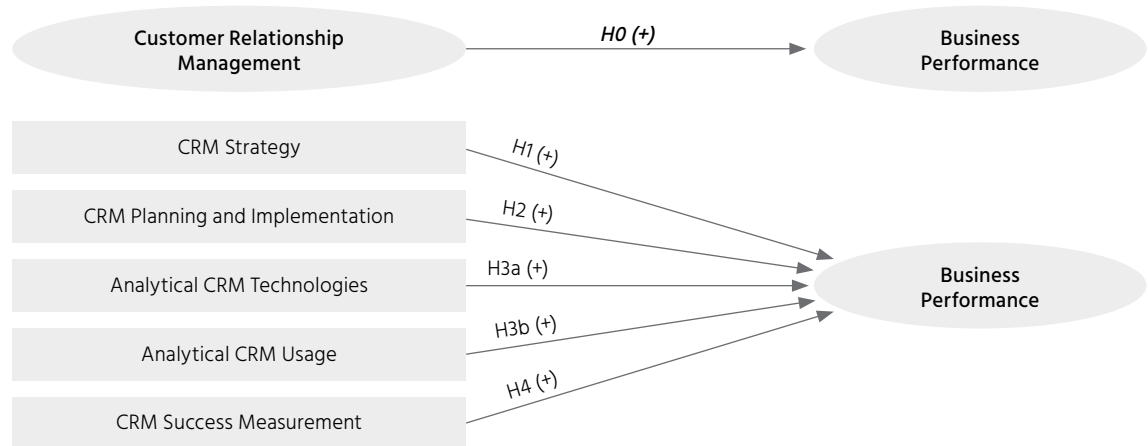
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Fig. 1: Conceptual Model



Source: Authors' illustration.

In a third step, the survey was sent out to over 4,000 participants. 500 answers were considered relevant. Relevant participants were identified by employing the following exclusion/inclusion criteria:

1. Organisations with 250–10,000 employees representing large enterprises.
2. Organisations operating mainly within the B2B industry.
3. Participants having work experience with CRM of at least one year.

Fourth, based on the data set, reliability and validity were tested and a confirmatory factor analysis (CFA) was applied. With CFA we tested which of the measured items of the questionnaire are good indicators for measuring the constructs, resulting in the following indicators:

- Ø Cronbach's alpha = 0.89 (CRM) / 0.82 (BP)
- Ø composite reliability = 0.84 (CRM) / 0.66 (BP)
- Ø average variance extracted = 0.69 (CRM) / 0.58 (BP)
- Ø squared inter-construct correlations = 0.51 (CRM) / 0.51 (BP)

Fifth, a structural equation model was developed to test the defined hypotheses. For this purpose, different structural research models were developed and tested, with the five-dimensional model (equivalent to the conceptual mode) resulting in the best model-fit indices:

- chi-square = 822.94
- degrees of freedom = 332
- probability level = 0.000
- goodness-of-fit index (GFI) = 0.90
- normed fit index (NFI) = 0.92
- comparative fit index (CFI) = 0.95
- root mean square error of approximation (RMSEA) = 0.05
- standardized root mean square residual (SRMR) = 0.04

Based on this five-dimensional model, the hypotheses of the conceptual model were tested, with the following results. H0 was tested afterwards in an additional uni-dimensional model to validate the detailed hypotheses:

- **H0:** Systematic CRM implementation positively affects business performance (BP).
→ supported (standard regression weight (SRW) = 0.56)
- **H1:** CRM strategy has a positive impact on BP.
→ not supported (SRW = -0.02)
- **H2:** CRM planning and implementation has a positive impact on BP.
→ not supported (SRW = 0.03)
- **H3a:** Usage of analytical CRM (aCRM) technologies positively affects BP.
→ supported (SRW = 0.20)
- **H3b:** Strong adoption of aCRM business applications positively affects BP.
→ not supported (SRW = 0.12)

- **H4:** The measurement of CRM success has a positive impact on BP.
 → supported (SRW = 0.28)

Based on these results and the literature discussed above, we derived four pillars of CRM success.

