

# Critical Factors and Benefits in the Implementation of Customer Relationship Management

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**ABSTRACT** *In competitive consumer markets, building and maintaining a good relationship with customers is essential to long-term business survival. Currently, firms are applying Customer Relationship Management (CRM) to facilitate the maintenance of this relationship. This investigation applies interview survey methods to explore the relationship between Business Process Reengineering (BPR), Organizational Learning, Relationship Quality, and Organizational Performance in the implementation of a CRM system. Among these factors, BPR and Organizational Learning are the first steps in the construction of CRM. BPR involves staff reward and training, organizational structure, and information technology tools. Organizational learning involves commitment to learning, shared visions and open-mindedness. Relationship Quality involves trust, satisfaction and commitment, which are intended to be increased by the implementation. The Balanced Scorecard approach is applied to the measurement of Organizational Performance, involving the internal business process, learning and growth, customer, and financial performance perspectives. Overall, the study supports the proposition relationship between the four perspectives. The actual implementation of CRM is believed by the respondents to contribute to an improvement in relationship quality and organizational performance, and the consensus is that implementation of a CRM system should be preceded by BPR and organizational learning.*

**KEY WORDS:** Customer relationship management, business process reengineering, organizational learning, relationship quality, organizational performance

## Introduction

In competitive consumer markets, customer choice decisions are at the root of business survival, focusing attention on the attraction and retention of customers through personalized service. Rosenberg & Czepiel (1984) estimate that the cost of winning a new

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customer is five times higher than that of maintaining an existing customer, while Reichheld & Sasser (1990) estimate that the retention of an additional 5% of customers, can increase profit by nearly 100%. Maintenance of the customer relationship is therefore cost-effective marketing, and has become a key aspect of most firm's business strategy, prompting extensive deployment of Customer Relationship Management (CRM) systems (Morgan & Hunt, 1994; Kim *et al.*, 2003).

The nature of CRM aims to maximize customer value in the long term, by focusing business processes, marketing and customer service on client relationship maintenance, through the coordinating agency of an information technology (IT) system. Implementation of such a system is not a panacea, and is not, of itself, sufficient to transform a production-oriented organization into a customer-oriented one (Kanji, 2002; Chang, 2005), which will require a wide-ranging overhaul of organizational structures, employee training and reward system, as well as appropriate IT support (Chen & Popovich, 2003). This fundamental re-design of business processes is described as Business Process Reengineering (BPR). Earl *et al.* (1995) state that, 'BPR has meant redesigning existing business processes and implementing new ones.' Davenport (1993) considers BPR as process innovation, changing all business processes and redesigning them. BPR aims at substantial gains in organizational performance by a 'ground-up' redesign of core business processes, discarding existing processes and inventing new ones, rather than incrementally improving existing processes (Attaran, 2004). Since the CRM provides a means to acquire and distribute personalized customer information, its usefulness will depend on the organization's ability to exploit that information in innovative new products and services (Chen & Ching, 2004), which in turn will be dependent on the speed of employee and organizational learning, a key to survival in innovative consumer markets (Stata, 1989; Fulmer, 1994; Chang, 2006).

Peter Drucker (1954) states, in *The Practice of Management* that 'the only effective definition of a business aim is to create customers!', since customer satisfaction and trust will bring repeat purchases to the firm and hence improve the firms' organizational performance. Increasingly, firms are recognizing the value of establishing close relationships with customers as a means of increasing retention. Smith (1998) defines relationship quality as the overall assessment of the strength of a relationship and the extent to which it meets the needs and expectations of the parties based on the past history of successful or unsuccessful encounters or events. Firms are realizing that the intangible aspects of a relationship may not be easily duplicated by the competition, thus providing a unique competitive advantage (Kanji, 1998; Roberts *et al.*, 2003). CRM systems help firms maintain relationships with customers and suppliers, with these associated advantages.

Kaplan & Norton (1992, 1993, 1996) developed The Balanced Scorecard (BSC) method of organizational performance evaluation, incorporating a mix of financial and non-financial indicators, including an evaluation of the alignment of business processes, with stated business strategy. The present study develops a conceptual framework relating the BPR, organizational learning, relationship quality, and organizational performance accompanying CRM implementation, specifically examining the following aspects:

- (1) The relationship between CRM system implementation and BPR at the initiation of the CRM system construction.
- (2) The relationship between CRM system implementation and organizational learning.
- (3) The level of relationship quality improvement between the firm and its customers after the implementation of the CRM system.

- (4) The improvement in organizational performance after implementation of the CRM system.

## Literature Review

### *Customer Relationship Management (CRM)*

The relationship with customers is key to competitive success in consumer markets. As data warehousing, data mining, and e-commerce develop, the availability of customer behavior data, and the sophistication with which it can be analyzed increase, enhancing possibilities for one-to-one marketing (Ahn *et al.*, 2003). The following section has three parts: in the first part, the definition of CRM is discussed, the second provides a framework for CRM, and the third introduces the phases of CRM implementation.

Kalakota & Robinson (2001) state that 'CRM is an integrated sale, marketing, and service strategy that precludes lone showmanship and that depends on coordinated enterprise-wide actions.' Tiwana (2001) state that 'CRM is a combination of business processes and technology that seeks to understand a company's customers from multiple perspectives to competitively differentiate a company's products and services.' CRM uses IT to integrate marketing, sales, service and provides customization to raise customer loyalty and business profit. CRM involves a concerted effort to improve customer identification, acquisition, and retention. It aims to improve customer satisfaction, boost customer loyalty, and consequently increase revenues from existing customers. Kim *et al.* (2003) define CRM in terms of business processes and technologies that seek to understand a company's customer. Winer (2001) considers the basic elements to be: a database of customer activity, analysis of the database to support customer target selection criteria, tools for targeting the selected customers, mechanisms for building relationships with the targeted customers, mechanisms for ensuring customer privacy, and metrics for measuring the success of the CRM program.

