CRM Implementation: Effectiveness Issues and Insights

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Effectiveness Issues and Insights

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Conceptually, customer relationship management (CRM) has been widely embraced by businesses. In practice, however, examples of success contrast with anecdotes where the diffusion of CRM into organizations continues to be a slow process and/or where CRM implementation outcomes have fallen short of expectations. Successful implementation depends on a number of factors such as fit between of a firm's CRM strategy and programs and its broader marketing strategy, and intraorganizational and interorganizational cooperation and coordination among entities involved in implementation. Building on the results of a survey of the CRM-implementation-related experiences of 101 U.S.-based firms, in this article the authors identify factors associated with successful CRM implementation and advance directions for future research.

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Kumar and Ramani (2004) viewed customer relationship management (CRM) as the process of achieving and maintaining an ongoing relationship with customers across multiple customer touch points through differential and tailored treatment of individual customers based on their likely responses to alternative marketing programs, such that the contribution of each customer to the overall profitability of the firm is maximized. Boulding et al. (2005) construed the scope of CRM as encompassing strategy, management of the dual creation of value, intelligent use of data and technology, acquisition and dissemination of customer knowledge to appropriate stakeholders, 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. Whereas CRM has emerged as a powerful concept to align the interests of a firm and its customers (Boulding et al. 2005), its success depends upon on both the appropriateness of the firm's CRM strategy and CRM implementation effectiveness.

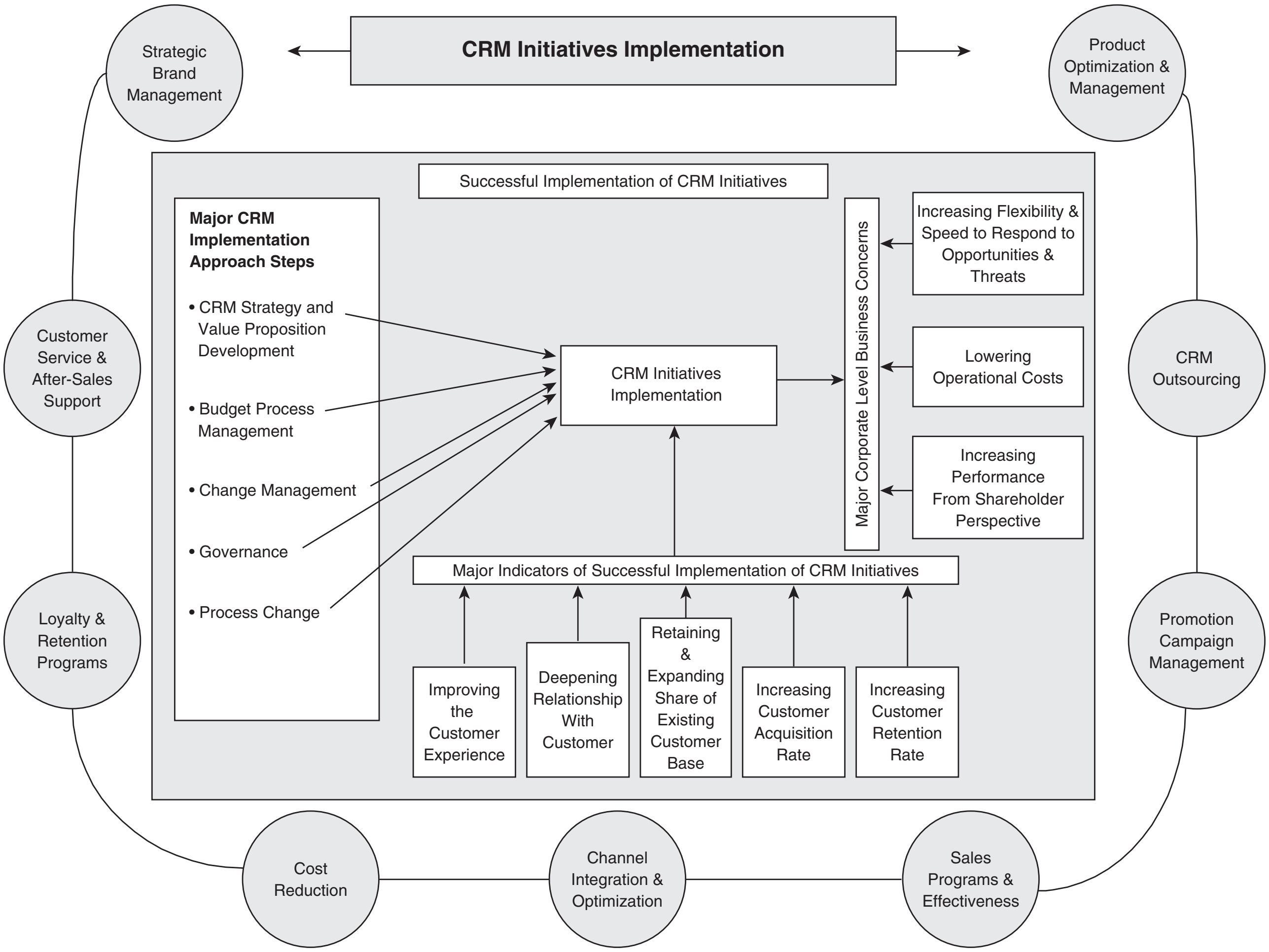
Although there appears to be general consensus on the importance of CRM as a strategic imperative among both academics and managers, the return on investments in CRM strategy and programs seem to vary, both within and across organizations. In a recent issue of the *Journal of Marketing* focusing on CRM performance, Boulding et al. (2005) noted that a number of firms have developed proven CRM practices to enhance their performance. Yet anecdotes of failed CRM initiatives abound. For example, Hershey is reported to have incurred a loss of more than $100 million is sales in 1999 due to its inability to effectively roll out (over a 2-year span) an enterprise software initiative to enable its 1,200-person sales force to shepherd orders through the distribution process and to better coordinate processes with other departments (Bligh and Turk 2004; Ragowsky and Somers 2002). In January 2002, CIGNA HealthCare's $1 billion IT (information technology) CRM initiative went live in a big way, with 3.5 million members of the health insurance company moved from 15 legacy systems to two new platforms in a matter of minutes. However, implementation related problems led to significant customer service glitches and caused as many as 6% of the firm's customers to defect in 2002 (Bass 2003). Clearly, there is a need to understand factors that may affect the perceived uncertainty about the size and scope of the initial implementation (e.g., the *SaleSoft* case by Narayandas 1996). A better understanding of factors that managers perceive to be key success factors in CRM implementation can enable academics to better theorize about CRM-implementation-related issues and CEOs to create organizational environments that are conducive to effective implementation of CRM strategy and programs.