Four Pillars of CRM Success

First Pillar: Approach CRM Strategically

Mostly, CRM is considered an IT tool which can ‘support’ business departments. However, organisations must approach CRM from a holistic perspective to make it successful. Therefore, it is suggested to incorporate different perspectives of CRM, such as the customer perspective, the internal process perspective, the technology perspective and the success dimension of CRM (Iriana & Buttle, 2006; Payne & Frow, 2005; Winer, 2001). Bringing all of them together, CRM can be seen and managed from a strategic standpoint instead of treating it as a software tool only. To do so we suggest a CRM strategy framework (figure 2) – based on recent literature – that incorporates relevant CRM perspectives along the value chain of an organisation (Buttle, 2001).

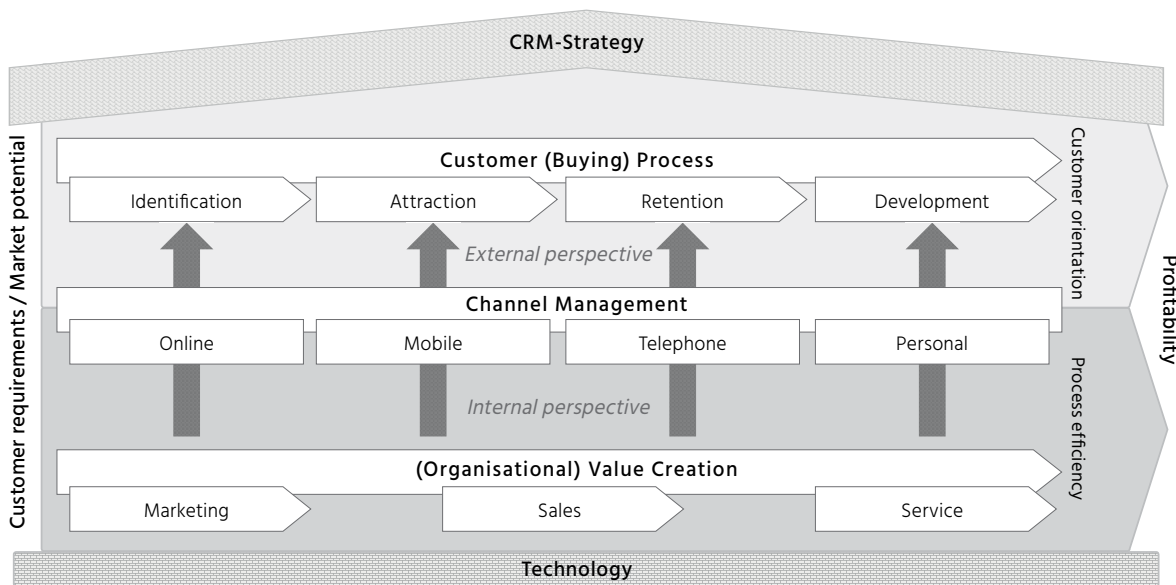
By this process, CRM tries to maximise the output under given market circumstances. In this way, organisations can identify market potential and customer requirements and ‘process’ them most efficiently via their CRM value chain. As a result, firms can decide to achieve higher profitability either via processes that are more efficient (same output, less input) or via the realisation of more turnover with equal resources (more output, same input).

The framework differentiates between the external and internal perspectives and incorporates three dimensions of

Management Summary

This article presents four major CRM pillars, namely CRM strategy, CRM implementation and planning, analytical CRM and CRM success measurement. For each pillar, clear recommendations are provided and enriched with quantitative evidence from a German B2B study. Thus, the article supports (marketing) managers in organising and developing their CRM practice towards a successful CRM programme.

Fig. 2: CRM Strategy Framework



Source: Authors' illustration.