Kalakota & Robinson (2001) and Tiwana (2001) state that the roles of CRM include the acquisition of new customers, the enhancement of the profitability of existing customers, and retention of profitable customers. Considered as successive phases, each supports increased intimacy and understanding between a company and its customers. We here define CRM as *the combination of marketing efforts, business processes and technology that allows the firm to understand its customers from multiple perspectives*. The firm uses this knowledge the increase customer satisfaction and gain customer loyalty.

### *CRM and Business Process Reengineering (BPR)*

Hammer & Champy (1993) define BPR as 'the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed.' Spencer (1992) states that 'BPR is promoted as a potent, customer based approach to improve productivity and quality through processes.' He considers that BPR seeks to compress both horizontally (the linear sequence and cycle) and vertically (the management layers), challenges existing work patterns, practices and structures, particularly the specialization of labor. He considers that IT is another key factor, enabling the elimination of outdated organizational

boundaries and infrastructures. Daft (2004) similarly stated that BPR means the redesign of a vertical organization along its horizontal workflows and processes.

Davenport (1993) also believed that BPR should involve process innovation with a business-wide scope, implying a complete redesign of all business processes. Earl *et al.* (1995) state that, 'BPR has meant redesigning existing business processes and implementing new ones.' Whitman & Gibson (1997) note that the need for fundamental redesign has increased with the rate of change in the business environment. Attaran (2004) asserts that the implementation of reengineering is not a free-form exercise, but requires specific steps to be performed in a particular order.

BPR is 'a customer focus, top-down management effort to establish breakthroughs in the performance of inter-functional processes' (Davis, 1993). CRM integrates a related set of functions and business processes to enhance the performance of the organization as a whole (Laudon & Laudon, 2004; Chang, 2006). CRM systems require changes in sales, marketing, and customer service processes to encourage sharing of customer information; support from top management; and a very clear idea of the benefits that could be obtained from consolidating customer data. A CRM system implementation project is thus of sufficiently wide scope to be considered as an example of BPR. CRM systems are a relatively recent innovation so their requirements have often not been 'built-in' to the existing organisational structure, which may need adjustment by a BPR exercise.

### *CRM and Organizational Learning*

Levitt & March (1988) define organizational learning as 'encoding inferences from history into routines that guide behavior.' Kim (1993) states that 'organizational learning is defined as increasing an organization's capacity to take effective actions.' Dixon (1994) defines organizational learning as 'the intentional use of learning processes at the individual, group and system level to continuously transform the organization in a direction that is increasingly satisfying to its stakeholders.' Laudon & Laudon (2004) define organizational learning as the 'creation of new standard operating procedures and business processes that reflect organizations' experience.' Daft (2004) considers a learning organization is an organization in which everyone is engaged in identifying problems, enabling the organization to continuously experiment, improve, and increase its capability (Daft, 2004).

Lyles (1988) separates organizational learning into 'Low-level learning' and 'High-level learning', while Fulmer (1994) divides it into maintenance learning, shock learning, and anticipatory learning. Dixon (1994) describes the Organisational Learning Cycle as a dynamic process involving the continuous reconstruction of meaning and the transformation of the organization.

The process involves the collection of external data (about, for example, customers, suppliers, new technology and economic conditions) and the internal development of new processes and product ideas. The acquisition of external information requires crossing the organization's boundaries, and may be accomplished by a web-based system. By contrast, internal information is generated as part of the process of conducting the organization's business, and is used for analyzing successes and failures, creating experiments designed to provide new information, and building checkpoints into activities so they become self correcting. Internal information capture needs to be the routine responsibility of all members of the organization rather than specialists, such as R&D or customer

service personnel. Once collected, the information needs to be interpreted and distributed. Collective interpretation promotes mutual comprehension and consensus, which in turn may provide a basis for action.

To maintain the competitive advantage in dynamic, competitive markets, firms have to adapt to changes in their trading environment. Strategy, training, policy, and structure all have to facilitate continued employee learning, to support the organization's continued success. Laudon & Laudon (2004) suggest that most firms implementing a formal CRM system need to transform their focus from a product-centric view to a customer-centric view, which requires some fundamental changes in the organization culture and business processes, notably a closer cooperation between the information systems and sales and marketing groups. Organizational learning in support of this change requires the acquisition of complex knowledge of new business rules and processes and the 'unlearning' of the previous ones.

### *CRM and Relationship Quality*

Smith (1998) considers relationship quality the result of overall assessment of the strength of a relationship and the extent to which it meets the needs and expectations of the parties based on a history of successful or unsuccessful encounters. Crosby *et al.* (1990) consider it a construct composed of (at least) two dimensions: Trust and Satisfaction. Trust is particularly important in relational contexts where individuals seek predictable and obligatory behavior on the part of their relational partner, so that a relatively high degree of certainty is attached to future rewards. Satisfaction is an emotional state that occurs in response to a positive evaluation of these interaction experiences. Morgan & Hunt (1994) describe relationship quality in terms of Commitment and Trust components. Marketers are urged to maximize these by resisting attractive short-term alternatives in favor of the expected long-term benefits of cooperation with existing partners, and by viewing potentially high-risk actions as being prudent because of the belief that partners will not act opportunistically.

Lee & Kim (1999) consider five relationship quality components: trust, business understanding, benefit and risk share, conflict, and commitment. Roberts *et al.* (2003) used four variables to measure relationship quality (trust, commitment, satisfaction, and affective conflict). Generalizing the above views, customer relationship quality is described in terms of the customer's expectation of benefit from the relationship, based on their past experience. If relationship quality is considered to be made up of customer satisfaction, trust, and commitment, then a CRM system will be designed to automate customer-related procedures in such a way as to maximize these perceptions.

### *Organizational Performance*

Performance evaluation is generally carried out by comparison with subjective or quantitative standards. Indicators of the results of processes are termed lag indicators, while measures of process execution are termed lead indicators. Traditional accounting emphasizes quantitative financial measures, which are often lag indicators. Eccles & Philip (1992) note that this limits the rapidity with which feedback can be obtained, and speculate that under the pressures of a rapidly changing business environment, non-financial

indicators will become more important, especially comparative benchmarks for service quality and customer satisfaction.

