



# Paving the way for CRM success: The mediating role of knowledge management and organizational commitment

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## ABSTRACT

Customer relationship management (CRM) has become one of the most influential technologies in the world, and companies are increasingly implementing it to create value. However, despite significant investment in CRM technology infrastructure, empirical research offers inconsistent support for its positive impact on performance. This study develops and tests a research model analyzing the process through which CRM technology infrastructure translates into organizational performance, drawing on the resource-based view (RBV) and the knowledge-based view (KBV) of the firm. Based on an international sample of 125 hotels, the results suggest that organizational commitment and knowledge management fully mediate this process.

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## 1. Introduction

Customer relationship management has become a top priority for companies and since the late 1990s, there has been an explosion of interest in CRM in both the literature and the business worlds [7,51]. In the current competitive environment, characterized by financial challenges and increasing competitiveness among firms, success depends on a firm's ability to satisfy its customers. CRM has gained momentum, and companies all over the world are implementing it to improve customer services, satisfaction, and retention [36]. The consultancy firm Gartner has noted that more than \$20.4 billion was spent on CRM software in 2013 and in coming years, this figure is expected to continue to grow [27]. CRM has also been recognized as one of the key topics in Information Systems (IS) research [49] and because it is considered an emerging field of inquiry, it is the subject of a great deal of interest within the research community [60].

CRM is considered a strategic approach to managing customer relationships to create both customer and shareholder value [51]. CRM is useful for companies in that it allows them to detect

changes in customer needs, personalize their service, differentiate themselves from competitors, and create a competitive advantage [16,58]. It involves enhancing and maintaining quality relationships with the market by using customer knowledge and a technological infrastructure to help firms generate customized offerings on an individual basis [45]. It is a combination of people, processes and technology that seeks to understand a company's customers. Technology infrastructure plays a substantial role as a basic enabler of CRM because integrating databases, data mining, and Internet technologies allows the firm to collect and store unprecedented amounts of customer data and build relationships based on interactions [17,80].

This study focuses on the technological component of CRM, i.e., the CRM technology infrastructure. Despite the key role played by CRM technology infrastructures and companies' huge investments in their applications, recent studies report mixed findings regarding CRM's effect on performance, and there is a growing skepticism about the real value of CRM initiatives [58]. Diverse studies have shown disappointing results when implementing CRM [43,60,61]; some even demonstrate that only 30% of the organizations that have introduced CRM technology infrastructure have achieved improvements in their organizational performance [16]. Several authors [58,80] argue that the mechanism through which CRM technology infrastructure enhances performance is not well understood and therefore, managers have little guidance about how to focus their CRM efforts. To date, few

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studies have considered the possibility that other variables might mediate the relationship between CRM technology infrastructure and firm performance and therefore, it seems imperative to investigate this process more thoroughly [16,58].

To shed light on the topic, we develop a model that draws on the resource-based view (RBV) and the knowledge-based view (KBV) to analyze CRM technology infrastructure success. Both theoretical approaches have been widely used in the field of IS and have proven to valuable tools to examine how Information Technologies (IT) relate to organizational performance [75].

The objective of this study is to propose a research model that traces the path from CRM technology infrastructure to CRM success and that will reflect CRM's impact on performance. Accordingly, this research seeks to answer the following research questions: (1) What resources are important to implementing CRM technology infrastructures successfully? (2) How are these resources combined to create value for the firm? Both questions are of practical importance because companies are investing considerable time, money and effort to implement CRM technological infrastructures but all too often, these expenditures are wasted when CRM ultimately fails to deliver the promised benefits [23].

By drawing on the RBV and the KBV, this study offers two relevant contributions. First, it empirically displays the overall mechanism by which CRM technology infrastructure successfully enhances business performance, including the different resources involved in the process and how they interrelate. Second, it highlights the crucial role played by organizational commitment in this process, which is the proven main determinant of CRM success.

The remainder of the paper is structured as follows. Section 2 presents the literature review. In Section 3, the research model and hypotheses are proposed. Section 4 presents the data and the research methodology used in the empirical analysis. Section 5 describes the results obtained. Finally, in Section 6, we discuss the study's results, its implications, its limitations, and possible directions for future research.