Fig. 3: CRM Implementation Checklist

Technology and Innovation	Processes, People and Organisation
<input checked="" type="checkbox"/> Technology orientation of an organisation	<input checked="" type="checkbox"/> Consideration of business process changes
<input checked="" type="checkbox"/> Management of data quality	<input checked="" type="checkbox"/> Support customer orientation as part of the overall business strategy
<input checked="" type="checkbox"/> Transparency about implementation costs	<input checked="" type="checkbox"/> Engagement from top management
<input checked="" type="checkbox"/> Technical feasibility for changes in IT infrastructure	<input checked="" type="checkbox"/> Professional communication of CRM benefits
<input checked="" type="checkbox"/> Create an innovation culture; i.e. support the identification and development of new ideas and approaches	<input checked="" type="checkbox"/> Support cultural change
<input checked="" type="checkbox"/> Usage of technologies and tools to create and evolve ideas	<input checked="" type="checkbox"/> Be aware of individuals
	<input checked="" type="checkbox"/> Ensure effective training and change management

Source: Authors' illustration.

CRM. First, the customer value creation includes all activities that generate customer benefits (e.g. marketing campaigns, sales visits or 24-h customer services). Second, the channel management as an 'interaction layer' between organisations and their customers comprises all possible communication channels. Third, the customer (buying) process includes all the activities and demands of customers within their lifecycle.

These three elements are surrounded by the overarching strategy and available technology. Both strategy and technology provide the boundaries for any CRM practice and are influenced by external customer requirements as well as by the organisational need to exploit market potential. The target of this CRM strategy framework is to enhance customer orientation and increase process efficiency.

Findings of our study:

With H1, we tested whether CRM strategy positively affects business performance; according to our data, there is no direct correlation between CRM strategy and business performance. However, CRM strategy is highly correlated with the actual implementation. In other words, if organisations define a CRM strategy properly, the implementation will benefit as well. In addition, we have seen that many organisations incorporate different customer groups and sales channels into their CRM strategy. This must be planned and reflected within the implementation process. In conclusion, CRM strategy plays a vital role within our model but does not directly impact the performance of an organisation.

Second Pillar: Plan and Implement Thoroughly

CRM is such a multi-dimensional and important tool for organisations' survival that statistics such as Gartner's (2005) statement of 70% failure rate for CRM implementations are

very surprising. According to the literature, the factors for successful CRM implementation may be categorised into two groups: (1) technology and innovation, and (2) processes, people and organisation (Alshawi, Missi, & Irani, 2011; Bull, 2003; Chen & Popovich, 2003; Šebjan, Bobek, & Tominc, 2016; Shum, Bove, & Auh, 2008). Along these two major dimensions, we suggest that organisations follow the checklist in figure 3 when implementing CRM software.

Summarising the factor technology and innovation, it is key to understand that technology alone will not make CRM implementation successful. However, if technology and the underlying attitude are positive and open-minded, technology becomes an accelerator of CRM implementation.

Summarising the factor processes, people and organisation, people management is key. Even if a CRM is implemented perfectly – i.e. with all the desired features, delivered in time and within the budget and equipped with the most innovative technologies –, people must still be taken along and convinced.

Findings of our study:

With H2, we tested whether thorough CRM planning and implementation positively affects BP. According to our data, there is no direct correlation between CRM implementation and BP. However, CRM implementation is highly correlated with the usage of analytical tools. In other words, if organisations manage the implementation well, they are able to make greater usage of analytical CRM applications, which increases BP. Moreover, we identified the following elements of CRM implementation as important aspects:

1. Define a clear process for gathering requirements.
2. Establish a dedicated training and change management programme.

Main Propositions

- 1. CRM strategy and implementation planning are important to develop a holistically successful CRM programme.
- 2. The usage of analytical CRM correlates with the business performance of organisations.
- 3. Measuring the success of CRM supports the impact of the CRM project on the overall business performance.

- 3. Invest in clear communication processes.
- 4. Install a dedicated project management.

In conclusion, CRM implementation plays a vital role within our model because it contributes to the establishment of analytical applications which impact the performance of an organisation.