Against this backdrop, in this article, we focus on issues pertaining to the effective implementation of CRM strategy and programs in firms. Our objective is to provide insights into practices that could be conducive to improving the likelihood of successful CRM implementation and highlight the implications of the study findings for future research. Successful implementation of CRM initiatives rests on successful cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications (see Payne and Frow 2005). Figure 1 constitutes an attempt to provide a perspective of the vast and expansive scope of the programs, processes, systems, structure, and coordination-related issues involved in the effective implementation of CRM strategy and programs. Given that marketing is the boundary-spanning, outward-focused organizational function with principal responsibility for a firm's interactions with customers and competitors, we approach CRM-implementation-related issues also from a similar perspective. In doing so, we do not focus on implementation issues that may be idiosyncratic to a particular firm or CRM initiative, such as the specific types and amounts of resources needed for implementing specific CRM initiatives, though we recognize their importance. Furthermore, we leave aside the voluminous literature that takes an IT/systems perspective to address issues relating to implementing IT initiatives. Building on a descriptive survey of firms that have implemented CRM initiatives, we identify the relative importance of various approach steps to the successful implementation of CRM strategy and programs, CRM business objectives that managers commonly use as measures or indicators of CRM implementation success, and relevant corporate-level business concerns that are linked to CRM implementation success. The remainder of the article is devoted to summarizing the findings of a 2004 survey of executives.

CRM IMPLEMENTATION PRACTICES

A survey of executives affiliated with 101 U.S.-based firms was undertaken to gain insights into factors that these executives perceive to be associated with the success of CRM. Detailed results from the survey are reported in LaValle, Badget, and Ballou (2004) and in LaValle and Scheld (2004). Instead of repeating all the findings, we focus on key aspects of findings. Detailed findings can be accessed online at http://www-1.ibm.com/

FIGURE 1
Effective Implementation of Customer Relationship Management (CRM): An Overview of Key Elements



services/us/bcs/html/2004_global_crm_study_gen.html. Firms participating in the survey represent a wide range of industries such as financial services, manufacturing, communications, and distribution. They vary in size as well: 56% had annual revenues exceeding $50 million, 30% had annual revenues exceeding $1 billion, and $6% had annual revenues exceeding $50 billion. Among the respondents, more than three quarters reported that they were CRM decision makers or influencers for their firm. The survey measured executives' perceptions on a wide variety of issues including adoption of CRM practices, factors associated with the success of CRM practices, and many other aspects of CRM implementation in their respective firms. We base our conclusions on the findings of this survey. The findings are organized into several sections spanning the adoption of CRM practices, factors associated with the success of CRM practices, relative success of various CRM initiatives, criteria for evaluating the success or lack thereof of CRM initiatives, components of CRM implementation, and the role of CRM in value creation. The discussion of the survey findings are interspersed with examples gleaned from other sources and the implications of the study findings for future research.

