

THE ALIGNMENT BETWEEN CUSTOMER RELATIONSHIP MANAGEMENT AND IT STRATEGY: A PROPOSED RESEARCH MODEL

Durand Aurelie

The University of Lyon 3
aurelie.durand@univ-lyon3.fr

Bouzidi Laïd

The University of Lyon 3
bouzidi@univ-lyon3.fr

ABSTRACT

This paper presents a research model about the alignment between CRM Strategy and technological deployment (or IT strategy) and its impact on the organizational performance. Three forms of CRM have been identified: Operational CRM (day-to-day customer operations), Analytical CRM (customer data analysis) and Strategic CRM (customer centric business strategy). The paper is built on three foundations. First, it is hypothesized that each form of CRM adopted by the firm positively affects the organizational performance. The second claims that there is a different type of technological deployment for each form of CRM. And the last presumes that for each form of CRM, the more adapted the technological deployment, the better the organizational performance.

Key-words:

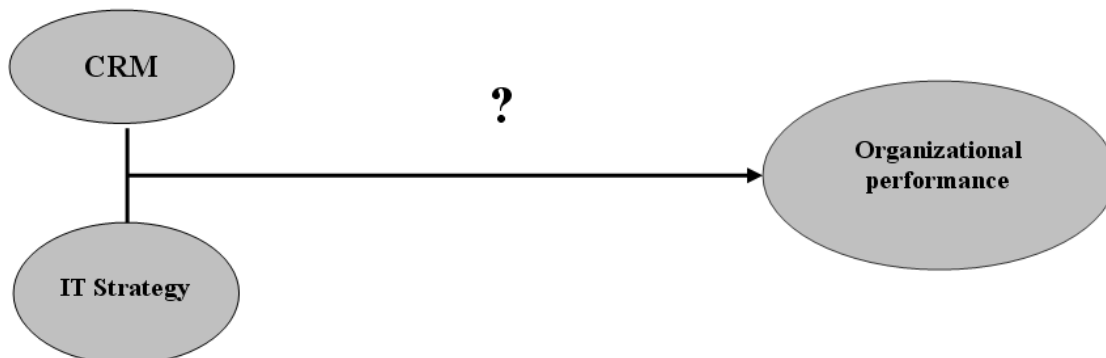
Customer Relationship Management, strategic alignment, IT strategy, technological deployment, organizational performance

INTRODUCTION

Since the 1990's, firms are increasingly interested in Customer Relationship Management. Indeed, CRM is born when firms began to focus on the behaviors and the needs of their customers to increase their sales. If this objective is a consensus for authors (Buttle, 2004; Goldenberg, 2000), views to reach it are different. CRM can be viewed only as an IT support with a tool integration in the existing IS or it can be perceived CRM as an important part of the whole business strategy. Although there are different points of view that explain CRM and its consequences, researchers are still investigating the following:

- How CRM is integrated in the existing IS?
- Is it a IT strategy to carry out ?
- Does a CRM strategy have an impact on the organizational performance?
- Does a CRM strategy have to be aligned with the IT strategy to be successful ?

In the following section, we provide a literature review about these three concepts: CRM, IT Strategy and organizational performance. Then, a research model is proposed with details about our hypotheses and variables.



LITERATURE REVIEW

This literature review is organized according to the three concepts of the research: CRM, technological deployment (or IT Strategy) and organizational performance.

The Customer Relationship Management (CRM) concept

The term CRM or Customer Relationship Management emerged at the beginning of the 1990's. As the concept of CRM is recent, it is difficult to find a clear consensus on its boundaries and content (Buttle, 2004). A lot of CRM definitions exist which shows different views about CRM. Peppers and Rogers (1999) tried to define it. They noted that in some businesses, CRM is seen as a database full of customer information to help extend sales. In others, CRM is a tool designed to work on a one-to-one basis with each of their customer.

To Goldenberg (2000), CRM can serve as a multitasking technology that enables firms to maximize their relationships with their customers and the profits of the firm. Xu, Lin and Chou (2002) describe CRM as an information industry term methodologies, software and usually Internet capabilities that help enterprises, manage customer relationships in an organized way.

The view of CRM as a technology is really important in the literature. Smith (2006) precises that the original view of CRM was heavily dependant on Information Technology support and software development. According to Snyder and Davidson (2003), this misunderstanding about CRM was the cause of numerous failures of CRM projects. Companies focused on technology instead of designing a clear strategy about people and process changes (Bolton, 2004).