The Balanced Scorecard (Kaplan & Norton, 1992, 1993, 1996) emphasizes the importance of incorporating non-financial performance measures such as customer satisfaction, internal business process, and innovation and learning, as well as 'traditional' financial measures. The Balanced Scorecard (BSC) translates mission and strategy into objectives and measurable terms, viewed from the financial, customer, internal business process, and learning and growth perspectives, providing a balance between short- and long-term objectives, between desired outcomes, performance drivers of those outcomes, and between hard objective measures and soft subjective measures. Hugh *et al.* (1996) suggest that a firm's performance management technique enables it to focus resources on changing behavior and promoting customer-orientation.

### Conceptual Model and Methodology

This study is aimed at the identification and evaluation of critical factors and benefits in the implementation of CRM. The study operationalizes the items and builds a research framework describing their relationships.

#### *Conceptual Framework and Research Propositions*

The conceptual framework developed to describe the relationships between BPR, Organizational Learning, relationship quality, and organizational performance in CRM implementation is shown in Figure 1. BPR and Organizational Learning are viewed as pre-requisites for CRM system implementation and subsequent relationship enhancement.

- (1) *BPR and Relationship Quality*: Spencer (1992) and Davis (1993) both describe BPR as a customer-focused process, implying that the needs of customers are taken into account, enhancing customer satisfaction and trust (Wind, 1991; Janson, 1992; Yang & Chen, 2001; Chen & Popovich, 2003) and improving relationship quality.
- (2) *Organizational Learning and Relationship Quality*: Day (1994) states that an organization's capability includes learning the needs and demands of its customers and developing new products or services to satisfy them. Hedberg & Wolff (2001),

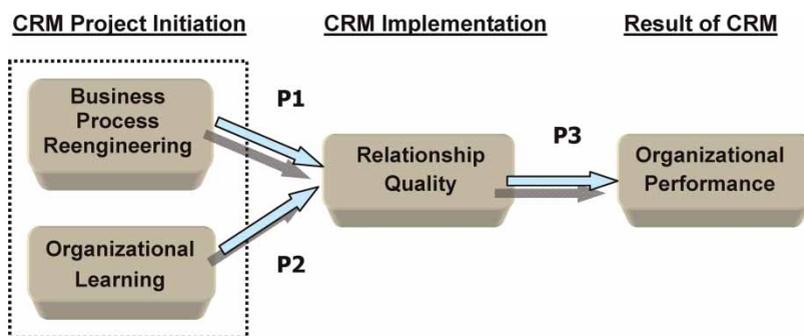


Figure 1. Conceptual framework for BPR, OL, RQ, and OP in CRM

Child (2001), Reinhardt *et al.* (2001) all consider that such organizational learning increases customer satisfaction and consequently improves relationship quality.

- (3) *Relationship Quality and Organizational Performance*: Customer satisfaction has been regarded as both a determinant and an indicator of organizational performance, depending on how the latter has been defined (Babin & Griffin, 1998). Kaplan & Norton (1996) incorporate measures of customer satisfaction in their BSC approach to measuring organizational performance. Lee & Kim (1999) and Crosby *et al.* (1990) also argue that relationship quality affects organizational performance. We propose that relationship quality is a determinant of organizational performance.

BPR, organizational learning, relationship quality and organizational performance are operationalized and discussed below.

*CRM project initiation, CRM implementation, and relationship quality.* CRM requires company-wide, cross-functional, customer-focused BPR (Chen & Popovich, 2003). Managing a successful CRM implementation requires an integrated and balanced approach. Following Janson (1992), and Chen & Popovich (2003), we take the view that BPR involves the human, work process, and technological dimensions of the organization. Hunt & Morgan (1996) believe that learning is an important resource that can create competitive advantage. We employ the dimensions of Baker & Sinkula (1999) for variables associated with organizational learning capabilities, including commitment to learning, shared vision, and open-mindedness. Measurement item statements for BPR and organizational learning used in the present paper are shown in Table 1.

Various measures of relationship quality have been published. A summary of some of these dimensions is shown in Table 2. The three dimensions chosen to measure relationship quality in the present study are shown in Table 1. The corresponding research propositions are:

Proposition 1: BPR has a significant positive association with relationship quality.

Proposition 2: Organizational learning has a significant positive association with relationship quality.

*CRM and organizational performance.* Items from the Balanced Scorecard (Kaplan & Norton, 1996) and from Brewer & Speh (2000) are employed. Four variables are considered in Table 1. Our proposition is:

Proposition 3: Relationship quality has a significant positive association with organizational performance.

A summary of published supporting evidence for three propositions is shown in Table 3.

### *Research Methods*

The sequence of case study research was based on Eisenhardt's (1989) eight steps: getting started, selecting cases, crafting instruments and protocols, entering the field, analyzing data, shaping proposition, enfolding literature, reaching closure. Before the actual

**Table 1.** The measurement of BPR, Organizational Learning, Relationship Quality, and Organizational Performance

Item	Explanation	BPR Measurement Item Statement
Staff rewards and training	Reformation of employee training and rewards to achieve the aims of CRM	<ul style="list-style-type: none"> <li>• High level of support and commitment from the top management team is needed when the firm is constructing CRM.</li> <li>• When building CRM, the firm must change the original performance evaluation and reward policy to match.</li> <li>• The employees must be trained.</li> <li>• The employees should be fully empowered.</li> <li>• Employees must have a high level of willingness to cooperate.</li> </ul>
Organizational Structure	Organizational structure reformation due to the implementation of CRM	<ul style="list-style-type: none"> <li>• When implementing CRM, cross-functional teams must be established to develop new business processes</li> <li>• Resources from all departments should be integrated to respond to the customer's need in a timely manner.</li> <li>• Suitable plans to restructure the organization must be drawn up.</li> <li>• Power distribution must be adjusted among the firm, to match with the new processes.</li> </ul>
IT Tools	IT tools implemented to support CRM operations.	<ul style="list-style-type: none"> <li>• When implementing CRM, the firm must also construct a CTI system and an internet interactive customer service system to support customer service.</li> <li>• The firm must also build-in data warehousing and a data mining system to analyze the customer's needs.</li> <li>• The firm must also build-in a DSS, EIS or SIS to help managers analyze their decisions.</li> <li>• The CRM system must be user friendly.</li> </ul>