Adoption of CRM Practices

An important issue related to the adoption of a CRM initiative pertains to how it is championed within an organization. We identify two broad classifications for how a firm's initial CRM endeavor is championed. In a *bottom-up approach*, the CRM initiative is championed within a single group or division of the company. In contrast, a *top-down approach* refers to a situation when the CRM initiative manifests through strong support and sponsorship from senior executives and top management. The survey results indicated that for most respondent firms, the starting point for CRM initiation into their organization was bottom-up, championed at a divisional or regional level, and/or in a single functional area. In these instances, the scope of CRM tended to be tactical in nature and viewed as an IT tool. However, a vast majority of respondents also saw CRM as a strategic enabler with enterprise-wide scope. This implies a need for more top-down, senior management sponsorship and involvement. In such an environment, CRM can evolve from being an IT tool to a strategic enabler, from having a limited divisional scope to having an enterprise-wide impact. For example, in a major wireless company, CRM started out as a sales-force automation (SFA) tool and evolved into a strategic enabler encompassing the corporate goals of one-call resolution, increased customer retention, and improved customer satisfaction. In terms of scope, CRM began in the sales function, consisting of 15 SFA tools. This evolved to a single SFA tool and, when combined with changes in compensation plans and employee job classifications, led to improvements in productivity, lead management, and account penetration that happened so quickly that it spurred the firm to embark on an enterprise-wide effort.

At a large global delivery services company, CRM started out as a tool for improving call centers (cf. Bowman and Narayandas 2001). Management brainstorming including “day in the life of a customer” activities led the firm to recognize that CRM was a key to the competitive strategy of dominating on customer service and differentiating on customer service. Though CRM began in the customer service division only, its results there and the valuable customer information it created led to interest from marketing and sales and ultimately to plans for enterprise-wide rollout. These examples point to the importance of integrating CRM strategy and programs with a business’s marketing strategy. In both these examples, understanding the benefits from increased scope for CRM resulted from recognizing how CRM fits with, and supported, the business’s marketing strategy.

Factors Associated With Perceived Success of CRM Initiatives

Respondents rated the perceived success of their CRM initiatives using a 5-point scale (1 = *failure*, 5 = *complete success*). They also rated several factors perceived to affect the success of CRM initiatives. The latter factors were correlated with the perceived success of CRM initiative and the results are discussed next.

Locus of CRM. Respondents indicated that CRM success was most strongly associated with CRM ownership being at the corporate level. Pearson correlation coefficients of perceived CRM success with various ownership models were as follows: corporate, .88; marketing, .63; sales, .54; customer service, .46; and IT, .34. However, in another part of the survey, for those respondents who reported CRM ownership for their organization, the most commonly cited domain was marketing (39%), followed by sales (29%), corporate (26%), customer service (15%), and then IT (12%). Hence, whereas managers recognize the importance of CRM ownership being higher in the organization, this is not always achieved in practice.

One reason for this discrepancy could be the difficulty in installing CRM ownership higher in the organization, or it could simply be a reflection of the evolution of CRM ownership from functional to business-unit-wide scope as discussed above. Future research should explore ways to reduce this discrepancy and develop theoretical models and propositions on how the location of CRM at various levels and units of an organization could affect its effectiveness.

Top management’s attitude toward CRM. As evidenced by research on market orientation, top management’s support is critical to the success of any organizational imperative (Jaworski and Kohli 1993; Kohli and Jaworski 1990). Respondents rated four items relating to how their management viewed CRM using a 5-point scale (1 = *strongly disagree*, 5 = *strongly agree*). The correlation of each item with the perceived success of a CRM initiative is shown below:

- CRM is a way of life, critical (r = .76);
- CRM is a strategic enabler (r = .47);
- CRM is an IT tool (r = .21); and
- CRM is useful, not critical (r = –.37).

