An Examination of Implementing Customer Relationship Management by Chinese-Owned SMEs

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In the last decade, the ever increasing pressure of competition faced by businesses has led to the development of Customer Relationship Management (CRM). In short, CRM is the practice of integrating all aspects of business functions for dealing with customers, with the assistance of technology, and with the intention of boosting company profitability. CRM has been widely promoted as a critical contributor to business survival. However, the high failure rate of CRM projects has also attracted research attention and many factors have been discussed as contributing to the success or failure of CRM implementation.

This research argues that CRM is not simply a software package or a computer program. CRM, instead, should be perceived as a strategic issue in order to realize its potential. In addition, this study also argues that CRM implementation is affected by organizational, strategic and cultural factors. In particular, this study was conducted within the context of Chinese small and medium-size enterprises (SMEs), with company size and culture as two major focuses in this study. SMEs were chosen as this segment has been overlooked in CRM study, yet it represents a great potential for growth in CRM adoption. Chinese culture was chosen as most of CRM studies have been conducted within a western cultural background. The Chinese culture has distinctive characteristics different from western culture, and this has strong influences on business operations.

A quantitative method was adopted for this study and a mailed survey was used to collect data to examine the relevance of these factors within this context. Research participants were recruited using a systematic sampling technique through a comprehensive Chinese business directory. Results suggest that there are positive associations between a company's CRM implementation and its practice of organizational, strategic, and cultural issues. In particular, four organizational issues – organizational integration, executive commitment, system readiness, and resource availability; three strategic issues – vision, planning, and customer-centric culture; and one cultural issue – networking, have an impact on a company's CRM implementation.

Keywords: Customer Relationship Management (CRM), Small and Medium-size Enterprises (SMEs), Culture, Chinese, Relationship Marketing, Implementation, Customer Service.

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Chapter One: Introduction

1.1 Overview

In this chapter, the overview of the research is outlined. Firstly, the background information of the key concept in this study - Customer Relationship Management (CRM), is described. This is followed by an outline of the research focus of this study. In addition, the design of this study and its results are also illustrated. Lastly, it finishes with a brief description of each chapter.

1.2 Problem Orientation

In the last 10 years, the development of Internet technology has led to a review of traditional business practices (Davenport and Short, 1990, Gulati and Garino, 2000). The extensive use of Internet technology has removed geographical boundaries typically associated with bricks-and-mortar businesses and is uniting previously isolated markets into one competitive global market (Milio, 2001, Rau and Liang, 2003). In addition, globalization and the development of the Internet have resulted in

the situation where information has become more readily accessible and consumers are now better informed. This, in turn, contributes to changes in customer's behaviours and escalation of customers' expectations (Goldenberg, 2004, Karkoviata, 2001, Mahmood and Bagchi, 2004). Therefore, traditional business practices, such as a strong product orientation which focuses on product and internal process improvement (Woodruff, 1997), may no longer be as effective as once perceived (Sheth, 2002). This situation has led to a call for organizations to re-evaluate their existing policies, the way business activities are carried out, as well as the manner by which resources are utilized (Kennedy, Goolsby and Arnould, 2003).

Due to these changes within the business environment, more companies have recognized the critical value of customers (Croteau and Li, 2003), and customer service related activities have became one of the most important issues of business practices (Morash, 2001). Moreover, aggressive competition coupled with the acknowledgment of customers' long-term value (Light, 2003) has led to a greater recognition of the importance of relationship marketing (Chen and Popvich, 2003). Therefore, customers' ongoing satisfaction and contentment are highly regarded by

business practices (McGarry, 1995). Under these circumstances, various applications of relationship marketing, which emphases the importance of building long term relationship with key customers (Bennett, 1996), were discovered, and the concept of Customer Relationship Management (CRM) is highly valued in recent years. It is perceived as a means for enhancing the relationship marketing effort effectively.

CRM, identified as an essential concept for organizational survival, has been widely adopted in various industries over the last decade (Foss, 2002, Mahmood and Bagchi, 2004, Nairn, 2002, Selland, 2004, Weinberger, 2004). In short, CRM is the concept of integrating all aspects of a business's policies and processes to deal with customers, through support of information technology, with the intention of boosting profitability (Bradshaw and Brash, 2001, Chen and Popvich, 2003, Kotorov, 2003, McKinsey, 2001).

Kutner and Cripps (1997) argue that CRM is constructed on four relationship-based beliefs:

> *(1) Customers are important assets;*
> *(2) Every customer has a different profitability and not all customers are equally profitable;*
> *(3) Customers have different needs, preferences, behaviours and price sensitivity;*
> *(4) By understanding customers and their profitability, companies can maximize the overall value of their customers by tailoring their offerings effectively.*

This argument is supported by research which illustrates that successful CRM implementation has resulted in an improved organization's competitiveness by improving its marketing effectiveness and profitability (Chen and Popvich, 2003, Nancarrow et al., 2003, Raaen, 2000,). In particular, CRM enables the company to obtain comprehensive knowledge of its market and customers (Payne and Frow, 2004, Peppard, 2000). It allows organizations to identify valuable customers (Lockard, 1998) and to design appropriate retention strategies (Kendrick and Fletcher, 2002) to attain long-term loyalty (Lockard, 1998). Furthermore, CRM also delivers additional benefits to the company, such as higher revenue (Reichheld, 1996) and lower

operation costs (Reichheld, 1996, Rigby, Reicheld and Schefter, 2002), as well as consistent and efficient services (Chen and Popvich, 2003).

Although CRM has been widely promoted, and its importance has been extensively supported by both academics and practitioners (Sheth and Sisodia, 2001, Stefanou, Sarmaniotis and Stafyla, 2003,), research has shown that most CRM implementation fails, with millions of dollars and other resources being wasted (Johnson, 2004, McKimn, 2002). According to the Gartner group, half of all CRM projects are unsuccessful (Starkey and Woodcock, 2002); moreover, the failure rate in Europe during 2002 was more that 80 per cent (Hughes, 2002). Academically, this phenomenon has drawn great concern. There are numerous researchers engaged in analyzing the issue of the CRM implementation process, and several factors have been identified as influential in a successful CRM implementation (Croteau and Li, 2003, Dibb and Meadows, 2004, Kotorov, 2003, Rigby and Ledingham, 2004, Ryals and Knox, 2001, Ryals and Payne, 2001, Stone, 2003).

