



## Analyzing the impact of knowledge management on CRM success: The mediating effects of organizational factors

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### ABSTRACT

Customer relationship management (CRM) and knowledge management (KM) have become key strategic tool for all companies, especially in the current competitive environment. Moreover, customer knowledge is an important issue for CRM implementation. Reviewing the literature, we found many studies that analyze the crucial role played by KM initiatives as determinants of the success of CRM. Moreover, we found also diverse studies that show high rates of failure when implementing that strategy, so there is still no integrated conceptual framework to guide companies to their successful implementation. In this paper, with data of 153 Spanish hotels, we examine the relationships between KM and CRM success using a structural equation model. The main contribution is that having knowledge management capabilities is not sufficient for the success of CRM, but there are other factors to consider. In particular, organizational factors indeed impact CRM success and they appear to be intermediaries of the impact of other factors (KM capabilities/technological/customer orientation factors) in the success of CRM (in financial and marketing terms).

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### 1. Introduction

Currently, knowledge society or knowledge-based economy is characterized by factors such as increased competitiveness, technological innovation and the global nature of markets (Castells, 1998). In this society, companies should pay attention preferred to knowledge when conducting its business as it becomes a key factor on which to build a competitive advantage (Beijerse, 1999; Salmador & Bueno, 2007). Moreover, in recent years, knowledge is being considered as a critical organizational resource and there is growing interest in this concept (Alavi & Leidner, 2001; Drucker, 1993). That is why KM is becoming a research priority by the academic community (Salmador & Bueno, 2007), and one of the areas that companies are allocating a greater share of spending for its implementation (Beijerse, 1999; Call, 2005).

In this environment, company relations with the market are critical, and have completely changed the marketing strategies of firms to other more relational approach (Grönroos, 1994), emerging customer relationship management (CRM) as an area of application and research. CRM literature emphasizes that companies find it more profitable to retain existing customers, by developing long-term relationships that meet their needs, than attracting new customers. These long-term relationships are based largely on

customer knowledge and KM and CRM systems improving not only the organization's ability to interact, attract and build personalized relationships with customers, but also the ability to increase their knowledge about them (Xu & Walton, 2005).

Reviewing the literature, we found many studies that analyze the crucial role played by KM initiatives as determinants of the success of CRM (Croteau & Li, 2003; Gebert, Geib, Kolbe, & Brenner, 2003) together with other factors (technological, organizational and market related factors) as we will explain later. However, there is a lack of understanding about what are the influences of those factors on CRM success. Moreover, we also found many studies that show high rates of failure when implementing that strategy (Rigby, Reichheld, & Scheffer, 2002; Rowley, 2002; Xu & Walton, 2005). So, there is still no integrated conceptual framework to guide companies to their successful implementation.

Consequently, our research questions are the following: Is KM the main factor that determines the successful implementation of CRM? Are there other factors that are also relevant? What is their role in CRM success?

To answer these questions, we analyze in this paper the relationship between KM and CRM from a literature review, propose a conceptual framework linking KM and other factors with CRM success, and we explore whether or not it is KM the most relevant factor affecting CRM success using primary data from an empirical study.

The main contributions of this paper are, firstly, the proposal of an integrated framework of factors affecting CRM success (not only

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KM but also technological, organizational and market related factors). Secondly, the paper provides some empirical evidence about the mediating role of the organizational factors in the influence of other considered factors on CRM success (considering both financial and marketing results).

## 2. Theoretical background

### 2.1. CRM overview

Despite the recent birth of CRM, which stands in the nineties, since then it has become a key tool for business management (Ngai, 2005). Similarly, research on CRM has increased significantly over the past few years (Romano & Fjermestad, 2003), but there are still research needs in different areas: search for a definition or a generally accepted conceptual framework, analysis of its key dimensions, study of CRM impact on business results, barriers to its successful implementation, development of valid and reliable scales to study the degree of implementation and success and rigorous empirical studies on the subject (Colgate & Danaher, 2000; Parvatiyar & Sheth, 2001; Sin, Tse, & Yim, 2005).

After reviewing the literature on the *concept of CRM* (i.e., Paas & Kuijlen, 2001; Parvatiyar & Sheth, 2001; Plakoyiannaki & Tzokas, 2002), we can say that there is not yet a consensus about a clear conceptual framework of the concept of CRM (Zablah, Bellenger, & Johnston, 2004). We summarize the concept of CRM, from the literature review, as follows: CRM is a business strategy that aims to establish and develop value-creating relationships with customers based on knowledge. Using IT as an enabler, CRM requires a redesign of the organization and its processes to orient them to the customer, so that by personalizing its products and services, the firm can optimally satisfy customer needs and thereby generate long-term, mutually beneficial, loyalty relationships.