Clearly, the more ingrained top management’s view of CRM as critical to a firm’s success, the higher is its association with the perceived success of CRM initiatives. Interestingly, when senior management views CRM as “useful, not critical,” the association with perceived CRM success is negative. This may occur because such a view of CRM signals employees that CRM is not a company priority, that management will not allocate resources to CRM, and so forth. Among our respondents, 39% reported that senior management in their firm views CRM as “useful, not critical.”

From a research perspective, then, there is a need to identify factors that motivate top management to view CRM at these levels of criticality. More important, under what circumstances is CRM seen as merely useful, but not critical to the firm? Long-term success of a firm’s CRM initiatives may be contingent upon top management’s viewing CRM strategy as an integral part of the business’s overall marketing strategy and being actively involved and visible in the implementation of the system. Expecting middle management or lower management to effectively lead such an important and enterprise-wide project can be a recipe for failure (Zeitz, Mittal, and McCauly 1999).

Alignment with key stakeholder groups. The importance of alignment with various stakeholder groups is often discussed as a critical success factor in the implementation of any major business initiative. Using a 4-point scale (1 = *not important to align with*, 4 = *very important to align with*), respondents rated the extent to which CRM goals align with the objectives of different stakeholders—employees, customers, and shareholders. Based on the top-two box score, 84% indicated it was important to align with customer goals, 48% indicated it was important to align with shareholder goals, and 48% indicated it was important to align with employee goals. We correlated these items with perceived success and found that employee alignment (r = .60) had the highest correlation with perceived success followed by customer alignment (51%) and shareholder alignment (r = .10, n.s.).

Thus, aligning CRM initiatives with employee and customer objectives is a critical factor in ensuring successful implementation. For instance, research on the Service-Profit Chain (SPC) shows the importance of enmeshing employee and customer objectives to achieve shareholder value (Bowman and Narayandas 2004; Heskett et al. 1994; Kamakura et al. 2002). Specifically, the SPC highlights the role of employee involvement and satisfaction in enhancing profitability and shareholder value. Along similar lines, there is a need for research developing and testing a conceptual model linking CRM implementation with employee and customer goals/attitudes and ultimately financial outcomes.

Relative Success of CRM Initiatives

Executives possess a wide variety of views about what CRM initiatives mean—ranging from direct mail, loyalty schemes, and database management to e-commerce and Internet-enabled business (Payne and Frow 2005). Respondents were presented with a list of nine commonly pursued CRM initiatives (see Table 1 for a detailed description) and asked to rate how successful their firm has been in pursuing the initiative (1 = *failure*, 5 = *complete success*). If their firm had not (yet) pursued an initiative in a specific domain, respondents indicated "not applicable." The results indicate a low incidence of failure; for the nine CRM initiatives examined, the percentage of respondents reporting failure, defined as a project stopped or on hold, ranged from 2% to 7%. Equally noteworthy is that for the nine CRM initiatives, the percentage of respondents reporting "complete success" ranged from 4% to 19%, a rate of success that many would not view as overwhelming. Thus, for these respondents CRM initiatives are neither an overwhelming success nor resounding failures. Certainly, as these data indicate, there is opportunity for firms to improve, one path to this goal being tighter integration of CRM strategy with a business's overall marketing strategy.

Criteria for Evaluating Success of CRM Initiatives

There are a number of criteria that firms could use to evaluate the success of a CRM initiative. These range from project-focused criteria such as compliance of the system with specifications, to internally oriented metrics such as adoption by employees or proven efficiency gains, to externally oriented metrics such as impact on customer retention or loyalty. In the respondents' rating of the importance (1 = *not important*, 4 = *very important*) of seven criteria that could be used to assess the success of CRM initiatives by the respondents, externally oriented criteria dominated. Based on top-box score, the two most important criteria are (a) proven customer impact in terms of retention and satisfaction (46%) and (b) quantifiable revenue growth (46%). They were followed by (c) improved information and insights (25%), (d) quantifiable cost reduction (24%), (e) improved employee productivity (16%), (f) usage by employees (9%), and (g) compliance to specifications (9%).

These results are consistent with the notion that marketing strategy formulation process should be designed to ensure that businesses are externally focused on customers and competitors (Kerin, Mahajan, and Varadarajan 1990). By implication, a more complete integration between development of a business's CRM strategy and its overall marketing strategy could lead to improved success in CRM implementation. These results also suggest that research needs to focus on understanding how each of these criteria relate to each other in a comprehensive outcomes matrix that businesses can use to set priorities.