1.3 Research Focus
Although many factors are identified in the literature as important to the success of Customer Relationship Management (CRM) implementation, most of literature available is confined within the context of large and multi-national enterprises. Therefore, it is important to examine the applicability of these arguments in various contexts. In particular, given the contribution that small to medium-sized enterprises (SMEs) make to the national economy, and the lack of research on SMEs' implementation of CRM, SMEs were selected as the main focus in this research.

In addition, the cultural impact on CRM implementation is another focus in this study. Culture has strong impacts on not only consumer behaviour, but also business practices. In particular, this study focuses on the Chinese culture. This is with the consideration that most of CRM studies have been conducted within a western cultural background. Chinese culture is distinctive from western culture, and this has influences on business operations. It is interesting to explore if Chinese culture has an impact on CRM. Therefore, Chinese culture is another issue taken into consideration in this study.

As a result, the central focus of this research lies with Chinese-owned SMEs. The objective of this research is to explore the issue of CRM implementation in the context of Chinese-owned SMEs. In the following, the research question of this study is outlined.

1.4 Development of the Research Question

As mentioned earlier in this chapter, Customer Relationship Management (CRM) is perceived as vital to business survival. However, the high failure rate of CRM implementation indicates that this is not an easy task, and it may lead to a great waste of company's resources. Moreover, there is rising recognition of a potential growth of CRM adoption by small to medium-sized enterprises (SMEs) (Karkoviata, 2001). To prevent SMEs from experiencing the same dilemma faced by large or multi-national enterprises, it is useful if its implementation is examined and guidelines are presented to minimize the likelihood of failure and facilitate its performance. Based on these considerations, the research question of this study is to find out: What are the critical factors in implementing CRM in Chinese-owned SMEs?

The value of a research focus on this segment is especially important in New Zealand. Firstly, the majority of business establishments in New Zealand are small or medium-sized companies and they play important roles in the New Zealand economy. In addition, the influx of Chinese migrants to New Zealand in the last decade has lead to growing numbers of Chinese-owned business establishments. With the potential impact of culture on business practice, it also represents potential research value.

Furthermore, it is important to note that this study seeks to discuss the issue of CRM implementation from a managerial perspective. Although CRM has been frequently discussed from a technological perceptive, there is an increasing recognition of viewing CRM as a managerial phenomenon (Leigh and Marshall, 2001, Xue and Harker, 2002). The intention of defining CRM as a managerial issue is also with the consideration that SMEs have a lower degree of adoption of advanced technology. Therefore, the discussion of CRM from a managerial point-of-view in the SME context is appropriate. In the following, the design of this research is illustrated.

1.5 Research Design

This study begins with reviewing the literature to acquire Customer Relationship Management (CRM) implementation factors identified by other researchers, as these variables constitute the foundation for forming the research model in this study. Quantitative analysis is then utilized, with data collected by a self-administered mailed survey. The mailed survey format is chosen for this research after due consideration to geographical scope and information sensitivity.

The questionnaire is based on the proposed model which contains factors identified from existing research. Multiple measures, including rating scales, Likert Scales and open-end questions, among others, are employed in the questionnaire. A pilot test is conducted to ensure that the design of the questionnaire is appropriate. Questionnaires sent out to participants have been randomly selected from Chinese telephone directories for data collection. The Statistical Package for the Social Sciences (SPSS), and relevant statistical techniques, such as Pearson Correlation, Chi-square and Analysis of variance (ANOVA) are used to analyze data and test hypotheses.

Based on the tests, the importance of each factor in the model is examined and the research model is amended accordingly. Furthermore, the conclusion of the study is presented and implications of the research results to management are also illustrated. This is followed by an outline of research limitations and future research directions.

1.6 Research Results

Results reveal that Customer Relationship Management (CRM) is commonly practiced among Chinese-owned small to medium-sized enterprises (SMEs). In addition, the implementation of CRM by Chinese-owned SMEs is affected by the practice of various business activities. In particular, these issues are categorised into three groups. Firstly, CRM is a company-wide project, therefore, organizational issues, including organizational integration, executive commitment, system readiness, and resource availability are relevant to CRM implementation. Secondly, CRM is a vital part of a company's business strategy. Hence, strategic issues, consisting of vision, planning and customer-centric culture should also be considered. Lastly, culture is an influential issue in business practice; and the issue of networking is identified as important to CRM implementation.

1.7 Research Structure

In the following chapters, each chapter is built up to illustrate this study. In Chapter 2, existing studies of CRM in the literature are reviewed. Theories and concepts related to the key concept are also examined. Based on Chapter 2, the focus of this research is outlined in Chapter 3. In addition, research model is developed and key concepts of each element in the model are described in detail.

In Chapter 4, the research method is outlined. Hypotheses are developed based on the research model illustrated in the previous chapter. The design of the research, including sampling method, data collection procedures and data analysis approaches, is then developed to examine research hypotheses. Based on information collected, research data are examined and results of the analysis are outlined in Chapter 5. Information illustrated in this chapter includes not only result of each hypothesis, demographic characteristics of research participants are also described.

In Chapter 6, research results are discussed in detail. In addition, the relevance of research results to the literature is also outlined. Lastly, Chapter 7 presents the research conclusions. In addition, managerial implications, and research limitations are also outlined and future research opportunities are recommended.

1.8 Chapter Summary

This chapter began with an outline of the concept of Customer Relationship Management (CRM), its potential, and problems. It was emphasized that CRM is perceived as a valuable tool for obtaining competitive advantage. However, the high failure rate of CRM shows there is a need to devote research attention to its implementation. The absence of research attention on the implementation of CRM by small to medium-sized enterprises (SMEs) is then described. Although the implementation of CRM among SMEs is not as popular as among larger or multi-national enterprises, it represents a high potential for growth. The research focus on Chinese businesses was also illustrated. Chinese businesses represent a significant proportion of SMEs and their unique character of business practice, driven by Chinese culture, has substantial impacts on their attitude toward CRM implementation. Finally, research design, research results and description of each chapter were also briefly outlined.

In the following chapter, detailed examinations of the existing literature in relation to CRM concept are outlined. In addition, the distinctive characteristics of SMEs as well as Chinese cultural influence established by other researchers are outlined.

Chapter Two: Literature Review

2.1 Overview

In the previous chapter, the problem in related to Customer Relationship Management (CRM) and the focus of this study were outlined. This chapter continues to discuss the key concepts involved in greater detail. Firstly, the review of published research relating to CRM is presented. This begins by outlining the evolution and the conceptualization of the CRM concept. In addition, as mentioned in the earlier chapter, CRM has often been incorrectly perceived as simply a software package that facilitates the automation of marketing functions (Kotorov, 2003). This is a misconception, as technology is simply a tool that assists organizations in the implementation of CRM strategies (Johnson, 2004). In this chapter, the idea of perceiving CRM as a management issue is discussed further.

