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Organizational Learning and CRM Success: A Model for Linking Organizational Practices, Customer Data Quality, and Performance☆

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Abstract

A high quality customer database is a cornerstone of successful interactive marketing strategies and tactics. Based on the notion that customer data quality is not only a technical but also an organizational problem, this study develops and tests an organizational learning framework of the relationship between organizational processes, customer data quality and firm performance. The findings show that high quality customer data impact both customer and business performance and that the most important driver of customer data quality comes from the executive suite. A large portion of the impact of organizational culture on performance is mediated by customer data quality and data sharing. The results support the presence of a hierarchy of effects for enhancing data quality that runs from organizational learning (committed to a shared vision for CRM data), to cross-functional learning (marketing/IT cooperation, marketing/IT integration) to functional learning (data sharing).
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Introduction

There is little doubt that a high quality customer database is a fundamental requirement for developing and implementing effective interactive marketing strategies (Blattberg, Malthouse, and Neslin 2009; Malthouse and Hofacker 2010). As a proprietary resource, customer data offer businesses the opportunity to capture competitive advantages by developing multi-channel initiatives designed to acquire and maintain close relationships with customers (Kumar et al. 2009; Ramani and Kumar 2008). The recent emergence of Customer Relationship Management (CRM) systems has focused even more attention on the value of customer data as a key organizational asset (Reimann, Schilke, and Thomas 2010). Through optimal resource allocation and marketing mix optimization (Kumar and George 2007), the anticipated outcomes of personalized, data-driven relationships include increased retention, share-of-wallet, customer lifetime value, and profitability (Pfeifer and Ovchinnikov 2011).

Although the relationship building opportunities that data-driven initiatives offer customer-centric organizations are apparent, companies differ widely in terms of the quality of their customer data (Krasnikov, Jayachandran, and Kumar 2009). Less successful firms tend to have organization-wide data quality concerns across all avenues of their CRM systems including transactional data, customer touchpoint data, contact management data, and retention and loyalty data (Verhoef et al. 2010; Zahay, Peltier, and Krishen 2012). There is thus a growing belief that customer data quality is not only a technical problem but also an organizational problem (Even, Shankaranarayanan, and Berger 2010; Homburg, Droll, and Totzek 2008). Despite this realization, relatively little research has examined how organizational policies and processes impact the quality of a firm's customer database and CRM performance (Rust, Moorman, and Bhalla, 2010).

Common organizational causes of inferior customer data include horizontal communication silos, internal turf battles over ownership of customer information, a failure to share information within and across functional areas, and the lack of an

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organization-wide vision for maintaining, using, and enhancing customer information (Rust, Moorman, and Bhalla 2010; Seddon, Calvert and Yang 2010; Zahay et al. 2004). Although the marketing literature offers insights for improving the effectiveness of CRM technologies, research is missing on how an organization adapts its customer information processes once the technology is assimilated into the organization (Verhoef et al. 2010; Zahay and Peltier 2008) contend that there is an urgent need for data management studies that capture insights from other disciplines including organizational behavior, change management, and technology implementation. Given these concerns, our research investigates how organizations respond to customer data quality problems through functional and cross-functional learning initiatives, and how this response impacts performance.

Previous CRM research has for the most part investigated data quality and performance effects through a technical rather than an organizational lens. However, a promising stream of research in the marketing (e.g., Boulding et al. 2005; Hunter and Perreault 2007; Jayachandran et al. 2005; Payne and Frow 2005; Verhoef et al. 2010; Zahay and Peltier 2008) and management information systems (e.g., Leidner and Kayworth 2006; Seddon, Calvert, and Yang 2010; Wade and Hulland 2004; Xue, Liang, and Boulton 2008) literature is emerging that offers guidance for how organizations enhance customer data quality and CRM performance. This study utilizes organizational learning theory for deriving hypotheses concerning how intra-firm policies, practices, and relationships impact the quality of information contained in an organization's customer database (Slater and Narver 1995; Zahay and Griffin 2004).

We expand the literature by examining the extent to which data quality mediates the relationship between organizational processes and performance, a piece virtually missing in the CRM literature (Even, Shankaranarayanan, and Berger 2010; Pancras and Sudhir 2007). We thus explore the relationship between organizational factors, data quality and organizational performance in the context of the customer-centric learning organization.

Theoretical Framework

CRM and Customer Information

Payne and Frow (2005, p 168) defined CRM as a "strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments…. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This data-driven orientation requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications." Along these lines, Boulding et al. (2005, p 157) positioned CRM as a strategic tool for "managing the dual-creation of value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups, and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value."

Data Quality in CRM Systems

Although few would question the importance of the quality of data collected, analyzed and utilized in customer-centric organizations, how best to measure data quality across a diverse set of CRM data needs is unclear (Zahay, Peltier, and Krishen 2012). Traditionally, data quality assessment has focused on four primary areas: data accuracy, timeliness, completeness and consistency (Ballou and Tayi 1998; Wang and Strong 1996). While these dimensions offer minimum requisites for developing interactive marketing initiatives (Even, Shankaranarayanan, and Berger 2010), a more complete view of customer data quality evaluates information collected and utilized across multiple transactions, channels, and customer touchpoints (Verhoef et al. 2010).

In this regard, data quality management requires a commitment to implementing interactive marketing strategies across the relationship lifecycle, beginning with the capture of new customers through customer valuation and retention (Peltier et al. 2003). Consistent with this view, Zahay et al. (2004) linked data quality to specific types of CRM systems needs including customer touchpoints (i.e., Internet contacts, email, telephone), transaction data (i.e., purchase history, credit history, payment history), loyalty/satisfaction data (i.e., loyalty programs, satisfaction surveys) and customer lifetime value data (i.e., retention, share of wallet). They found that the quality of these components contributed to organizational performance, a finding corroborated by Zahay and Peltier (2008) and Zahay, Peltier, and Krishen (2012).

Given the multi-dimensional nature of data quality and the preceding discussion, we define data quality as:

> "*Customer data are of high quality when the information collected across multiple transactions, touchpoints, and channels accurately reflects the behavior and sentiments of customers, both collectively and individually.*"

The customer database is thus the mechanism from which the organization creates customer knowledge and makes marketing decisions. Importantly, we measure data quality from a systems perspective, moving from the quality of individual pieces of data to data quality associated with critical CRM data categories needed for developing personalized interactive marketing initiatives.

Organizational Learning Theory

At its core, organizational learning theory focuses on the discovery of new knowledge or practices designed to create performance-enhancing organizational changes (Slater and Narver 1995). Organizational learning theory is based on the Resource-Based View of the Firm, which posits that the only firm capability that cannot be imitated is the firm's ability to learn (Day 1994). This theory is particularly relevant to customer information management in that learning processes are

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