Third Pillar: Incorporate Analytical CRM

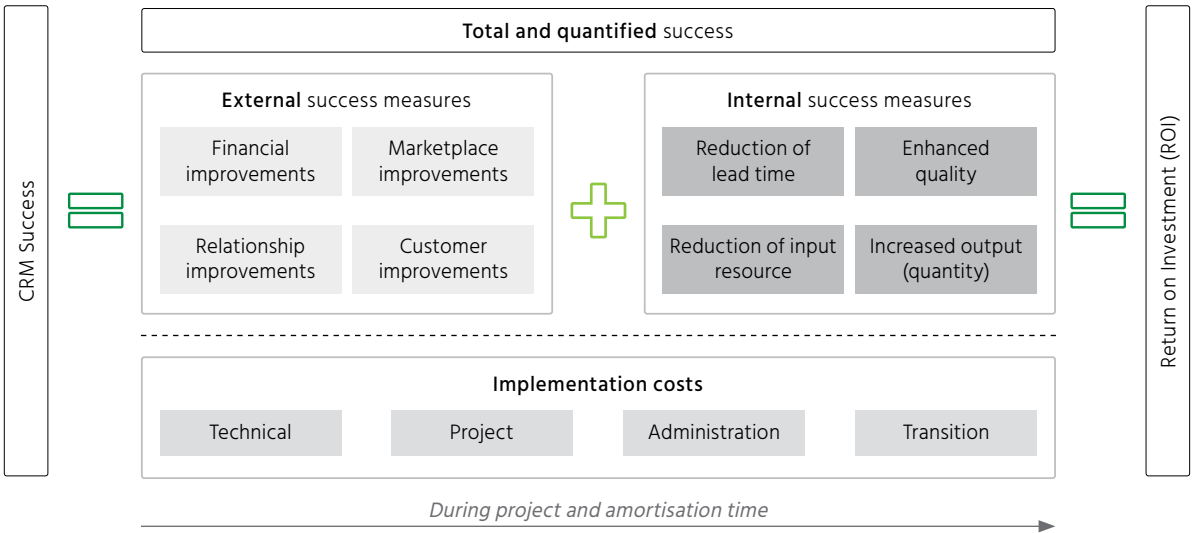
For years, strategy and implementation factors have been essential areas to consider when implementing CRM. Nowa-

days, data and analytics have become increasingly important. With the increasing amount of data and technological capabilities, the analytical part of CRM must be managed thoroughly. But what does analytical CRM (aCRM) consist of in these days?

Analytical CRM, as part of CRM, refers to many aspects, such as knowledge management, data quality, data governance, relevant technologies etc. Moreover, the actual analysis within CRM can be differentiated, with data mining representing a major technology. It includes many aspects, such as data processing, ethical considerations, algorithms to execute the analysis, etc. Within data mining, predictive analytics can be seen as a sub-category. While data mining is characterised as predominantly static analytics using existing data (mostly from the past), predictive analytics is characterised as more dynamic analytics trying to predict specific events and to generate results for the future.

In summary, data mining (and predictive analytics as a sub-concept) is the underlying technology of aCRM. However, the question remains what organisations should do with it and how they can benefit from it. To answer this question, we have identified a few basic data mining technologies which are suitable and easy to implement, such as clustering, classification, forecasting and profiling. However, these simple analytics are often not available within standardised B2B CRM systems, which is why we suggest to start with

Fig. 4: ROI Calculation Scheme for CRM Projects



Source: Authors' illustration.

such pragmatic analytical CRM technologies and implement them according to the organisation's needs.

Findings of our study:

With H3a and H3b, we tested whether analytical CRM impacts BP and found a correlation. Specifically, the usage of technologies (H3a) contributes more to BP than the adoption of these technologies to specific business applications (H3b). This means that organisations should enable their business departments to make use of available technologies instead of dictating pre-defined business applications. For instance, organisations should provide their sales department with a business intelligence tool which they can explore themselves instead of creating a complete dashboard for them. For small and family-owned organisations these correlations were found to be even stronger. This shows that these organisations can differentiate themselves even more from large(r) organisations if they apply aCRM.