The nature of small and medium sized enterprises (SMEs) is also discussed in this chapter. In particular, definitions of SMEs, and the characteristics commonly shared among them are outlined. Moreover, the distinctive differences between SMEs and large or multi-national enterprises are illustrated. Furthermore, the connection between SMEs and CRM are also evaluated. As mentioned earlier, the majority of CRM implementation takes place among large or multi-national enterprises. However, there is rising recognition of the potential growth of CRM adoption by SMEs. Relevant literature is discussed to identify the relationship between these two issues.

Furthermore, cultural issues relating to consumer behaviour as well as cultural influences on business practices are examined. The decision to focus on the Chinese, due to the strong relationship focus within the culture is also presented. Lastly, the rationale behind the development of the research problem is outlined.

2.2 Customer Relationship Management

The Customer Relationship Management (CRM) concept is closely associated with Relationship Marketing (Bull, 2003, Christopher, Payne and Ballantyne, 1991, Dibb and Meadows, 2004, Payne and Frow, 2004, Ryals and Knox, 2001). First introduced by Berry in 1983, relationship marketing was popularized in the late 1980s and early 1990s. This was due to intensified competition, which largely resulted from the

energy crisis of the 1970s, the economic stagnation following the energy crisis, and the emergence of services marketing (Sheth, 2002). Relationship marketing is defined as:

> *the organizational development and maintenance of mutually rewarding relationships with customers achieved via the total integration of information and quality management systems, service support, business strategy and organizational mission in order to delight the customer and secure a profitable lasting business* (Bennett, 1996).

According to Light (2003), it is based on the argument that "*the happier a customer is with a relationship, the greater the likelihood they will stay with an organization*". Moreover, the comprehension of the potential life-time value of a loyal customer to the company is also closely connected to its development (Pfeifer and Farris, 2004, Reichheld, 1996).

The evolution of relationship marketing is also closely associated with the realization of the importance of the customer to a company (Jackson, 1994). The advancement of technology, the diminishing of product differences and the ever-increasing pressure of competition has led to the acknowledgement that customers are one of a company's most valuable assets (Croteau and Li, 2003, Winer, 2001). Research shows there is a positive relationship between customer satisfaction and profits (Anderson, Fornell and Lehmann, 1994). At the same time, there is also the recognition that excellent customer service is one of the most important weapons for achieving success with a target group (Morash, 2001, Stefanou et al., 2003). Customer service is about the experience of the interaction between customers and service provider (Karkoviata, 2001). A survey done by The Strategic Planning Institute shows that companies rated as performing highest for customer service quality have more than twice the market share, sales and return on investment than companies with poor customer services (Mitchell, 1998). Therefore, many businesses have changed their business practice focus from product-centric to be customer-centric (Ryals and Knox, 2001, Slywotzky and Wise, 2003).

Furthermore, it has been recognized that it is more resource intensive to attract new

customers than keep existing ones (Light, 2003, Lockard, 1998, Mitchell, 1998, Winer, 2001). Research shows that it is about five times more expensive to recruit a new customer than to retain an existing client (Roberts, 2000, Zeithaml, 2000). Also, there is a strong correlation between customer retention and profitability (Payne, Martin, Clark and Peck, 1999, Pfeifer and Farris, 2004, Reichheld, 1996, Reichheld, Markey and Hopton, 2000). The connection between customer retention and profitability is supported by the observation that repeat customers generate double the sales, as compared to new customers (Winer, 2001). It has also been suggested that a five percent increase in retention can result in up to a 100 percent increase in profits (Reichheld et al., 2000).

As such, past decades have seen academics and practitioners focusing extensively on the issue of attracting and retaining customers in order to develop long term relationships (Berry, 1995, Morgan and Hunt, 1994, Sheth, 2002, Sheth and Parvatiyar, 1995) and gain the benefit of customer loyalty (Chen and Popvich, 2003). The development of various marketing tools such as database marketing (Kamakura, Wedel, Rosa and Mazzon, 2003), direct marketing (Tapp, 2003) and one-to-one marketing (Peppers, Rogers and Dorf, 1999) – have all resulted from this customer-centric relationship marketing focus. The concept of CRM is also the result of this movement (Chen and Popvich, 2003, Deighton, 1996, Galbreath, 1998, Lockard, 1998). It is argued by some researchers that CRM can be seen as the organizational implementation of a relationship marketing philosophy (Ryals and Knox, 2001, Ryals and Payne, 2001). Through delivering more responsive and customized services to customers, CRM increases customer satisfaction and this, in turn, improves customer loyalty (Croteau and Li, 2003).

The development of CRM is closely associated with the advancement in Information Technology. Therefore, it has too often been discussed from a technological perspective. However, it is important to emphasize that CRM is perceived as the concept of managing customer relationships with the proactive input of human activities (Leigh and Marshall, 2001), rather than simply technology or a computer programming package needing little or no human input (Chen and Popvich, 2003, Croteau and Li, 2003, Feinberg, Kadam, Hokama and Kim, 2002, Greenberg, 2001). This notion is supported in the literature by an increasing recognition of viewing

CRM as a managerial phenomenon (Leigh and Marshall, 2001, Xue and Harker, 2002). In the following sections, the technological and non-technological perspectives of CRM are outlined.

Technological perspective on CRM

In recent years, many technology companies and software providers have developed various CRM systems or software programs to assist CRM implementation. For example, Siebel, the market leader in CRM software, has launched CRM OnDemand to support various customer management tasks (Saran, 2003). In addition, Microsoft Business Solutions (Lager, 2005) and Oracle PeopleSoft (Compton, 2005a) are also available in the market. In general, data warehouse, enterprise resource planning (ECP) systems and the Internet are fundamental infrastructures for most CRM applications (Chen and Popvich, 2003). These software tools support all aspects of the customer relationship management task performed by the company, automate day-to-day tasks such as sales, call centres and customer service. By taking advantage of advances in information technology, these CRM systems assist companies to collect, and analyze customer data, and then to respond with timely and effective communications and customized products or services of value to customers (Chen and Popvich, 2003)

There has been significant investment in CRM systems over the last decade (Alonso, 2002, Forrest, 2001, Hughes, 2002, Kerstetter, 2001, Kotorov, 2003, Winer, 2001). The worldwide spending on CRM in 1998 was US$ 1.9 billion (IDC and AMR Research, 2001), increasing to US$ 23.26 billion in 2000 (Starkey and Woodcock, 2002). In particular, competitive industries represent early adopters of CRM technology. The pharmaceutical, services, consulting, banking/financial services, and insurance industries have invested heavily in CRM technological initiatives (Croteau and Li, 2003, Foss, 2002, Nancarrow et al., 2003). Furthermore, with spending estimate of US$76.3 billion worldwide in 2005 (Woodcock and Starkey, 2001), CRM has enormous growth potential (Rigby and Ledingham, 2004). The high adoption rate and growth of CRM implementation shows that this is an issue should not be underlooked.