CRM Implementation Components: Implementation Frequency and Difficulty

Based on qualitative research conducted with industry practitioners, the CRM strategy formulation and implementation process was broken down into 15 possible components that could be followed or applied by businesses. These included CRM strategy development, business case and return on investment (ROI), change management, internal stakeholder assessment, senior executive buy-in, capabilities and risk assessment, and metric development, to name a few. Respondents rated how regularly each

TABLE 1
Relative Success of Customer Relationship Management (CRM) Initiatives (in percentages)

CRM Initiative	*Description*	*Complete Success (Top Box)*	*Success (Top Two Boxes)*	*Failure (Bottom Box)*	*Not Applicable*
Strategic brand management	Developing a consistent brand image built around the strategic goals of the CRM initiative.	19	42	6	6
Customer service and after-sales support	Standardizing customer service; optimizing customer service programs, channels and call centers; using customer satisfaction tools and complaint resolution processes; creating win-back programs.	14	45	3	11
Loyalty and retention programs	Creating loyalty programs and retention schemes (customer cards, bonus systems) and building the required support infrastructure.	12	43	7	17
Cost reduction	Introducing programs to reduce marketing, sales and service costs; restructuring programs to reduce head count, closing branches, consolidating infrastructures.	11	29	6	9
Channel integration and optimization	Integrating and optimizing existing and new channels to enable the company to provide an optimal customer experience, encourage customers to use low-cost channels and media.	11	26	2	16
Sales programs	Identifying and acquiring attractive new customers; creating targeted up-selling, cross-selling, and service-to-sales programs; increasing efficiency of the sales force.	8	35	5	7
Campaign management	Developing innovative marketing campaigns and the required infrastructure to reflect the company's customer focus.	8	39	5	12
CRM outsourcing	Outsourcing part of firm's CRM IT infrastructure, business process, or application to an outsourcing partner to lower costs and increase focus.	6	15	7	37
Product optimization and management	Optimizing product usage; refining, migrating, and phasing out current products; developing new products and services.	4	27	3	10

component was performed in their firm when embarking on a new CRM initiative on a 4-point scale: *always, often, sometimes, never*.

Across the 15 components, a frequency of *always* (top box) ranged from 20% to 50%, and a frequency of *always* or *often* (i.e., top two boxes) ranged from 32% to 79%. Three components had a frequency of *always* cited by more than one third of the respondents: senior executive buy-in (50%), business case and ROI development (40%), and customer needs analysis (36%). Interestingly, CRM strategy and value proposition development was done by many firms, though not by all; this step was "always" performed by 28% of respondent firms and "sometimes" performed by 36% of respondent firms.

For each of the 15 components, respondents were next asked to rate how difficult it was to achieve them (1 = *very difficult*, 5 = *not difficult*). Two components were rated as *very difficult* (top box) by more than 20% of the respondent firms: change management (23%) and organization alignment (21%). Focusing on the top-two boxes, in addition to these two components (66% and 53%, respectively), a third component, process change, was cited by more than 50% of respondents as being *very difficult* or *difficult* to implement. Which components do firms find easy to implement? Turning to a rating of *not difficult* (bottom box), the two most frequently cited components were CRM strategy and value proposition development (7%) and customer needs analysis (7%).

Finally, the frequency ratings for each of the 15 components were assumed to have metric properties and a multiple regression analysis was performed relating them to perceived CRM success. The five components with the highest standardized coefficients, rescaled to sum to one, were CRM strategy and value proposition development (.22), budget process change management (.20), process change (.12), governance (.09), and change management (.07). These results indicate the importance of developing a CRM strategy and value proposition as part of the process for developing and implementing a new CRM initiative. In combination, the above results suggest concrete elements of CRM implementation that should be managed to ensure the success of such initiatives. Specifically, CRM strategy and value proposition has a potentially large impact on the success of a CRM initiative, is viewed as relatively easy to do, and there are many firms currently not incorporating this step in their CRM initiatives.

Differences Across Firms

The results presented above pool all respondents together. In practice, there is often a great deal of heterogeneity across firms (e.g., Bowman and Narayandas 2004). To investigate how sensitive the results are to firm size, the sample was split into two roughly equal-sized groups based on revenue and separate regressions relating perceived CRM success to the 15 CRM process components were conducted for each group. For large firms, the components with the largest standardized coefficients (rescaled to sum to one) were CRM strategy and value proposition development (.40) and governance (.39). For small firms, it was change management (.44) and budget process management (.44).