In conclusion, analytical CRM was found to be a very strong success factor for large B2B organisations and should be focused on to make CRM successful.

Fourth Pillar: Measure CRM Success

As Peter Drucker (2006) said, "You can't manage what you can't measure". Therefore it is indispensable to measure your CRM implementation and the success of it. Despite the popularity of this quote and the apparent necessity to do so, CRM projects are mostly not well defined in terms of the expected outcome. So how should management measure anything, if they do not know what they want to achieve? For this reason, we are convinced that measuring the results of CRM imple-

Lessons Learned

1. Define a clear CRM strategy and do not regard CRM as just another IT-tool.
2. Plan and manage your CRM implementation thoroughly, considering technology but also people, project and change management.
3. Focus on data and implement analytical CRM technologies so that business departments can configure them for their needs.
4. Define your CRM target and measure it with an appropriate tool, such as an ROI calculation scheme.

mentation is essential. Therefore, we suggest an easy-to-apply framework for calculating return on investment (ROI) that incorporates relevant costs and expected outcomes (figure 4).

This framework compares the costs and benefits of the actual software implementation and includes three main areas:

First, the success of any CRM implementation can be measured externally. In this context, different improvements can be measured, such as:

- financial improvements (e.g. profitability of a customer group),
- marketplace improvements (e.g. increase of market share),
- customer improvements (e.g. wallet share of key accounts),
- relationship improvements (e.g. increase in customer satisfaction).

Second, the success of any CRM implementation can be measured internally. In this context, different improvements can be measured, such as:

- reduction of lead time (e.g. faster order processing),
- enhanced quality (e.g. higher lead qualification scores),
- reduction of input resources (e.g. fewer follow-up calls),
- increased output (e.g. more sales quotes or volume).

Third, the success of any CRM implementation must be related to the required investment. In this context, different costs can be incorporated, such as:

- technical costs (e.g. software licensing costs),
- project costs (e.g. personnel costs for the implementation),
- administration costs (e.g. travel costs for trainings),
- transition costs (e.g. adoption time when changing processes).

To calculate the ROI and determine success, it is important to define these measures a-priori and then manage the implementation of your CRM. In this way, you can determine whether the project was successful or not.

Findings of our study:

With H4, we tested whether CRM success measurement impacts BP and found a positive correlation. We found that organisations are not measuring costs but the improvements achieved by their CRM implementation. In other words, if an organisation measures improvement(s) which were targeted by the CRM implementation, they can realise a higher impact on BP. This means that CRM projects need a clear target defini-

tion. When developing such a target, organisations should discuss the actual outcome of the CRM implementation, which highly contributes to the success of the project and its long-term success. Again, we found that small and family-owned firms benefit more from a solid measurement of CRM success

With a strong, analytical
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can evolve into
data-driven companies.

than large and non-family-owned firms. However, measuring CRM success was also found to be a strong success factor for large B2B organisations and thus should be focused on.

How to Achieve CRM Triumph

We introduced four CRM pillars and presented the findings of our study regarding their contribution to business performance. According to the literature and our empirical findings, organisations should focus on CRM and on implementing it holistically. When doing so, we recommend the following points to make CRM a ‘triumph’:

1. CRM strategy should be owned and driven by business departments (e.g. marketing), not by the IT department. Otherwise, CRM will be implemented as a pure IT solution and not developed for the business.
2. Organisations must focus on a comprehensive implementation to deliver functionalities which help achieve their strategic targets. It is essential to focus on analytical technologies and offer them to the business departments. With a strong, analytical CRM system, organisations can evolve into data-driven companies.
3. When transforming the organisational structure, companies should re-think their processes and align sales, marketing and customer service. We recommend to focus on becoming more customer-centric during this process. To do so, organisations may establish organisational unit(s) that are responsible for the CRM strategy and implementation as well as for the data and its analysis.

With these recommendations, organisations will become the masters of their CRM programmes and use technology as leverage, which will result in competitive advantage. 🌱

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