Although there are many CRM systems or packages available, it is important to note that the installation of CRM software does not mean the completion of the CRM

effort (Wilson, Daniel and McDonald, 2002). CRM software helps an organization to gather customer information, but the company then needs to translate this information into customer intelligence, which is then used to create and support competitive advantage (Little and Marandi, 2003). However, research shows that the majority of CRM adaptors have the mindset that once they purchase and install CRM, improvements on effectiveness and efficiency will occur and profits will increase without additional effort (Compton, 2005b, Johnson, 2004, Kotorov, 2003). This situation has led to a high failure rate of CRM implementation (Feinberg et al., 2002). For example, research shows more than half of CRM projects fail to meet their objectives (Johnson, 2004). To improve CRM performance, it is important that CRM implementation is carefully examined in order to provide valuable guidelines for organizations that apply CRM.

Non-tech perspectives on CRM

Although the advancement in Information Technology in recent years plays a crucial role in the evolution of CRM, it is important to emphasize that CRM is not just about technology (Johnson, 2004, Light, 2003, Selland, 2004, Zablah, Bellenger and Johnston, 2004). Instead, CRM is a complex concept that combines business and technological factors (Bull, 2003). Specifically, technology is a tool that enables organizations to acquire a better understanding of their customers, which improves their capability to build long term relationships as well as improving customer retention (Chen and Popvich, 2003, Little and Marandi, 2003, Puccinelli, 1999). This argument is supported by many CRM descriptions found in the literature (Bull, 2003, Croteau and Li, 2003, Nancarrow et al., 2003, Stefanou et al., 2003, Wall, Akridge and Wang, 2004). For instance, according to Bradshaw and Brash (2001), *"...while implementing CRM is certain to involve the deployment of new technologies, it requires a re-examination of business processes, which should lead technology decisions, and not vice versa"*. In addition, Chen and Popvich (2003) also mentioned that *"... viewing CRM as a technology-only solution is likely to fail. Managing a successful CRM implementation requires an integrated and balanced approach to technology, processes and people"*. Feinberg, Kadam, Hokama, and Kim (2002), too, argues *"... it is not simply technology, data mining, or call centres"*. From the above statements, one can see that that CRM is not just technology.

The idea of CRM is not simply a computer programmes can be further demonstrated as most CRM descriptions do not mention any particular communication channels, tools, or specific technology (Bradshaw and Brash, 2001). Instead, CRM is commonly viewed as a strategy (Croteau and Li, 2003, Kotorov, 2003, Little and Marandi, 2003, Nairn, 2002) and perceived as *the application of a genuinely customer-oriented model of marketing by an organization, focusing on understanding and relating to the customer as a means to improve customer satisfaction, loyalty and profits*" (Nancarrow et al., 2003). Nairn (2002) even suggests that CRM should be perceived as an essential part in organizational long-term business planning process. Hence, it is clear that CRM is a managerial concept which includes various elements, and is not just a technology package. In other words, technology plays a vital role in CRM, but without other inputs, such as marketing or managerial contributions, it does not always fulfil its full potential as a management tool. In the following, the concept of CRM and different perspectives of CRM are discussed further.

2.2.1 CRM conceptualization

In the last decade, the concept of CRM has attracted substantial research attention, and numerous studies have been carried out from various perspectives in attempts to gain more insight. For example, some research provides evidences of the impact of CRM on organizational performance (Dibb, 2001, Wang, Lo, Chi and Yang, 2004), some reports and analyzes the high failure rate (Starkey and Woodcock, 2002, Johnson, 2004), some focuses on identifying critical success factors (Croteau and Li, 2003, Rigby and Ledingham, 2004), and some examines its nature and development (Rigby et al., 2002, Zablah et al., 2004). However, it is frequently mentioned in the literature that a common conceptualization of CRM has not been achieved (Bull, 2003, Fairhurst, 2001, Fisher, 2002, McKimn, 2002, Winer, 2001, Zablah et al., 2004).

To gain a better understanding of the true nature of CRM, an extensive review of the literature was conducted. Detailed examination of numerous CRM definitions reveals that although these conceptualizations are proposed from different perspectives, there are common elements in many of the definitions. Specifically, CRM is commonly conceptualized as a:

> (1) strategy (Croteau and Li, 2003, Feinberg et al., 2002, Payne and
>   Frow, 2004, Verhoef and Donkers, 2001,);

(2) process (Galbreath, 1998, Gronroos, 1994, Plakoyiannaki and Tzokas, 2002, Srivastava, Shervani and Fahey, 1999);

(3) technology (Gefen and Ridings, 2002, Shoemaker, 2001);

(4) philosophy (Fairhurst, 2001, Hasan, 2003,);

Moreover, many definitions include multiple dimensions (Kim, Suh, and Hwang, 2003, Little and Marandi, 2003, Pantazopoulos, 2005, Rigby et al., 2002). In the following sections, each perspective of CRM is examined in more detail:

(1) Strategy perspective of CRM

Many researchers have emphasized that CRM needs to be dealt with from a strategic point of view in order to realize its full potential (Fisher, 2002, Light, 2003, Payne and Frow, 2004, Zablah et al., 2004). Little and Marandi (2003) describe CRM as "...*a business strategy aimed at building long-term relationships with valued customer*s". The strategic perspective of CRM argues that the objective of CRM is to maximize customer lifetime value, and CRM should be executed as a business strategy to realize this objective (Wang et al., 2004).

The strategic perspective of CRM is closely related to the argument that every customer does not represent the same value to an organization (Kutner and Cripps, 1997). Some have suggested that a company's profits adhere to the Pareto principle (in the business case, 80 of a company's profits comes from 20 percent of its customers (Light, 2003, Winer, 2001,). Therefore, it is not worthwhile for a company to put its efforts into establishing a long-term relationship with every customer. Instead, it needs to deploy its limited resources focusing on the most valuable customers, based on their profitability, in order to maximize the company's profit.