Item	Explanation	Organizational Learning Measurement Item
Commitment to learning	Firms view organizational learning as a core value	<ul style="list-style-type: none"> <li>• In the daily use of CRM system, it must be able to renew information and provide feedback right away.</li> </ul>
Shared visions	Top managers will share the firm's future vision with employees.	<ul style="list-style-type: none"> <li>• Managers believes employees' learning ability will enhance the firm's competitive advantage.</li> <li>• The top management sees organizational learning as one of the basic values of the firm.</li> <li>• The firm believes that organizational learning is a must for a firm to survive.</li> <li>• Organizational learning is the firm's first priority in the business culture.</li> <li>• Firm believes employee learning is an investment.</li> <li>• Employees have a clear outline of the firm's positioning, future development and belief.</li> <li>• The firm has a clear vision of CRM.</li> <li>• Top management is willing to share the future development and vision of CRM with their employees.</li> <li>• All the employees are willing to work toward the vision of CRM.</li> <li>• Employees believe that they have a responsibility in the future development of the firm</li> <li>• Customers' information can be freely shared between the firm's departments.</li> <li>• Customers' needs will be discussed among different departments frequently.</li> <li>• Innovation is an important aspect in the firm's corporate culture.</li> </ul>
Open mindedness	The firm is able to go beyond normal innovative thinking.	

(Table continued)

**Table 1.** (Continued)

Item	Explanation	BPR Measurement Item Statement
Variables	Explanation	<ul style="list-style-type: none"> <li>• The firm encourages their employees to have innovative ideas beyond conventional business boundaries.</li> <li>• Firm is willing to accept different ideas.</li> </ul> Measurement of Relationship Quality Item
Trust	The firm always considers the client's rights and interests when making a decision.	<ul style="list-style-type: none"> <li>• Following CRM implementation, the company will treat customers more sincerely compared to the past.</li> <li>• The firm can provide customers with the help they need.</li> <li>• The firm will consider the benefits of the customers.</li> </ul>
Satisfaction	The client is satisfied with the product or service provided by the firm.	<ul style="list-style-type: none"> <li>• CRM implementation reduces the rate of returned merchandise</li> <li>• The image of the firm (or brand) will be enhanced.</li> <li>• The firm will provide the products or services needed by the customer.</li> </ul>
Commitment	Firm's desire to maintain long-term working relationships.	<ul style="list-style-type: none"> <li>• Because of CRM, the firm has a standardized business process to customers solve problems.</li> <li>• Because of CRM, the firm can provide customers with a better services.</li> <li>• Because of the implementation of CRM, the firm can accurately provide customer services according to the contract.</li> </ul>
Variables Internal Business Process Perspective	Explanation	Measurement Organizational Performance Item <ul style="list-style-type: none"> <li>• After the implementation of CRM, employee's morale will increase.</li> <li>• CRM will enhance the servicing ability of the employees.</li> </ul>
Internal Business Process Perspective	The internal business process measures focus on processes that will have the greatest impact on customer satisfaction and achieving an organization's financial objectives.	

Learning and Growth Perspective	The fourth perspective of the balanced scorecard, learning and growth, identifies the infrastructure that the organization must build to create long-term growth and improvement.	<ul style="list-style-type: none"> <li>• Cross-departmental communication will be improved.</li> <li>• Team spirit will have increased.</li> <li>• Product defects will have reduced and service quality has improved.</li> <li>• After the implementation of CRM, employees will receive timely and accurate information.</li> <li>• The skills of employees increase, leading to increases in productivity.</li> <li>• Because of the firm's innovation, productivity increases.</li> <li>• There is a break through in the development of new business.</li> <li>• The scope of service will widen.</li> </ul>
Customer Perspective	The core outcome measures include customer retention, new customer acquisition, customer profitability, and market share in targeted market segments.	<ul style="list-style-type: none"> <li>• After the implementation of CRM, the customer profit earning ability has increased.</li> <li>• There has been a reduction in customer complaints.</li> <li>• The level of customer satisfaction has increased.</li> <li>• There is an increase in customer repeat purchases.</li> </ul>
Financial Perspective	Financial objectives typically relate to profitability-measured, for example, by operating income, return-on- capital, or, more recently, economic value-added.	<ul style="list-style-type: none"> <li>• After the implementation of CRM, internal costs can be controlled more effectively.</li> <li>• The market share of the firm has increased.</li> <li>• The earning ability of the firm has been improved.</li> <li>• The servicing cost is reduced</li> </ul>

**Table 2.** Summary of dimensions of relationship quality

Scholars	Dimensions of relationship quality
Crosby <i>et al.</i> (1990)	Satisfaction, Trust
Morgan & Hunt (1994)	Trust, Commitment
Lee & Kim (1999)	Trust, Business understanding, Benefit and Risk share, Conflict, Commitment
Roberts <i>et al.</i> (2003)	Trust, Commitment, Satisfaction, Affective conflict

**Table 3.** Summary of supporting works for research proposition

Proposition	Supporting Works
P1: BPR → Relationship Quality	Wind (1991), Janson (1992), Elzinga <i>et al.</i> (1999), Yang & Chen (2001), Chen & Popovich (2003)
P2: Organizational Learning → Relationship Quality	Hedberg & Wolff (2001), Child (2001), Reinhardt <i>et al.</i> (2001)
P3: Relationship Quality → Organizational Performance	Crosby <i>et al.</i> (1990), Lee & Kim (1999), Chang (2005)

interview, the case study questionnaire and research framework were mailed to the interviewee for review, to establish an initial context and to smooth the flow of the interview. Based on the original research framework and literature review, the case study questions were open-ended, in order to probe for the interviewee's point of view and the firm's specific situation. The final version of the questionnaire was formed by combining the content of the case study and literature reviews.