Thus, the gains from more formally linking CRM strategy with a firm's overall marketing strategy seem to have the greatest potential in larger organizations. This result is not surprising. In small firms, the CRM projects are typically narrow in scope and are usually deployed in a modular fashion. For example, a firm might choose to automate its order cycle management initially while leaving more complex applications such as customer analytics for a later date (or not do it at all). Unlike small firms, the need to manage large organizations forces larger firms to attempt more ambitious and comprehensive rollouts of CRM systems. These firms find it a lot easier to push through wholesale changes (as in the CIGNA case, cited earlier) rather than attempt single steps, one at a time. In such situations, it becomes very important for the firm to have a tighter link between the CRM strategy and programs and the business's overall marketing strategy. Being able to integrate CRM initiatives also helps get higher adoption and buy-in from all the constituents.

To investigate how sensitive the results are to project scope, the sample was split into two roughly equal-sized groups based on whether implementation tended to be enterprise- or company-wide versus divisional, regional, or functional. The multiple regression analysis relating perceived CRM success to the 15 CRM process components was rerun for each group. For the enterprise-wide CRM implementation group, the variable with the largest standardized coefficient was "change management." When the scope of CRM implementation was divisional, regional, or functional, the variable with the largest standardized coefficient was "CRM strategy and value proposition implementation." These results have strong face validity. By their very nature, enterprise-wide implementation likely already requires some type of value proposition analysis, yet coordination issues loom large, making change management a key driver of success. CRM initiatives that are more limited in scope are likely more tactical in nature, lacking consideration of a business's overall marketing strategy.

In interpreting these results, variables with small standardized coefficients should not be assumed to be unimportant. It may be that a small coefficient reflects a component that is a "minimum standard" or foundation step that is now done in all CRM implementations. Foundation steps are very important as they are necessary for CRM success but are now so widely implemented that they do not differentiate CRM initiatives based on their relative accomplishment.

CRM Implementation Hurdles

Successful implementation of CRM strategy and programs can be hampered due to a resistance to change at various levels of the organization. For instance, marketing managers may not easily make the transition from being responsible for all aspects of the marketing of a single product or brand to handling functions spanning multiple brands and products that are simultaneously relevant to a firm's customers (Kumar, Ramani, and Bohling 2004). Similarly, sales personnel would need to be actively involved in the process of understanding data-driven campaign output files that prioritize customer selection and overcome reluctance to accept recommendations that do not suggest traditional customer touch patterns (Kumar, Ramani, and Bohling 2004).

Respondents were presented with a list of 10 potential roadblocks to CRM implementation and asked to indicate the single one they found to be the most problematic while completing a CRM initiative and implementing CRM. Eighty-one percent of the respondents provided a response. The three most commonly cited roadblocks were lack of necessary resources (19%), insufficient focus on change management (11%), and insufficient involvement of employees (9%). The latter two largely relate to an organization's "soft" skills. Of note, the least cited roadblock from the list was technical complexity (1%).

Respondents were next asked which of the 15 CRM components or approach steps (discussed earlier) would best help their firm overcome the roadblock cited by the respondent. The five most cited CRM components (pooled across all roadblocks) were change management (31%), process change (29%), senior executive and opinion leader buy-in (28%), prioritization of company initiatives (27%), and business case and ROI development (26%). Further investigating these roadblocks, identifying their antecedents, and developing ways to mitigate their deleterious impact on organizational practices is a key opportunity for future research.

Return on CRM Initiatives

One of the organizational challenges in CRM implementation is defining and articulating the business case for change (Kumar, Ramani, and Bohling 2004). Respondents were asked to rate the role of making a business case in their CRM initiatives. Fifty-four percent indicated that a business case was important (37%) or critically important (17%) to CRM initiatives. A business case is important not only to justify an investment but serves as a vehicle to assist in tracking and monitoring progress. Interestingly, 9% of respondents reported that a business case was utilized for internal compliance purposes only, and 10% of the respondents' firms did not require a business case for CRM initiatives. These suggest opportunities going forward.

To obtain an organization-wide commitment to CRM, the business case needs to quantify the projected ROI in terms of acceptable metrics and available indexes. Accurate calculation of marketing ROI requires that firms develop a knowledge base of the effects of marketing programs on measurable indexes that span multiple marketing outcomes (Rust, Lemon, and Zeithaml 2004). These indexes and metrics then help in assessing and reviewing success of the various stages of the project rollout.

A list of six ROI-related activities was developed. Respondents were asked to rate the importance of each activity to CRM success (1 = *not important*, 5 = *very important*). Based on the top-box rating, the rank order of the top five of these ROI activities is as follows: creating a quantifiable business case for our CRM effort (38%); developing and tracking quantifiable metrics to gauge the success of our CRM initiatives (28%); balancing near- and long-term benefits in our strategy/plan (27%); conducting a thorough assessment of the realization of benefits and costs incurred after rollout is completed (23%); and using a phased approach to implement our CRM effort, delivering value at each phase of the project (15%).