This implies that organizations need to manage customer relationships based on customer lifetime value in order to achieve maximum profits (Zablah et al., 2004). As a strategy, CRM assists the company to accomplish this task effectively. In particular, CRM helps the company to identify its valued customers and to discover any prospective customers. It also helps them decide what kind of relationships the company should have with these customers (Battista and Verhun, 2000). Furthermore, the strategic view of CRM also emphasizes that organizations are allowed to, or are required to, fire a customer who is not profitable (Winer, 2001). Companies also need

to terminate their relationships with customers when they become unprofitable (Verhoef and Donkers, 2001).

(2) Process perspective of CRM

CRM is also perceived as an operational process within the organization that deals with customer related issues (Galbreath, 1998, Gronroos, 1994, Plakoyiannaki and Tzokas, 2002, Srivastava et al., 1999). The process perspective of CRM argues that it is part of an organization's effort to improve the company's performance in customer knowledge management (Butler, 2000, Stefanou et al., 2003). An example of CRM definition that is based on process perspective is presented here:

> CRM is *"... an ongoing process that involves the development and leveraging of market intelligence for the purpose of building and maintaining a profit-maximizing portfolio of customer relationships"* (Zablah et al., 2004)

With the process perspective in mind, CRM is perceived as the process of utilizing and integrating all functions within the organization to perform superior customer service (Bradshaw and Brash, 2001). It aims to increase the retention of profitable customers in order to achieve the company's competitive advantage and maximize corporate profit ((Bradshaw and Brash, 2001, Massey, Montoya-Weiss and Holcom, 2001). In particular, it includes all activities that organizations perform to construct long-term, profitable relationships that are mutually beneficial to the company and its customers (Mitchell, 1998, Zablah et al., 2004). For example, customer segmentation, data integration and performance evaluation measures (Hart, Hogg and Banerjee, 2004) are activities organizations perform in order to maintain profitable relationships with their customers. By continuing integrating and practising these activities, it is benefitual to the company's performance in managing relationships with their customers effectively.

(3) Technology perspective of CRM

CRM is also perceived as a technology that is used by companies to facilitate the automation of some marketing functions (Kotorov, 2003), and to manage customer relationships (Gefen and Ridings, 2002, Shoemaker, 2001). By this perspective, CRM

is (1) a specific technology solution that performs customer-related tasks (Winer, 2001), or (2) an integrated customer-oriented technology which includes a number of technology solutions that perform different customer-related tasks (Gefen and Ridings, 2002). An example of conceptualizing CRM as technology is:

"... CRM is an enterprise-wide integration of technologies working together, such as data warehouse, website, intranet/extranet, phone support system, accounting, sales, marketing and production." (Bose, 2002)

This perception of viewing CRM as a software package emphasizes software and hardware, analytical tools and sales force automation (Battista and Verhun, 2000). Database management programs are examples of this perspective. These technological applications not only connect various functions within a company to perform effective customer interaction (Chen and Popvich, 2003), but also process huge amounts of information and generate important customer knowledge to assist in managing customer relationships (Crosby and Johnson, 2001, Hirschowitz, 2001). Hence, CRM, as a software package, enables the organization to understand customer behaviour, then to improve upon and deliver good customer services (Forrest, 2001).

It is important to mention that the technology perspective of CRM conceptualization appears mainly in the early stages of CRM development, and is commonly endorsed by practitioners (Apicella, Mitchell and Dugan, 1999, Johnson, 1999) and CRM system providers (Lager, 2005, Saran, 2003). This may be because the evolution of CRM, in recent years, has depended upon the advancement in Information Technology (Bose, 2002). However, it is now widely recognized that CRM is not simply a technology and technology has limited effects on CRM performance (Chen and Popvich, 2003, Fairhurst, 2001, Kotorov, 2003). To take advantage of CRM, the involvement and integration of other business functions, such as marketing, are crucial (Nancarrow et al., 2003).

(4) Philosophy perspective of CRM
A philosophical perspective of CRM is also frequently endorsed in the literature (Fairhurst, 2001, Hasan, 2003,). As a philosophical perspective, CRM emphasizes the

importance of market orientation and its impact on organizational profitability (Narver and Slater, 1990). Puccinelli (1999) noted that CRM is a management practice with a focus on customer service. Hasan (2003) also argues that "…*CRM is not a discrete project – it is a business philosophy aimed at achieving customer centricity for the company*".

A philosophical perspective suggests that CRM is the customer-centric culture of the company. Moreover, the company needs to continue delivering what is valued to customers in order to maintain its relationship with them (Rigby et al., 2002, Wilson et al., 2002). To achieve this, it is critical that the organization's day-to-day activities emphasize customers' evolving needs (Kohli and Jaworski, 1990, Zablah et al., 2004) . Hence, CRM should be seen as an essential component of corporate culture rather than simply an application of a technology or process. This means that having good relationships with customers should be perceived as part of the company mission, and all employees should understand that it is their responsibility to achieve this mission. In addition, it also means that the company's activities need to be adjusted to reflect this philosophy.

The above section illustrates that CRM is a broad concept involving many issues. Although previous studies have attempted to illustrate CRM as either a business strategy, an operational process, a technological solution, or a corporate philosophy, the literature demonstrates that the perception of the CRM concept is diverse and it lacks a unified definition of what CRM really is (Bull, 2003, Fairhurst, 2001, Fisher, 2002, McKimn, 2002, Winer, 2001, Zablah et al., 2004). The failure to establish a common definition suggests that it may perhaps not be sufficient to portray CRM simply from a single dimension. Hence this study suggests that the concept of CRM should be extended to include all relevant issues mentioned above. With consideration of the four perspectives mentioned above, a definition has emerged which presents a comprehensive view of CRM.

2.2.2 CRM Definition
In this research, a multi perspectives approach is adopted to conceptualize CRM. In particular, the strategic, the process, the philosophical and the technical perspectives are taken into considerations to provide a more comprehensive view of the concept.

Drawing together the different emphases of many authors, this research suggests that to execute a CRM strategy (Kotorov, 2003), organizations need to implement necessary processes (Chen and Popvich, 2003), establish a customer-centric culture (Bull, 2003) and utilize relevant technology (Little and Marandi, 2003). Thus, this study defines CRM as *"...customer-centric managerial strategy that aims to establish long-term relationships with profitable customers, by utilizing comprehensive customer knowledge"*

This definition emphasizes the importance of continuously identifying and satisfying customers' ever-changing needs by the facilitation of appropriate organizational structure and management approaches (Nancarrow et al., 2003, Stefanou et al., 2003). The key components of this definition, therefore, include the long-term relationships, customer knowledge, the profitable customer; a customer-centric-focus and strategy. Details of these attributes are presented further below:

Component 1: Long-term relationships

Establishing long-term relationships with customers is the fundamental purpose of CRM implementation. Building on the concept of relationship marketing (Chen and Popvich, 2003), CRM stresses the importance of long-term relationships with clients and does not simply consider the merits of the transaction (Payne and Frow, 2004). This notion is closely related to an awareness of the positive correlation between customer retention and a company's profitability (Pfeifer and Farris, 2004, Reichheld et al., 2000). Therefore, CRM emphasizes the issue of pursuing long-term relationships with profitable customers in order to maximize customers' value in the long term. Hence, a long-term relationship is regarded as one of the key components of the CRM concept.