Then, authors focused more on strategic aspects of CRM. CRM is viewed as a part of the strategic plan of the firm to develop stronger relationships with customers and to learn more about their needs and behaviours. The goal is to design a process that helps gathering information about customers, sales and marketing effectiveness (Twomey, 2002).

So, it appears that CRM is a combination of "Strategy" and "IT" to manage the customer life-cycle (Smith, 2001). Chen and Popovitch (2003) perceive CRM as a combination of people, processes and technology that seeks to understand a company's customers.

Forms of CRM

Understanding customers is the global objective of a CRM perspective but it exists different ways to reach it. The Meta Group (2001) identified three forms of CRM:

- Operational CRM

The business processes and technologies that help improving the efficiency of day-to-day customers operations. Operational CRM includes sales, marketing and service automation.

- Collaborative CRM

It manages all interactions between the firm and its customers (e-mails, face-to face interactions, voice technologies, etc.).

- Analytical CRM

Analytical CRM concerns customer data analysis to improve business decisions. It includes data warehouse systems, customer profiling, reporting, analysis and datamining.

These three forms of CRM are often used by authors (Crosby and Johnson, 2001; Xu and Walton, 2005; Kyungran, 2004; Peppers, Rogers and Dorf, 2004). The eCRM is even considered by Xu and Walton (2005) as a fourth category. Forester Research (2001) defines CRM as a web-centric approach to synchronize customer relationships across communication channels, business functions and audiences. However, we consider that eCRM is a part of each subsets of CRM.

If the Operational CRM and the Analytical CRM appear in most classifications, Collaborative CRM is often missing. Payne and Frow (2005) include Strategic CRM in a strategic framework for CRM with five cross-functional process.

In strategic CRM, the goal is to align the business strategy of the firm with the customer strategy. Buttle (2004) defines it as a top down perspective on CRM, which views CRM as a core customer centric business strategy that aims at winning and keeping profitable customers.

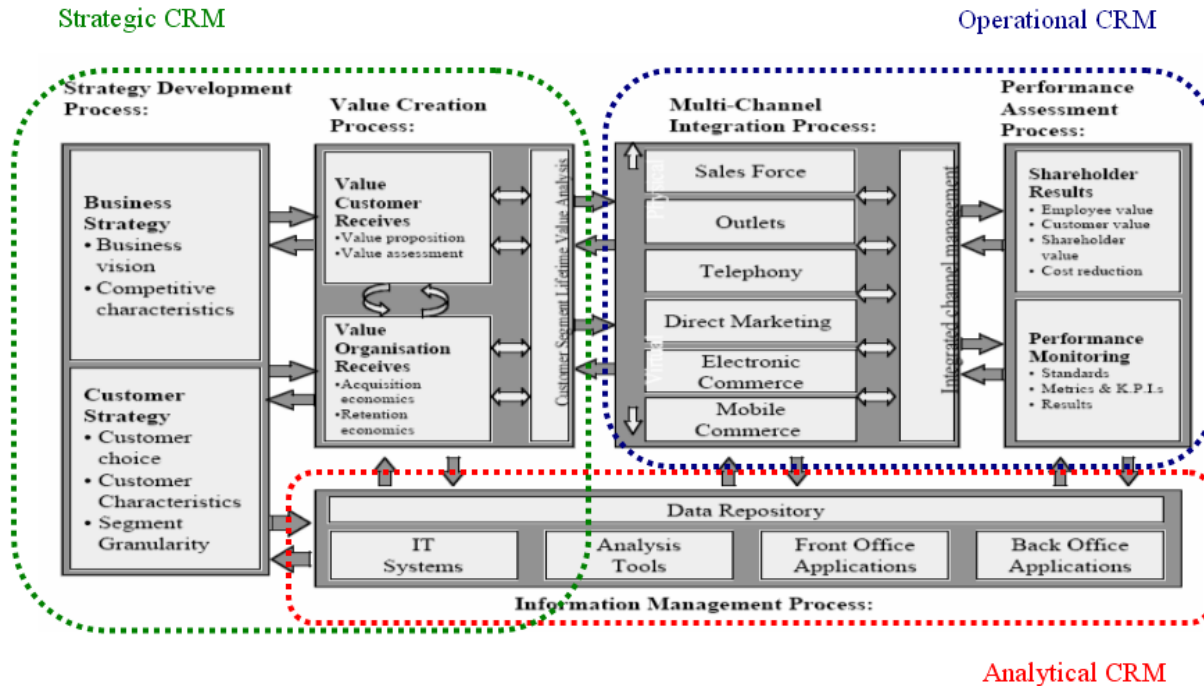


Figure 1: Strategic Framework for CRM (Payne and Frow, 2005)