Three companies participated in the case study interviews. The first is a skincare product retailer with a successful e-business operation, butyshop.com. The interviewee is the CEO of the firm, Mr Roger Lo. The second is a financial services company, MOCOTO Bank, providing loans and mortgages, and operating a call center. The interviewee is the associate manager of operations, Mr Bob Wang. The third is an IT services company, Stark Technology Inc, providing information system implementation and consultancy. The interviewee was the senior consultant, Mr Tony Chang. E-Commerce and the financial services sector place great importance on maintaining the relationship with their clients and so might be expected to be particularly aware of the issues. The inclusion of a CRM system implementer in the survey effectively broadens it, by drawing on their implementation experience in many other firms.

## Case Study Analysis

### Case Study

#### Case 1. Butyshop International Corp.

Butyshop International Corporation was established in 1995, and has been involved in the development of cosmetics for over 10 years. Historically, its main business was OEM

development of new cosmetic products on behalf of international brand name clients. After 3 years of planning and development, it established its own butyshop brand in 2001 with a complete line of products for face, body, hair, men, babies, aromatherapy, and cosmetics. Other than the butyshop.com business website, Butyshop International Corporation currently has 23 retail shops, a cosmetic production factory and a cosmetic research laboratory, with its business headquarters located in the San-Ming area of Kaoshiung.

At the time of launching the Butyshop brand, it also established an e-business website – butyshop.com, which sells its cosmetic products along with a range of other articles, which has expanded in response to consumer demand. Butyshop.com emphasizes the convenience, safety and value of direct distribution with no intermediaries.

The company employs a number of techniques to address customer reluctance to trade online. It has a policy of attaching a product tester with the purchased product. This addresses the problem of returned goods and product testing. Due to the personal nature of the products, individual problems of discomfort or dislike are likely to arise in some cases after use. If a consumer dislikes the product testers, they can return the unopened main product package and get a refund or another product. A customer service center is committed to a rapid response to customer queries, via the online customer service system, customer service hotline or customer service mailbox.

#### *(1) CRM Project Initiation*

Top management considered a CRM system implementation integral to the establishment of butyshop.com, given the importance of customer relations in the area of personal skin-care and cosmetics. As well as monitoring consumer demand, CRM can also provide information on additional products that improve the consumer's skin, building trust in butyshop.com and increasing the usage of their products. Brand trust is a very important factor in skin care products; and is considered to have a positive relationship with the customers' purchasing intention.

#### *Business Process Reengineering*

##### *Staff rewards and training*

- **Virtual Distribution:** The CRM system was integrated with the online marketing operation from its initiation, so employees involved in this operation do not require specific encouragement to use it.
- **Solid Distribution:** Retail store and cosmetic booth employees have a base pay and a performance bonus. Retail employees are thus encouraged to use the CRM system indirectly, since its enhancement of their sales increases their bonus. To reduce training time and for the convenience of store staff, the system's interface is very user friendly. All significant system changes are supported by training at the firm's headquarters.
- **Organizational Structure:** The majority of Butyshop.com employees are customer-facing and make regular use of the CRM system. Its integration with the purchasing and SCM systems mean that 'back-office' staff and costs are minimized.
- **Information Technology:** The CRM system implementation was accompanied by a computer telephone integrated (CTI) system and a web-based customer interactive service system, which together support the customer service center. CTI and the internet

customer interactive service system are able to capture statistical data on the daily calls, questions and complaints from customers, provide information on customer satisfaction and preferences on various timescales. Despite the importance of this technology, service staff personally interact with customers, providing personal skincare related information, and letting customers feel that they are being respected. Service center staff are currently only available, from 9 am till 10 pm, but the intention is to eventually provide 24/7 service.

A data warehousing and data mining system identifies market trends and spending patterns. Personalized skin type files are maintained for each customer, and are used to guide product selection. These records are accessible from any outlet, maintaining a consistent personalized service.

### *Organizational Learning*

- Commitment to learning: butyshop.com regards employee learning as an investment, essential to sustainably address customer problems and satisfy customer demands. Frequent employee training programs aim at providing premium customer service by improving employee skills and broadening their vision.
- Shared visions: The vision of butyshop.com is 'to be the customers' lifetime friend' since maintaining a good relationship with existing customers and gathering new customers through them, will allow the continued expansion of the business. Recruitment is based on perceived attitude to service.
- Open-mindedness: While Butyshop.com encourages innovation, and has a good record in new product development proposals, they ask customer-facing staff to follow SOPs, in order to provide consistent service quality.

### *(2) CRM Implementation and Relationship Quality*

The firm demands high levels of service quality from its employees, and monitors compliance via the CRM system. The use of product testers as an online sales tool has already been mentioned. In combination with a 'no questions asked' returns policy, this builds customer trust, and lowers the perceived risk of internet purchases. The company believes that if a customer is not satisfied with a product they can at least feel satisfied with the companies' service.

### *(3) Results of CRM: Organizational Performance*

- Financial Perspective: The firm has consistently achieved its market share objectives, and has returned increasing profits and EPS year-on-year. Costs have generally decreased through the use of appropriate technology, such as new telephony systems.
- Customer Perspective: Butyshop.com uses no advertising, relying on word of mouth and careful monitoring customer satisfaction and complaints. Following implementation of the CRM system, customer complaints have declined, satisfaction levels are on-target, and customers' repeat purchase figures have increased.
- Internal-Business-Process Perspective: The interviewee believes employee morale is generally high but the special demands of call centre work leads to high levels of staff

turnover. The firm emphasizes internal communication channels, such as the internal discussion forum, to allow the employees to express their thoughts and innovative ideas.

- **Learning and Growth Perspective:** At its inception, butyshop.com had only an online presence. Although this was profitable sales growth was slow. Marketing research suggested a large potential online shopping population, but the proportion actually making a purchase was low, due to distrust of the payment mechanism and product. The company therefore established a 'solid' retail system to complement the online one. The retail stores give visibility and an opportunity to try new products, which can then be conveniently repeat-purchased online.