Component 2: Customer knowledge

Customer information plays a key role in CRM (Croteau and Li, 2003). To deliver superior customer services, companies are required to comprehensively learn and understand their markets and target customers (Woodruff, 1997). Therefore, constructing a comprehensive customer information profile or database is the foundation for any CRM implementations (Winer, 2001). By integrating and managing customer information effectively, CRM aids organizations in gaining better

knowledge of their customers and managing customer relationships effectively (Christopher et al., 1991). It helps not only the delivery of superior customer services experiences (Payne and Frow, 2004), but also provides opportunities for potential future sales (Winer, 2001). Therefore, comprehensive customer knowledge is perceived as a key attribute of CRM.

Component 3: Profitable customer

As mentioned previously, CRM emphasizes the importance of investment in customer relationships which, in turn, maximizes profitability (Ryals, 2003). However, it is important to note that each customer does not represent the same value to the firm (Kutner and Cripps, 1997, Zablah et al., 2004,) and, as the 80/20 rule suggests, the majority of company profits are generated from a small proportion of its customers (Ettorre, 1997, Sanders, 1987). Therefore, it is expensive and impractical to invest resources for establishing relationships with all customers, as it is more cost effective to target high value customers (Lockard, 1998). To achieve this, the company needs to evaluate life-time value and long-term profitability of its customers (Winer, 2001). It assists the company to identify customers who have high long-term profit potential and to use marketing resources effectively. Therefore, CRM emphasizes the issue of identifying the profitability of customers while establishing relationships with them.

Component 4: Customer-centric focus

In the CRM context, a customer-centric culture is closely related to the success of maintaining long-term relationships with customers (Rigby et al., 2002, Wilson et al., 2002). A customer-centric focus is perceived to be a source of competitive advantage for companies (Slywotzky and Wise, 2003), and has a positive influence on business performance (Deshpande, Farley and Webster, 1993). Research frameworks have been developed with the purpose of demonstrating how customer orientation can be a source of competitive advantage to the company (Day and Wensley, 1988, Slater and Narver, 1995). For example, Woodruff (1997) argues that as the customer is perceived as an important asset, the company needs to be more customer-oriented and is encouraged to establish a customer-focused culture within the organization. As the fundamental purpose of CRM is to establish long-term relationships with customers, it is reasonable to emphasize the need for the establishment of a customer centric philosophy within organizations, in order to achieve long-term relationships (Zablah

et al., 2004). Therefore, a customer-centric focus is regarded as an essential element to illustrate the CRM concept.

Component 5: Strategy

Establishing long-term relationships with valuable customers is the purpose of CRM, and an appropriate managerial strategy is essential to enable the company to achieve this objective effectively. Therefore, strategy is included as a component that conceptualizes the concept of CRM. As outlined earlier, one of the common conceptions of CRM is as a business strategy. Payne and Frow (2004) also argue that a strategic perspective is essential for CRM success. This study will adopt this view. Therefore, CRM is perceived as a strategy; in particular, a customer-centric managerial strategy. Hence, this study suggests that the establishment of a CRM ensures the organisation remains strategically focused. In addition, it also provides clear guidelines for customer service and other customer-related activities. For example, it provides guidelines on issues such as identifying valuable customers and determining appropriate relationship management activities (Verhoef and Donkers, 2001).

2.3 Small and Medium Sized Enterprises

Small and medium sized enterprises (SMEs) play a vital role in economic development and growth (Mclarty, 1999). In many countries, SMEs constitute the majority of enterprises and are the main source of employment (Lawrence and Hughes, 2000, Mclarty, 1999). For example, 95 percent of enterprises, and up to 70 percent of employment, are generated by SMEs in OECD economies (Organisation for Economic Co-operation and Development, 2000). In the UK, 99.9 percent of enterprises are SMEs, represent 58.5 percent of private sector employment and 51.3 percent of turnover (The Small Business Service, 2005). Moreover, 57 percent of economic output and 65 percent of employment is generated by SMEs, which comprise 99.7 percent of business establishments in Canada (Holt and Rupcic, 2004, Wyckoff et al., 2000). In New Zealand, 29.2 percent of employment and 37.3 percent of economic output is contributed by SMEs, which includes 96.3 percent of enterprises. (Ministry of Economic Development, 2005).

Apart from their economic significance, SMEs are also widely recognized as having significant social and cultural impact (Organisation for Economic Co-operation and Development, 2004, Schaper and Savery, 2004). Wyckoff and Colecchia (2000) argue that as SMEs usually serve specific market niches, they often reflect the more personal and distinctive social and cultural characteristics of the community than larger companies.

The strong impact SMEs have on a country's economy and its social character indicates that SMEs are an important segment that should not be disregarded (Organisation for Economic Co-operation and Development, 2000). As there is little research related to the implementation of CRM as a specific programme in SMEs, it is a necessary in investigate this issue. In the following section, the scope of SMEs, characteristics represented by SMEs are outlined, before the implementation of CRM in SMEs is examined further.

It is important to mention here that although small businesses are different from medium-sized businesses (Grinyer and Yasai-Ardekani, 1981), they often demonstrate common characters which distinguish them from large or multi-national enterprises. Therefore, small enterprises and medium-sized companies are usually collected into one group. This study follows the same rational. However, the notion of differences between small businesses and medium-sized companies will still be outlined later.

2.3.1 SMEs Defined

As noted above, research shows there is no unique definition of small to medium sized enterprises (SMEs) (Ahmed, Hassan and Taha, 2004, Simpson and Docherty, 2004,). The definition of SMEs varies in different countries (Gustafsson, Klefsjo, Berggren and Ulrika, 2001), with different criteria used to classify them in order to serve each country's political and economic purposes (Simpson, Tuck and Bellamy, 2004). The most common factors adopted to define SMEs include number of employees, invested capital, turnover and industry type (Ministry of Economic Development, 2005). Some definitions are based on more than one factor. For example, the European Union (EU) describes SMEs as companies with fewer than 250 employees and less than 40 million euro annual turnover (Ahmed et al., 2004, Salavou, Baltas and Lioukas, 2004).