IT Strategy

The strategic aspect of IT is an important perspective for many authors, including Porter and Millar (1985) who consider that it can give a competitive advantage to firms. Das, Zahra and Warkentin (1991) were among the first to use the concept of “technological deployment”. They proposed a framework of four dimensions to IT deployment: distinct competencies, the role of IT, design and development of IS, and organizational, technological and administrative infrastructures. Bergeron and Raymond (1995) designed a model with five components: the positioning and role of IS, the strategic use of IS, new technological applications, the planning of architecture, and the security.

For Henderson and Venkatraman (1993), it is very important to align IT with business strategy. Firms have to adopt IT strategy according to their business strategy. Venkatraman (1989) introduced the concept of alignment or “fit” in strategy research. He considered that fit is an important component in theoretical development of organisational research and strategic management. Henderson and Venkatraman (1993) emphasized that strategic alignment of IS is a process which allows the firm to reach performance objectives determined in the business strategy.

Organizational Performance

One of the major objectives for a firm is to improve the organizational performance. It is even the ultimate goal of business and IS strategy for Delone and McLean (1992). According to them, it remains many difficulties to evaluate the impact of IT on business strategy. Indeed, measuring organizational performance is a problem since there is no recognized measure of this concept (Croteau and Bergeron, 2001). Two different approaches are used to measure the performance. The objective or quantitative approach refers to financial data (income, productivity indicators) whereas the subjective or qualitative approach is based on the perception of the respondent.

RESEARCH MODEL

As in all alignment researches, our research model is a hybrid model which includes the CRM strategy and the IT Strategy. It has been developed to answer the following question: *Does the alignment of the CRM Strategy and the IT strategy have a positive impact on the organizational performance of the firm?*

Hypotheses

The objective of this research model is to work on the links between the different forms of Customer Relationship Management adopted by the firm, the technological deployment and the organizational performance.

This model is to be tested across three hypotheses:

H1: Each form of CRM (operational, analytical and strategic) adopted by the firm has a positive impact on the organizational performance

H2: There is a different type of technological deployment for each form of CRM

H3: For each form of CRM (operational, analytical and strategic), the more adapted the technological deployment, the better the organizational performance

Moderative variables

To improve our research model, we added two moderative variables: the size of the firm and the lifetime of the CRM tool. The strategic aspect of IT is not perceived in the same way according to the size of the firm. Big firms would be more sensitive to IT Strategy than SME's. It is important to know the number of employees and the turnover of the firm. Then, we can imagine that the size of the firm could have a moderative effect on the alignment between the CRM strategy and the technological deployment. The lifetime of the CRM tool could also have an impact on the perception of the CRM strategy and the IT strategy of the firm. If the CRM tool has been implemented for a long time, it would be easier to have a global view of the CRM strategy.

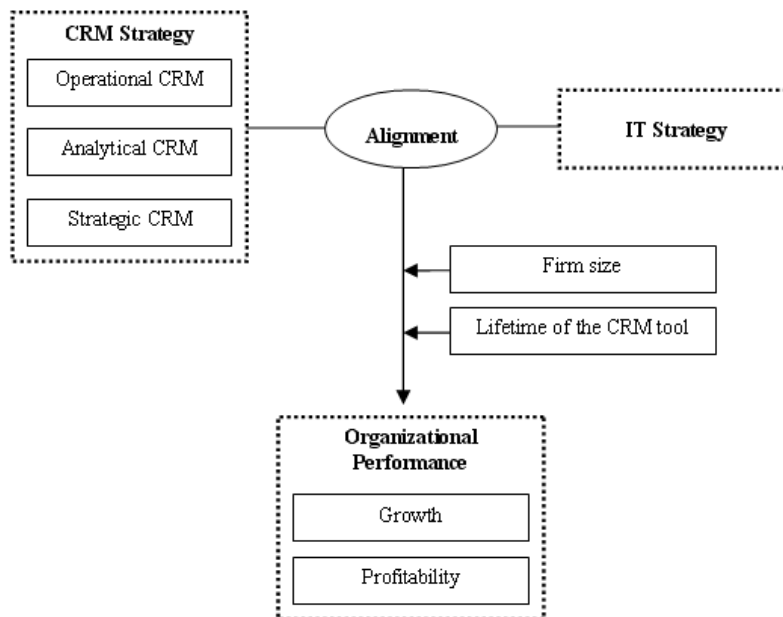


Figure 2 : Research model

LIMITATIONS AND RESEARCH PERSPECTIVES

The objective of this paper is to propose a research model about the links between the Customer Relationship Management strategy adopted by the firm, the technological deployment and their impact on the organizational performance. However, this model has some limitations. Indeed, other components could have an impact on the performance. The concept of alignment or fit developed by Venkatraman is larger than the one we addressed in this research.

