

## **CHAPTER 1: RESEARCH OBJECTIVES AND RESEARCH BACKGROUND**

A customer relationship management (CRM) system is a combination of people, processes, and technology that seeks to provide understanding of a company's customers and to support a business strategy to build long-term, profitable relationships with customers (Chen and Popovich, 2003; Ling and Yen, 2001). The global revenue of the CRM industry is predicted to grow strongly from 2005 (AMR 2001; IDC 2002; Forrester 2002), with a focus on both technology and organizational efforts to improve customer experiences.

Research has shown that the implementation of an enterprise-wide CRM system is an evolutionary process from both the organizational and technical perspectives (Al-Mashari and Zairi, 2000; Chen and Shang, 2005; Goodhue, Wixom, and Watson, 2002). It involves integration of not only the IT infrastructure components but also organizational resources (Kalakota and Robinson, 2000; Lin and Yen, 2001; Piccoli, O'Connor, Capaccioli, and Alvarez, 2003; Reinartz, Krafft, and Hoyer, 2004). The system is organic, with different applications and management activities being interrelated (Chen and Shang, 2005).

For information to flow fluently with deep and broad knowledge shared by decision makers, applications of CRM systems need to be integrated based on a solid infrastructure (Kotorov, 2003). On the other hand, it is also important to have an aligned business environment to take advantage of the big investment in CRM technology (Al-Mashari and Zairi, 2000; Kalakota and Robinson, 2000).

Applying a system view, the technology infrastructure of a CRM system can be organized into three parts: communicational CRM that coordinates all channels of customer contacts, execution CRM that consists of all value chain activities that support customer relationship establishment and maintenance, and the intelligent CRM that consolidates business intelligence about customers. The three interrelated elements provide a technical base upon which the complicated and organic system can operate, and integration of these three elements is critical for a seamless information flow. This "organism" requires that the interdependent elements work together in order to maintain a continuous capability for customer relationship management (Shang and Lin, 2005).

Meanwhile, as with many other IT innovations, aligned business resources including structure, processes, culture, and capabilities are important resources to be managed for the organic system to be run effectively (Shang and Lin, 2005). Many studies have addressed critical factors for CRM implementation, including strategic planning (Bull, 2003; Kotorov, 2003; Yu, 2001), senior management commitment (Croteau and Li, 2003; Kotorov, 2003; McDonnell, 2001), knowledge management capability (Croteau and Li, 2003; Gebert, Geib, Kolbe, and Brenner, 2003), cross-departmental process redesign (Piccoli et al., 2003), and education on customer management capabilities (McDonnell, 2001). However, these factors represent either high-level consensus or suggestions of a particular CRM application. Neither integration issues nor business

alignment initiatives are addressed. The lack of detailed knowledge of CRM technical and organizational integration makes it difficult for companies to take best advantage of their large CRM investments.

To build a clear understanding of the management of the technology and organizational elements of CRM, this research strives to seek answers to the following questions.

- What are the technology and organizational elements of a CRM system?
- How should the technology and organizational elements be aligned to develop effective CRM operation?

The goal is to build a model for managing the dynamics of a CRM system and to build lasting organizational capability that is adaptive to environmental changes.