## 2. Literature review

Managing customer relationships effectively and efficiently offers numerous benefits to organizations, and CRM technology infrastructure—when properly implemented—can result in increased competitiveness [17]. By using recent advances in CRM technology infrastructure to build relationships and to learn, a firm can develop links with its customers, resulting in a successful and profitable long-term business strategy [45]. Consequently, when it works, CRM technology infrastructure allows companies to gather customer data swiftly, to identify the most valuable customers over time, and to increase customer loyalty by providing customized products and services [61]. However, although some recent studies have provided evidence of the positive relationship between CRM and performance [16,20,68], many academic and business reports have shown disappointing results, and they highlight the necessity of further investigating the link between CRM technology infrastructure and performance [33,43,61].

The disappointing results of many CRM implementations are well documented in both the academic and the business press [60]. In this vein, it has been reported that for various reasons—including a lack of capable staff, misaligned processes, poorly designed systems and an inability to integrate the CRM technology infrastructure with existing business processes—many CRM technology infrastructures adopted by firms have not fully met customer needs [66].

Consequently, the issue of how the implementation of CRM technology infrastructure can be more effectively and consistently translated into meaningful business benefits is an urgent problem

confronted by both academics and managers in the field of IS. To date, few studies have considered the possibility that important intervening variables may mediate the relationship between CRM technology infrastructure and firm performance; therefore, they fail to shed light on the underlying process of performance improvement [58,80]. Consequently, it seems necessary to further analyze potential influences of unexplored mediating or moderating factors on the mechanism by which CRM technology infrastructure leads to improved business performance [16].

The RBV is a valuable tool for IS researchers to think about how investments in technology infrastructure relate to organizational performance [75]. It has been widely used to assess the strategic value of IT based on differential qualities of resources and capabilities [5,20]. Specifically, in the context of technology infrastructure systems, IS researchers have widely used the RBV to explain business value creation [33,41]. The attributes of RBV make it suitable to be extended to the context of CRM and allow analysis of the fundamental process by which CRM technology infrastructure is transformed in something valuable [33].

When analyzing business value creation through technology from a RBV perspective, most studies have recognized that due to lack of rarity and ease of imitation, technology infrastructures convey no particular strategic benefit [9]. Similarly, in the CRM literature, there has been an overemphasis on the technological aspect [59], which has led to numerous failures in implementing CRM technology infrastructures [51]. Despite organizations' huge investments in CRM technology infrastructures, too often these systems fail to deliver commensurate levels of performance and value because other complementary factors are not valued [23]. The technology infrastructure resource has generally not been found to be a source of sustained competitive advantage, and it has been observed that technological resources must act in conjunction with other complementary resources to provide strategic benefits [75].

In this vein, the RBV literature has widely considered diverse aspects related to human resources and organizational factors as a complementary resource for IT success [57]. In fact, resource-based studies have found that organizational factors—such as employee participation, IT skills, CEO commitment, open communication, organizational flexibility or strategic integration—are determinants of IT performance [9,75]. The organizational issues relevant to CRM technology infrastructures are a critical area that deserves a firm's attention because data and technology systems are relevant, but without appropriate human interaction with these processes and systems, the returns on investments in CRM technology infrastructure are at risk [12]. For a CRM technology infrastructure initiative to be successful, a proper organizational climate is required and therefore, organizational commitment will include top management commitment and support, leadership, employee commitment, and training and reward systems. Therefore, based on the RBV and the extensive CRM literature, we propose that organizational commitment acts as a complementary resource to CRM technology infrastructure resources, mediating its impact on performance.

Additionally, the KBV of the firm holds that the firm's capability to create and utilize knowledge is the most important source of its sustainable competitive advantage [30,47]. This theoretical focus considers that because knowledge-based resources are especially complex and difficult to imitate, they are the major determinants of superior performance [1].

CRM initiatives are based on a great deal of knowledge about, from and for customers, and knowledge management plays a key role in CRM technology infrastructure implementation [28]. Knowledge-management processes help companies to systematically acquire, disseminate and use information from customers to

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