A multiple regression analysis relating the six ROI-related activities to perceived CRM success showed factors with the largest coefficients (standardized to sum to one) were developing and tracking quantifiable metrics to gauge success (.32), conducting a thorough assessment of benefits and costs (.22), and creating a quantifiable business case (.22).

These data support the importance of linking CRM initiatives with a business's overall marketing strategy. A business case helps firms to prioritize and balance short-term versus long-term goals, a key issue in marketing planning. A business case also forces the organization to identify and set metrics early on in the CRM effort. Metrics should include business-level metrics such as customer churn, revenue per customer, and cost-to-serve customers, as well as more local or project-specific metrics.

Role of CRM in Value Creation

A greater understanding of how CRM creates value can help a business better align its CRM strategy with its overall marketing strategy. Respondents were presented with a list of 12 commonly cited CRM business objectives. For each, they used the earlier 5-point scale, ranging from *very important* to *not important*, to rate the importance of each in creating value for the company. Six of the 12 were rated as *very important* (top box) by at least one third of the respondents. These are, in rank order, improving the customer experience (65%), deepening the relationship between product/service and the customer (52%), retaining and expanding share of existing customer base (51%), increasing customer acquisition rates (47%), managing customer attrition and improving retention (42%), and developing new products and services (34%). All are integral to the development of a business's overall marketing strategy, again suggesting the importance of tightly linking a business's CRM strategy with its overall marketing strategy.

Last, respondents were presented with a list of seven commonly cited corporate-level business concerns and asked to rate the relative importance of CRM in helping an organization to address them. Respondents provided ratings on a 5-point scale ranging from *very relevant* to *not relevant*. Three issues were cited as relevant (top two boxes) by more than half the respondents: increasing flexibility and speed to respond to opportunities and threats (71%), cutting operational costs and increasing margins (71%), and increasing performance from a shareholder/investor perspective (60%).

CRM IMPLEMENTATION: WHAT LIES AHEAD?

We have presented some summary results from a survey of firms concerning their CRM initiatives. Although descriptive, these findings provide an empirical assessment of the existing state of CRM implementation from the perspective of managers who are in the trenches. For academics, the findings raise many questions that need further theorizing, research, and analysis. We hope that these findings, therefore, will provide a basis on which future research can be built. Broadly speaking, the findings reported highlight the importance of linking the CRM strategy of a business to its overall marketing strategy to achieve greater success with the implementation of its CRM strategy and programs. The most consistent conclusion from this study is that CRM implementation is a remarkably situated process and that its success depends on several factors—who champions it, what metrics are used to measure its success, the different components of CRM being implemented, the orientation of the implementing team, and how managers perceive CRM. Equally important is the finding that CRM, at its present stage in its evolution, is neither perceived as a resounding success nor a dismal failure in organizations. The last finding, in particular, suggests that CRM—done right—has the potential to become a lasting source of competitive advantage to firms, one that is likely inimitable. These findings also suggest several research directions. We mentioned many of these earlier, and to that list we add a few more.

Longitudinal Studies

The results summarized above were from a cross-sectional survey. Richer insights will obviously come from longitudinal studies, especially longitudinal studies utilizing a static versus dynamic panel. The results highlight the importance of change management and process change to the success of CRM initiatives. Aspects of business processes such as these are best studied over time. This has implications for data collection.

More Case Studies and Data Sets That Include CRM Failures

Case studies and data sets examined in the academic literature, to date, are largely comprised of successes. To help identify factors that distinguish successes from failures, future data sets must also include failures. More important, we should discern causes of relative success or failure and develop a conceptual typology of these factors. The survey results discussed above suggest that some of these causes may be related to key human resource factors, such as employee engagement and involvement, and factors related to the business's context, especially competition faced by the business. Finally, the importance of customers as the driver of failure or success of CRM implementation should be further studied.

Understanding Across-Firm Heterogeneity

The survey data required us to present pooled results for all respondent firms. In practice, there is often much heterogeneity across firms (e.g., Bowman and Narayandas 2004). And attaining a better understanding of factors associated with, or drive, across-firm heterogeneity is often something that is pursued as a field or concept matures.