The CRM system, by capturing clients' needs, has been instrumental in expanding the firm's product line from skincare products, into cosmetics and gifts.

#### Case 2. MOCOTO BANK

MOCOTO Bank was previously Taipei's third largest retail bank and moved into commercial banking in January 1997, developing a Taiwan-wide business presence and expanding into new types of business. Overseas operations were established in March 2000, providing clients with foreign currency exchange, deposits, letter of credits, etc. A Trust department was established in September 2000, providing currency trading services, investment management, visa services, etc. An International Financial Services division (OBU) started operation in 2002, providing clients with a full range of financial services, including banking, securities and exchange, and financial management. Investment services were devolved to a separate company, MOCOTO Personal and Property insurance agency.

In January 2002, MOCOTO Bank underwent a re-branding exercise for its overseas operations, changing the overseas name to 'MOCOTO BANK,' with a slogan in English 'Making Communities Together' intended to express their determination to grow with their clients.

#### (1) *CRM Project Initiation*

Owing to the large investment required, and the low precision of the benefit predictions, the call centre project required a high level of support from the top management team.

#### *Business Process Reengineering*

- **Staff rewards and training:** Call centre interactions with customers is heavily scripted and monitored, with many standardized procedures with standard allocated durations. The KPI (Key Performance Indicator) for employees, teams, and therefore team supervisors, is the daily average number of calls completed. Individual calls exceeding 3 minutes are flagged to a supervisor, who may listen-in. MOCOTO designed and executed an in-house call-centre training program. There was initial resistance from employees, because they did not want to change the existing job content. However, the CRM system is claimed to provide comprehensive support to service personnel (reducing their work load) and to be very user friendly, reducing the training time of new service personnel by over 50%.
- **Organizational Structure:** The firm's main business is still in banking and credit card departments. The call centre serves these two departments, and is moving from reactive customer service to a proactive marketing.

- Information Technological Tools: MOCOTO Bank has built an online interactive customer service system, data warehousing and data mining system, as well as the call center's CTI System. The systems are claimed to be easy to learn and use, but are so far only used by customer service department employees. The Executive Information System, Strategic Information System and the Decision Support System are still under construction.

#### *Organizational Learning*

- Commitment to learning: MOCOTO Bank believes that, given the competitive nature of the finance industry, and its high degree of IT dependence and innovation, continuous employee learning is an essential investment.
- Shared visions: The advertising slogan – 'Making Communities Together' reflects the importance of customer relations to the company. This general vision is communicated to new and existing employees by special presentations at the 80 company branches across Taiwan.
- Open-mindedness: Given the element of risk in large financial transactions, the company has in place tested and stable standard operating procedures (SOPs) to control potential risks. Within these constraints the bank still encourages employee innovation, of products or services, if it can bring better service.

#### *(2) CRM Implementation and Relationship Quality*

When MOCOTO Bank is implementing the CRM system, it puts most emphasis on good communication with clients, which can be explained from the following three points: trust, satisfaction and commitment. MOCOTO bank requires employees to treat clients with sincerity. The company's products and services are intended to provide competitive benefits, and to meet the standards of the various regulatory bodies. In order to ensure these standards are met, various channels, including a complaints hotline, are available. Feedback from call centre, hotline, and branch offices on, for example, new product introduction, is carefully monitored, and customers are provided with contact details of regulatory bodies such as the Financial Supervisory Commission, Bank Industry Union or Consumer Protection Commission, should they wish to pursue a complaint externally.

#### *(3) Results of CRM: Organizational Performance*

- Financial Perspective: MOCOTO bank believes that the operation of a specialist call centre handling credit card queries has improved the company's profitability due to the lower human resources costs, and greater availability (24/7) and effectiveness of a specialized centre, which they feel not only has a positive effect on the business the centre handles, but also a general positive effect on customer satisfaction.
- Customer Perspective: The bank believes that the implementation of the CRM system, incorporating improved complaints-handling procedures, has enhanced its relationship with customers.
- Internal-Business-Process Perspective: The company believes that CRM system implementation has benefited internal processes by reducing human resource costs, enhancing customer relationships by improved customer service techniques, improved customer information availability, consistent service quality, and the use of targeted telephone marketing

- **Learning and Growth Perspective:** The bank intends to extend the call centre approach (so far used mainly for credit card transactions) to general telephone banking services. It believes the greater control and monitoring the system provides will help it provide a more consistent service at a lower cost than that currently provided from the bank branch counter services. The use of telephone banking is also expected to facilitate tele-marketing efforts, in which the bank uses its data warehousing and data mining capabilities to offer a customer who has completed their original transaction, additional individually customized products. This marketing method has a higher rate of success than 'cold calling' (which the bank also practices) since it reduces customer concerns about the bank's identity and possible fraud.

### Case 3. Stark Technology Inc.

Stark Technology Inc. was established on March 24, 1993; at Shin-Ju, Taiwan, to provide system integration services, including installation and maintenance of computers, communication networks and application software systems. It has six branch offices all over Taiwan, providing businesses with a full, local consultancy service.

Stark Technology Inc. aims for customer satisfaction through innovation in the application of IT.

#### (1) *CRM Project Initiation*

CRM system implementations (and implementation service providers) may be divided into 'Technology-only' and 'Business Consultancy'. The former will implement a recommended software system, along with any required additional infrastructure (although this will often be sub-contracted). The latter will additionally undertake a full analysis of the existing business system, and subsequently recommend Business Process Reengineering (BPO) activities to accompany the CRM implementation. Stark provides the latter service.

#### *Business Process Reengineering*

- **Staff rewards and training:** As one of the main CRM system implementers in Taiwan, Stark make the following points on the training and rewarding of employees:
  - As noted above, BPR will usually be required to realize the full benefits of a CRM system implementation, and this will require retraining and regrading of staff, with a scope extending well beyond the technical operation of the system. Due to its integrative scope, cooperation across departmental boundaries will be required, and reward systems linked to departmental performance may no longer be appropriate for some or all personnel. These wide-ranging changes will require a high level of support from the top management team.
  - Any retraining program should provide an overall understanding of how the system contributes to the companies' goals, rather than focus on individual job-related training requirements. This will promote individual effectiveness and flexible deployment in the new integrated working environment, and improve employee morale and system acceptance.
  - The success or failure of the system implementation is largely dependent on the cooperation of the employees and the accuracy and completeness of the initial system analysis. When these are good, under-budget and ahead of schedule implementations may be experienced, otherwise a protracted implementation that does not fully match

the needs of the client is likely. Rewarding cooperation may occasionally be useful, but is generally less effective than creating an understanding and acceptance of project goals.