However, it is important to note that some factors, such as turnover, are not widely used in research, as SMEs are not keen to reveal their sales-related information (Julian, 2003). Instead, number of employees is the most common factor chosen by academics and practitioners, such as Brouthers and Nakos (2005), Gelderman and Weele (2005), and Gilmore, Carson and Grant (2001). In addition to being the most popular criteria in many SMEs-related research, number of employees is also the major factor that OECD countries, including New Zealand, use for statistical purposes (Ministry of Economic Development, 2005). Furthermore, number of employees is also used by The European Commission as the basic factor to characterize SMEs (Simpson et al., 2004).

This study uses number of employees to characterize SMEs in New Zealand. This practice ensures the results of the study are compatible to other existing studies. Therefore, it reduces potential problems of comparing results at a later stage. As a result, in this study, SMEs refer to enterprises with 19 or fewer employees. In particular, a small business is one with no more than five employees. A company employing more than five, but fewer than 20 employees is a medium-sized enterprise (Ministry of Economic Development, 2005).

Based on number of employees, the scope of SMEs is still defined differently between countries. For example, Table 2.1 indicates that a SME is defined as an enterprise with fewer than 250 employees in the UK. In particular, small business has fewer than 50 employees, while medium-sized business has at least 50 but fewer than 250 employees. In Canada, an SME is defined as a company with fewer than 500 employees; a small company is one with fewer than 100 employees, and a medium company is one with 101-500 employees.

Although the scope (in terms of employees) of SMEs, as defined in New Zealand,is substantially smaller than those in other countries, the proportion of SMEs in these other countries' economy is comparable. This contention is supported by research which shows that SMEs in New Zealand are a similar proportion compared with other OECD countries (Ministry of Economic Development, 2005).

Definition of SMEs			
	Small Company	Medium-Sized Company	Large Company
New Zealand[1]	Fewer than 5 employees	6-19 employees	20 and over employees
United Kingdom[2]	Fewer than 50 employees	51-250 employees	More than 250 employees
Canada[3]	Fewer than 100 employees`	101-500 employees	More than 500 employee

1. Ministry of Economic Development, N. Z. (2005) SMEs in New Zealand: Structure and Dynamics - 2005.
2. The Small Business Service (2005) SME Statistics UK 2004.
3. Holt, D. and Rupcic, I. (2004) Canada needs more growth oriented small businesses.

Table 2.1 Definition of SMEs in Different Countries

However, the significant differences in size imply that SMEs might have different characteristics in different countries. Specifically, enterprises with fewer than 10 employees are defined as micro businesses in the UK (Chaudhry and Dave, 2003). Interestingly, by this definition, New Zealand SMEs would be labelled as small businesses in the UK, with the majority (92 percent) categorized as micro businesses (Ministry of Economic Development, 2005). This circumstance leads to the question of the applicability of the relevant research to the New Zealand context and, reinforces the value of this research.

2.3.2 SMEs Characteristics

As mentioned earlier, SMEs are defined differently among countries. However, there are unique characteristics commonly shared by SMEs internationally (MacGregor and Vrazalic, 2005, Organisation for Economic Co-operation and Development, 2004). In particular, lack of resources, owner/manager operation, flexibility and low-tech involvement are four characteristics commonly recognized as fundamental characteristics of SMEs (Carson, 1990, Iacovou, Benbasat and Dexter, 1995, Levy and Powell, 1998, Mclarty, 1999). These characteristics are closely associated with SMEs' relatively small size (Gurau, 2004, Kotey and Slade, 2005) and owner/manager operation (Atkinson and Curtis, 2004, Gilmore, Carson, O'Donnell and Cummins, 1999), and distinguish SMEs from large enterprises (Jennings and Beaver, 1997, Julien, 1993). These distinctive characteristics may also have an impact

on SMEs' implementation of CRM. In the following sections, detailed information of these four characteristics of SMEs is discussed further.

Lack of resources

SMEs have very limited resources, including human resources, finance, technology and knowledge (Gilmore et al., 1999, Iacovou et al., 1995, Knight, Madsen and Servais, 2004, Torres, 2002). SMEs have limited budgets and small numbers of employees, therefore, most of the employees are not specialized in a specific area of expertise and are required to perform multiple and varied tasks (Bland, 2004, Fuller, 1997, Vermond, 2004). In addition, the majority of SMEs lack of human resource planning and development knowledge (Mclarty, 1999, Torres, 2002). Hence, SMEs often have difficulty in recruiting or developing the necessary human resources and managerial know-how for further development (Atkinson and Curtis, 2004, Watson, 1995). Furthermore, the restricted availability of resources in SMEs often results in insufficiency of manpower and the technical expertise required for innovation adoption (Karkoviata, 2001). Therefore, SMEs are often conservative in adopting innovation and reluctant to invest in new technology (Cragg and King, 1993, Iacovou et al., 1995, Raymond, Bergeron and Rivard, 1998). This is considered a possible contribution to SMEs' low adoption rate of CRM so far, as it requires great amount of resources and investments.

Owner/Manager operation

Owner/manager operation is one of the most distinct characteristics shared by many SMEs (Carson, 1990). Most SMEs owners play a managerial role in the organization and are highly involved in the company's decision making processes (Alain and Alice, 1997, Carson, 1990, Torres, 2002). However, the literature indicates that while SMEs owners may have a comprehensive understanding of a specific industry, they usually lack managerial and marketing knowledge (Birley, 1982/1983, Gurau, 2004). Thus, it leads to potential problems. Firstly, research has shown that SMEs lack strategic planning (Dodge and Robbins, 1992, Fuller, 1997, Jennings and Beaver, 1997, Sexton and Van Auken, 1985). In contrast, SMEs' decisions are often made in a reactive manner, in response to current opportunities and problems (Stoner, 1983, Torres, 2002). Secondly, the manager's intuition plays an important role in decision making (Hills, 1985, MacGregor and Vrazalic, 2005). This argument is also supported by

researchers who comment that not many business decisions made by SMEs are truly informed (Barry, 1980, Zontanos and Anderson, 2004). As many SMEs apply strategies without the necessary skills or information, they often do not achieve their objectives (Mclarty, 1999). This implies that SMEs need assistance in strategy and future business development (Barry, 1980, Mclarty, 1999). In terms of applying CRM, the lack of strategic knowledge by the decision makers may result in difficulty in remaining strategically focused while implementing CRM.