This model has now to be tested. A questionnaire will be sent to Chief Executive Officer or Chief Information Officer of French firms. It is important to have firms of different sizes and activities in our sample.

Variables have been translated into items from existing scales or especially built for this research. We focused on the perception of the respondent about CRM strategy, IT Strategy and performance.

REFERENCES

1. Bergeron, F. and Raymond, L. (1995) The Contribution of IT to the Bottom Line: A Contingency Perspective of Strategic Dimensions, *Proceedings of the 16th International Conference on Information System*, December 13-15, Amsterdam, 167-181.
2. Bolton, M. (2004) Customer centric business processing, *International Journal of Productivity and Performance Management*, Vol. 53, Issue 1, 44-51.
3. Buttle, F. (2004) *Customer Relationship Management: Concept and Tools*, Oxford, Elsevier.
4. Chen, I. J. and Popovitch, K. (2003) Understanding customer relationship management (CRM), *Business Process Management Journal*, Vol. 9, Issue 5.
5. Crosby, L.A. and Johnson, S.L. (2001) Technology: Friend or Foe to Customer Relationships?, *Marketing Management*, Chicago, 10, 4, 10-13.
6. Croteau, A.-M. and Bergeron, F. (2001) An Information Technology Trilogy: Business Strategy, Technological Deployment and Organization Performance, *Journal of Strategic Information Systems*, 20:2, 77-99.
7. Das, S. R., Zahra, S. A. and Warkentin, M. E. (1991) Integrating the Content and Process of Strategic MIS Planning with Competitive Strategy, *Decision Sciences*, 22, 953-984.
8. Delone, W. H. and McLean, E. R. (1992) Information Systems Success: The Quest for the Dependant Variable, *Information Systems Research*, (3:1), 60-95.
9. Forester Research (2001) Glossary.
10. Goldenberg, B. (2000) What is CRM? What is an e-customer? Why you need them now?, *Proceedings of DCI Customer Relationship Management Conference*, Boston, MA, 27-29 June.
11. Henderson, J.C. et Venkatraman, N. (1993) Strategic alignment: Leveraging information technology for transforming organizations, *IBM Systems Journal*, 32 (1), 4-16.
12. Kyungran, K. (2004) Online customer relationship and online database, work paper, University of Texas, Austin, TX.
13. META Group (2001) *Integration: Critical Issues for Implementing of CRM Solutions*, META Group.
14. Payne, A. and Frow, P. (2005) A Strategic Framework for Customer Relationship Management, *Journal of Marketing*, 69, October, 167-176.
15. Peppers, D., Rogers, M. and Dorf, B. (2004) *Le One-to-One en pratique*, Paris, Editions d'organisation.
16. Peppers, D. and Rogers, M. (1999) *The One to One Manager: Real-World Lessons in Customer Relationship Management*, Doubleday, New York, NY.
17. Porter, M. and Millar, V.E. (1985) How Information Gives You Competitive Advantage, *Harvard Business Review*, (63:4), 149-160

18. Smith, A. (2006) CRM and Customer service: strategic asset or corporate overhead? *Handbook of Business Strategy*, 7 (1): 87–93.
19. Smith, K. (2001) Getting payback from CRM. *Webcast on www.CRMGuru.com*, November.
20. Snyder, M. and Davidson, I. (2003) In trouble?, *Conspectus – The IT Report for Directors and Decision Makers*, 30-2.
21. Twomey, M. (2002) Cutting through the hype, *Sunday Business Post*, 12 May.
22. Venkatraman, N. (1989) The Concept of Fit in Strategy Research: Toward Verbal and Statistical Correspondence, *Academy of Management Review*, 14:3, 423-444.
23. Xu, M. and Walton, J. (2005) Gaining customer knowledge through analytical CRM, *Industrial Management & Data Systems*, 105, 7, 955-971.
24. Xu, Y., Lin, B. and Chou, D. (2002) Adopting customer relationship management technology, *Industrial Management and Data Systems*, Vol. 102, Issue 8.