- **Organizational Structure:** If a firm needs to restructure the whole organization due to the implementation of the CRM system, Stark will ask the client to pick the best employee from each department to be part of the analysis team, which will identify the functions that need to be delivered, independently of the original structure. Most clients anticipate a greater integration of all departments following CRM implementation, in order to increase information availability and customer responsiveness. Stark will identify available resources, and, for each function, discuss whether the organization or the process needs to be transformed.
- **Information Technology:** Stark will select a software solution that provides the required functionality identified by the systems analysis effort, bearing in mind compatibility and complementation of existing systems. Preceding system selection with analysis and redesign ensures that it provides the required functionality, and helps to ensure that it will be used.

### *Organizational Learning*

- **Commitment to learning:** From Stark Technology's past experience of CRM system implementation, the importance assigned to employee learning by the client firm has a big impact on project progress and outcome.
- **Shared visions:** Having a very clear vision is important in identifying project goals to employees, and Stark will assist in articulating such a vision where a client has not already done so. Once adopted by management, Stark has found that it is important that the vision be clearly communicated to the workforce.
- **Open-mindedness:** Firms that emphasize innovation tend to have a smoother, better-managed CRM implementation, since employees are more able and willing to assimilate and use new information.

### *(2) CRM Implementation and Relationship Quality*

Maintaining customer trust, satisfaction and commitment are all criteria Stark considers when planning and carrying out a CRM implementation. For example, automated scheduling of follow-up calls after fault resolution help convey an active concern for customer welfare and quality of service.

### *(3) Results of CRM: Organizational Performance*

Stark Technology helps firms evaluate how the implemented CRM system affects their organization performance, analyzing the business functions and goals to identify appropriate performance criteria, which will vary with the industry and individual business. For example, for a newly established firm, initial customer contacts (visits, calls and questions) would be important indicators of the success of their marketing strategies. A well established firm would be more interested in indicators of relationship quality, such as repeat business, warranty claims and other complaints. In general, Stark uses all four aspects considered in the BSC (see above) but with a focus that varies with the particular strengths, weaknesses and management style of the individual firm.

**Table 4.** Case study summary – CRM project initiation

Stage	Company	Butyshop International Corp.	MOCOTO Bank	Stark Technology Inc.
CRM Project Initiation		Business Process Reengineering		
	Staff rewards and training	Both virtual and solid distribution systems had an adjustment in their training and reward policy.	At the time of establishing the call center, the headquarters draw up the training program and implemented it.	Positive relationship between the support from top management team and cooperation from the employees. Help clients establish a training program based on their needs.
	Organizational Structure	The CRM was integral to the organizational structure, having been implemented at the initial establishment of the firm.	The organizational structure is based on the needs of the bank and has been substantially overhauled with the move to commercial banking, based on a study of the structures of other banks and suggestions from the firms responsible for the implementation of the CRM system.	Most clients would want all their departments to be integrated following establishment of the CRM system.
	IT Tools	Constructed the CTI, online interactive customer service system, data warehousing, data mining system, and constructed their own DSS and EIS.	CTI, online interactive customer service system, data warehousing, data mining system, DSS and EIS are still under construction.	Selected for optimal compatibility with business objectives and existing systems, which will vary with the individual organisation.
	Summary	Staff rewards and training: Readjustment. Organizational Structure: Match and design in accordance with the CRM system. IT Tools: Constructed in-house.	Staff rewards and training: Readjustment Organizational Structure: Readjustment IT Tools: Provided as packages by software firms supporting the CRM implementation.	Staff rewards and training: Readjustment. Organizational Structure: Readjustment needed at the time of CRM implementation. Information Technological Tools: Build a CRM system based on the need of the client.

(Table continued)

Table 4. (Continued)

Stage	Company	Butyshop International Corp.	MOCOTO Bank	Stark Technology Inc.
		Organizational Learning		
	Commitment to learning	Believes employee learning is an investment, improving service quality and satisfying client's need	Great emphasis and financial support for employee learning.	From past experience, if employees believe learning is important, then the implementation of the CRM system will be faster and more successful.
	Shared visions	The supervisors share the vision: 'Be a friend to the customers', and share it with the employees making sure all employees implement it.	Top management shares the firm's future vision: 'making communities together' with their employees. Also hold activities to promote this vision.	The vision is of big help to the clients, and helps the client's employees achieve their goals. Stark strongly recommend that their clients promote their vision to their employees, since otherwise it is difficult to fully execute the CRM system.
	Open-mindedness	Continuous innovation in product and marketing proposals. In the area of customer service, they follow SOPs to provide a standardized service quality.	Encourage employees to be innovative but also asks them to follow the instructions when completing a task, because the bank emphasizes risk management.	CRM system implementation will be smoother for a firm that emphasizes innovation and will be properly managed after the implementation.
	Summary	Commitment to learning – Heavily emphasized. Shared visions – Implemented throughout the firm. Open-mindedness – Emphasize innovation and resource sharing.	Commitment to learning – Heavily emphasized. Shared visions – Implemented throughout the firm. Open-mindedness – Encourage innovation.	Commitment to learning – Very important. Shared visions – Very important Open-mindedness – Very important