Systematic sources of heterogeneity may be related to industry type and IT intensity in the firm's strategy. We also expect these factors to vary based on whether a firm has a local or global presence. Firms also differ in the compensation schemes they offer their employees. Firms that also base their compensation on customer level metrics are likely to see smoother implementation of CRM initiatives than firms that base their compensation on overall sales and market share metrics. Complementing these, statistical procedures designed to address issues related to unobserved heterogeneity should be used for analysis.

Outcome Measures

For CRM to be broadly accepted, it is important to relate CRM implementation to a set of outcome measures that hold relevance and importance to a variety of constituents including CEOs and CFOs, and customer-behavior outcomes. As reported earlier, more than one third of senior managers view CRM as "useful, not critical." To ensure that they see CRM as an integral part of a business's marketing strategy, it will be important to link it to financial metrics such as return on assets (ROA)/ROI and possibly Tobin's q, as well as key customer metrics such as repurchase, retention, cross-sell ratio, win-back ratio, share of wallet, and word-of-mouth activity. It should also be linked to key employee metrics such as job satisfaction as well as self-efficacy perceptions, as these can both enhance customer satisfaction and retention.

Charting How CRM Enhances Firm Value

It has been shown that long-term financial returns to marketing initiatives may depend on a firm's ability to simultaneously be effective and efficient (Mittal et al. 2005). For CRM to be successful, it will be critical to show how it can simultaneously enhance efficiency and revenue. The challenge for marketing scholars is to address this critical gap, since CRM is not a tool to accomplish one at the expense of the other.

Intradepartmental and interdepartmental cooperation and coordination are critical to effective implementation of CRM initiatives. Interfunctional coordination and cooperation related issues have been extensively investigated in marketing and management literature in the context of innovation and new product development. It is conceivable that some of the findings reported in this body of literature would be pertinent in regard to interfunctional cooperation and coordination related issues in the context of CRM.

There is a growing recognition among firms of the importance of shaping customer-to-customer interactions. CRM strategies should reflect a firm's understanding that certain customers need to be empowered to indulge not only in higher degrees of self-service but also collaborate with other similar customers to enhance the overall service levels of the firm. Future research can highlight the implementation issues that surround CRM strategies that take advantage of increasing customer-to-customer interactivity.

Increasingly, firms are faced with having to make a trade-off between nurturing and developing CRM as a core competency versus selectively outsourcing CRM processes and activities. On one hand, firms are faced with the imperative to outsource certain CRM processes and activities guided by considerations such as the need to be cost competitive, reduce time to market, and capitalize on the capabilities of specialist firms. On the other hand, considerations such as development of CRM-related organizational competencies, customer/market-focused learning, and knowledge management and customer privacy related concerns might necessitate firms to perform specific CRM related processes and activities in-house. As noted earlier, at a large global delivery services company, management brainstorming including "day in the life of a customer" activities led the firm to recognize that CRM was key to a competitive strategy of dominating and differentiating on customer service (cf. Bowman and Narayandas 2001). Performing in-house "thinking" aspects of CRM and outsourcing "doing" aspects of CRM could enable firms to strike a balance in the face of such competing forces. However, there is need for further research on this issue, given recent developments in the realm of knowledge process outsourcing (i.e., firms in certain industries choosing to outsource thinking aspects of organizational processes and activities as well).

CONCLUDING COMMENTS

Managers need to recognize that CRM is an enterprise-wide concept that requires their businesses to identify opportunities to simultaneously enhance customer value while reducing costs, two effects that together create sustainable competitive advantage and result in greater short- and long-term profitability. To achieve this, managers need to recognize that a business's CRM initiatives are an integral part of its overall marketing strategy and not just a separate program. There also needs to be a culture of doing and learning, especially from mistakes because several are bound to happen as firms design and implement CRM systems. In doing so, firms must be acutely aware of emerging capabilities such as their interaction orientation (Kumar and Ramani 2006), whereby the development of appropriate CRM initiatives are guided by focusing on the individual customer as the unit of analysis for all marketing actions and reactions.

On the face of it, our thesis is straightforward: Linking CRM strategy and implementation more tightly with the overall marketing strategy of a business will lead to greater CRM implementation effectiveness. Achieving this in practice, however, is not necessarily an easy thing to do. For example, the survey data we presented show firms recognize that successful CRM implementation is most closely associated with its ownership being at a level in the organization that is responsible for strategy, yet CRM ownership is most commonly placed at a functional or subfunctional level. Hence, even when firms recognize the importance of linking CRM to marketing strategy with an eye toward greater CRM implementation effectiveness, it can be difficult to achieve in practice. We have suggested a number of areas for future research that could contribute to shrinking this gap.

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