At the theoretical level CRM clearly offers numerous advantages, but a large number of studies indicate a high failure rate in the implementation of this type of strategy (Xu & Walton, 2005). When examining the various causes of these negative results, several authors (Rigby et al., 2002; Starkey & Woodcock, 2002) suggest that one of the main causes of failure is not integrating CRM into the firm's overall strategy, in other words, considering CRM as an exclusively technological tool and not assuming the various organizational and cultural changes it entails. Additionally, Sin et al. (2005) argue that there is no integrative conceptual framework that translates the CRM concept into specific organizational activities and guides firms in how to implement the strategy successfully.

In view of the high failure rate in CRM implementation, and of the need to improve understanding of why some initiatives are successful while others are not (Roh, Ahn, & Han, 2005), there is a need for an explanatory model for CRM success based on knowledge, including the main variables that determine successful implementation of the strategy.

### 2.2. CRM and KM

In recent years, companies have integrated their CRM and KM efforts because they realize that KM plays a key role in CRM success (Dous, Kolbe, Salomann, & Brenner, 2005). Identifying the high value customer is a sophisticated knowledge task, as is determining the range of profiles among current customers. Technology can assist but KM puts the information processing power of technology to effective use. Collaborating with customers requires a strong grasp of tacit knowledge exchange, and anticipating or predicting new customer needs can be delivered competently using statistical methods with technology, but can only be done excellently

when the dimension of tacit knowledge exchange and collaboration are also deployed (Lambe, 2008). Therefore, CRM processes are based on large amounts of knowledge (Bueren, Schierholz, Kolbe, & Brenner, 2005).

CRM is about managing customer knowledge to better understand and serve them (Beijerse, 1999). CRM is definitely related to the discipline of KM, thus, the existence of sufficient and continually updated customer knowledge is critical for an effective CRM system (Stefanou, Sarmaniotis, & Stafyla, 2003). Given the important role being played by KM systems in the current customer-centric business environment, there is a lack of a simple and overall framework to integrate the traditional CRM functionalities with the management and application of the customer-related knowledge (Beijerse, 1999).

Additionally, as Zablah et al. (2004), we see KM as the main sub process of CRM because, to manage CRM effectively, companies must develop capabilities related to customer KM processes. Since these capacities are difficult to imitate, they can become a source of competitive advantage (Shi & Yip, 2007). From a resource-based perspective (Penrose, 1959; Wernerfelt, 1984), customer knowledge will be a valuable and rare asset for businesses, which will allow them to respond quickly to customer needs and adapt to changing markets (Shi & Yip, 2007). Whereas the search for competitive advantage becomes the key factor of current strategic management, we should note that to collect information about customers in the context of a relationship, and offer those customers a superior value proposition based on this knowledge, will be a key advantage, hard to imitate.

At this point, it is interesting to note, that, unlike data or information, knowledge is embedded in people and not in IT (Davenport & Prusak, 1998). The way people capture, share and interpret knowledge accumulated in organizational repositories is very important in operational and strategic business activities aiming at retaining competitive advantage (Stefanou et al., 2003). In this sense, Swan, Newell, and Robertson (2000) found issues of people management, rather than IT development, pose central KM constraints. They assert there has been an over-emphasis on IT management in KM literature and that KM requires a skilful blend of people, business processes and IT.

To sum up, the relationship of the discipline of CRM with technological capabilities and KM is being recognized as an important research field at present that warrants further research (Dous et al., 2005; Romano & Fjermestad, 2003). Moreover, several authors believe that while previously the majority of CRM research focused on technological aspects, the critical role of KM is beginning to be recognized in research (Lambe, 2008; Shi & Yip, 2007). Consequently, we can say that the relationship between CRM and KM is an important issue in Management research (Campbell, 2003; Shi & Yip, 2007; Stefanou et al., 2003). Such is the synergy potential of both concepts that have emerged theoretical models from the integration of both concepts: the models of customer KM (CKM models) (Gebert et al., 2003; Morgan, 2007; Tiwana, 2001).

### 2.3. Factors affecting CRM success

Based on an extensive literature review on the topic, a success model for CRM implementation was developed, considering KM as main success factor and other four factors mentioned in the literature: organizational factors, technology, customer orientation and CRM experience. These factors can have direct or indirect effects on CRM success. A direct effect is considered a direct impact of the factor in the CRM success. An indirect effect is considered an impact in the CRM success not directly but through other factors. From the literature review is unknown whether the considered factors have a direct or indirect effect on CRM success. Consequently, and similarly to other previous studies (Chen & Ching, 2004; Eid, 2007; Roh

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