**Table 5.** Case study summary – CRM implementation and results of CRM

Stage	Company	Butyshop International Corp.	MOCOTO Bank	Stark Technology Inc.
CRM Implementation	Trust	Ask employees to be sincere to with clients when executing a service.	Relationship Quality Ask employees to be sincere with clients. Established a hotline for customer complaints.	The CRM system can increase customer's trust.
	Satisfaction	Never offend a customer. Let them feel the sincerity of the firm.	Obtain customer's product and service needs from other branches and past experiences of distribution channels.	Customer satisfaction is an important indicator of the CRM system performance.
	Commitment	The customer can return any purchased product without having to give a reason.	Provide value, and accurate information, and adhere to the spirit as well as the letter of any promises.	The commitment will increase from a CRM system.
	Summary	Trust – Increased trust from the clients. Satisfaction – Improved customer satisfaction. Commitment – Increased promises to the clients from the firm.	Trust – Increased trust from the clients. Satisfaction – Improved customer satisfaction. Commitment – Increased promises to the clients from the firm.	Trust – Increased trust from the clients. Satisfaction – Improved customer satisfaction. Commitment – Increased promises to the clients from the firm.
Results of CRM	Financial Perspective	EPS of year 2004, reached to NT.4, service cost is gradually reducing.	Organizational Performance Two benefits are realized from the customer service center, first is a standardized service quality, second is the ability to provide services on a 24/7 basis at a reduced cost.	The effectiveness evaluation of the CRM system does not just have a single answer, so the firm needs to conduct a full case-by-case analysis. The 4 aspects in BSC are used, but different industries and different firms focus on different aspects, depending on their individual strengths and weaknesses, bearing in mind the need to maintain competitiveness

(Table continued)

Table 5. (Continued)

Stage	Company	Butyshop International Corp.	MOCOTO Bank	Stark Technology Inc.
	Customer Perspective	Main marketing from the word of mouth, heavy emphasis on customer satisfaction and complaint resolution.	Emphasis on the management of customer complaints. From CRM system and call center, they can deal with these complaints and improve product and service process.	
	Internal Business Process Perspective	Employees in the call center need to possess specific characteristics: their emotions cannot be affected by client's complaint and they need to be able to control the expression of their emotions. The firm provides many channels of communications to integrate the resources of each department to provide customer service.	They believe the implementation of CRM system brings a lot of benefits, including saving manpower costs, closer relationship with the customers, improved customer service techniques, improved communications standardized service quality, etc.	
	Learning and Growth Perspective	Promoted the customer's retail store purchasing experience as a means of extending the willingness to purchase online.	In obtaining new customers and increasing service scope, they are still in the trial stage. They prepare to process all customer contact activities through the customer service center.	
	Summary	The four aspects of BSC are all taken into account.	The four aspects of BSC are all taken into account.	The four aspects of BSC are all very important, they must be measured.

### *Combined Case Study Analysis*

The three case studies above discussed the effect the CRM system implementation has on the reformation of business processes and organizational learning, the role of the CRM in the maintenance of relationship quality, and the evaluation of performance post-implementation. The three cases are compared and contrasted in Tables 4 and 5.

### *Model Verification from Case Study Analysis*

The case studies analysis shows that the Propositions to be tested received large support from real business firms. BPR and organizational learning must be thoroughly executed by the firm when they are constructing the CRM system, to improve customer relationships. The CRM system can help meet client needs for new products and services, expanding the service scope to create customer loyalty. At the end of the interview, the interviewees were asked to fill out the first draft of the questionnaire. Several questions were found to require clarification, and 18 more questions were added to the questionnaire, three on BPR, six on organization learning, four on relationship quality and five on organization performance. The purpose of the pretest was to expose the literature-derived questionnaire to the practical experience of the firms, hopefully increasing its relevance.

## **Conclusions and Recommendations**

The major purpose of this study is to investigate the critical factors and benefits of CRM implementation.

BPR changes the way managers think about how work is done. Rather than focusing on narrow jobs structured into distinct functional departments, it emphasizes core processes involving teams of employees working together to serve the customer. BPR can help firms to change their business processes from production-orientated to customer-oriented practices and thinking. Communication between staff is important in the analysis of business processes necessary for a successful implementation.

- (1) Impacts of BPR on relationship quality: the case studies are consistent with the proposition that BPR has a positive impact on relationship quality. Furthermore, the proposition is supported by Wind (1991), Janson (1992), Yang & Chen (2001), and Chen & Popovich (2003).
- (2) The study also examined the effect of organizational learning on relationship quality. Of the case study organizations, Butyshop International Corp. and MOCOTO Bank heavily emphasized organizational learning. Stark Technology Inc. also pointed out that from its past experience, if firms believe organizational learning is important, the implementation of the CRM system is likely to be faster and more successful. These observations are consistent with a positive relationship between organizational learning and relationship quality (P2 is supported). Similar research findings are presented by Hedberg & Wolff (2001), Child (2001), and Reinhardt *et al.* (2001).
- (3) Finally, this study examines the effect of relationship quality on organizational performance. According to the previous case study, after CRM implementation, Butyshop International Corp. and MOCOTO Bank increased trust from their clients and improved customer satisfaction. Stark Technology Inc. also pointed out that from

its past experience, performance increases were obtained from CRM. This is consistent with a positive association between relationship quality and organizational performance (P3 is supported). Similar results are reported by Crosby *et al.* (1990), Lee & Kim (1999), and Chang (2006). Support was therefore obtained for all the propositions, and hence for the integrated framework proposed in Figure 1. While the individual relationships in the model have been investigated by various researchers, they have not, to our knowledge, been combined in this way.

We conclude that BPR and organizational learning promote success in CRM system implementation, which can lead to improved customer relationship quality, smoother business processes, a better understanding of customer requirements, and customer loyalty. This case study investigation is based on single respondents' subjective judgments, which may not accurately reflect objective reality. Future research should use the objective secondary data that are already available.

There are four parts to the questionnaire, concerned with BPR, organization learning, relationship quality and organizational performance. In the present study these were all filled out by one respondent. A more accurate response might be obtained if, for example, BPR, organization learning and organizational performance sections were filled out by the managing director and relationship quality by the marketing or customer service director. CRM concerns both the firm and the clients. The present study only examines the enterprise side. It would be of interest to investigate the impact of CRM implementation on the client side, to see whether, for example, customer satisfaction levels were improved as anticipated.

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