LeBlanc, L. J., Nash, R., Gallagher, D., Gonda, K. and Kakizaki, F. (1997) A

Flexibility

Although SMEs are facing problems due to their relative small size, size also provides certain unique advantages. As most SMEs are informal in terms of organizational structure and process, SMEs can be more flexible and innovative than large or multi-nations enterprises (Gunasekaran, Forker and Kobu, 2000, LeBlanc, Nash, Gallagher, Gonda and Kakizaki, 1997, Levy and Powell, 1998, Narula, 2004). These are often translated into high degree of responsiveness in delivering customer service (Gilmore et al., 1999, Zontanos and Anderson, 2004). In addition, compared to larger organizations, smaller businesses are closer to customers and have more opportunities to interact with customers to find out what they want (Hardy, 1987, Vermond, 2004). This is a crucial factor in delivering a value-added service, which is widely recognized as a competitive advantage for smaller businesses in competition with large firms (Berry, 1987, Clow and Cole, 2004). As small firms often have a better understanding of local conditions, it assists the small company deliver added value through various marketing aspects, such as product, price, packaging, delivery, advertising, promoting and customer service (Gilmore et al., 1999). In respect of CRM implementation, the high degree of flexibility in business operation contradicts with CRM requirement of establishing an integrated, organized operational process. Hence, it may need to be adjusted accordingly.

Low-tech involvement

Research has shown that the majority of SMEs are involved in only basic technology, and have low level of information technology (IT) and computer sophistication (Kyobe, 2004, Mclarty, 1999, Raymond et al., 1998). This is mainly due to economic costs and lack of technical knowledge and resources (Corso, Martini, Paolucci and

Pellegrini, 2003, Cragg and King, 1993, Wyckoff et al., 2000). Low levels of computerization and automation in SMEs has limited their ability to realize the strategic benefits of the technology (Iacovou et al., 1995, Kyobe, 2004). In addition, it also contributes to the low internal integration in SMEs operational processes (Iacovou et al., 1995). The isolation of operational processes results in the fundamental problem faced by SMEs – the low integration of customer information into business operations, which is an essential element of the company's effort in serving customers (Karkoviata, 2001, Rao and Perry, 2004, Rettie, 2005). In most SMEs, however, vital customer information is often stored and handled separately (Karkoviata, 2001), and it prevents everyone in the company from accessing it directly (Karkoviata, 2001). Moreover, without the ability to share vital customer information, SMEs are prevented from creating a comprehensive view of customers (Becker, Dreiling, Holten and Ribbert, 2003). In terms of CRM implementation, the low technology involvement is another probable reason for SMEs' low adoption rate. As CRM implementation requires the involvement of technology, the shortage of necessary knowledge in mastering the computer technology may represent the critical issue that prevents small businesses from enjoying the benefits of CRM.

2.3.3 Differences between small and medium-sized enterprises

Although SMEs share the same characteristics described above, it is important to mention that there are still differences between small and medium-sized firms. Grinyer and Yasai-Ardekani (1981) argue that there is strong correlation between company size and its structure and strategy.

In terms of structure, small companies have more a centralized structure and are less unionized, compared to medium-sized businesses (Rodwell and Shadur, 1997). Small business owners also have more personal involvement in the business as the majority of small businesses are owner-manager operations (Liao, 1975). In addition, small businesses use less high tech processes, or information technology, compared to medium-sized businesses, due to their limited resources (Lawrence and Hughes, 2000, Rodwell and Shadur, 1997). It is important to note that these characters may be presented differently depending on the nature of the business. For example, Internet-based businesses are more likely to use a lot of technology regardless of company size.

Strategically, there are also differences between small companies and medium-sized businesses. Small businesses are more customer-oriented (Aranda, 2002) and have a stronger focus on quality (Rodwell and Shadur, 1997). Medium-sized businesses, on the other hand, adopt a more process-oriented strategy (Aranda, 2002) and devote more attention to the organizational structure because a bureaucratic system starts to develop as the company grows (Grinyer and Yasai-Ardekani, 1981).

2.4 Implementing CRM in SMEs

In the earlier section, the nature and characteristics of small to medium sized enterprises (SMEs) are outlined. These unique characteristics distinguish SMEs from large businesses and have an impact on Customer Relationship Management (CRM) implementation among SMEs. Research demonstrates that CRM is increasingly seen as vital by SMEs (Berry, 2003, Bland, 2004,). For most SMEs, customer service and customer relationships are major sources of competitive advantage (Chen, 1999, Voudouris, Lioukas, Makridakis and Spannos, 2000), and CRM improves SMEs' ability to perform these tasks (Christopher et al., 1991, Karkoviata, 2001). In the following, implementation of CRM among SMEs is discussed further. In particular, common problems of SMEs concerning customer service and benefits CRM can deliver related to these issues are outlined. Moreover, the adoption of CRM among SMEs so far, and reasons that stop SMEs from executing CRM are illustrated

Customer service, identified as the key to success by many small companies (Gilmore et al., 1999, Karkoviata, 2001), is an instrument SMEs commonly use to deliver added value to their customers, in order to improve customer satisfaction and obtain a competitive advantage (Clow and Cole, 2004, Gilmore et al., 1999, Martin, 1992, Vermond, 2004). Gilmore et al. (1999) note that SMEs are closer to their customers and have a better understanding of local knowledge. Therefore, it is easier for them to obtain valuable information, such as customer's preferences and their opinions about the company's product and service. In addition, SMEs are more flexible and innovative (Hultman and Shaw, 2003). Hence, it helps a company to be more responsive to customer needs; which, in turn, improves the company's ability to deliver better customer service.

A company's ability to deliver superior customer service is closely associated with its

capability to manage customer relationships (Hardy, 1987, Vermond, 2004). This can be explained by the connection between customer satisfaction and customer retention (Anderson et al., 1994, Nasir and Nasir, 2005). Moreover, because SMEs are more flexible in business practice (Hultman and Shaw, 2003) and more connected to clients on a day-to-day basis, SMEs are better at developing personal contact with their customers (Hardy, 1987, Vermond, 2004). Therefore, the closed and interactive relationship between SMEs and their customers help SMEs to determine what is right for customers more easily (Gilmore et al., 1999) and allows companies to improve their customer services.

However, as mentioned earlier, SMEs' company structure and business operation are less formal than for large companies (Gilmore et al., 1999) and customer information is often scattered within the company. For example, customer information related to the marketing issues might not be integrated with customer information stored within the product department. Therefore, customer information is likely isolated and incomplete. This has negative impacts on SMEs' ability to perform customer service and customer relationship tasks. CRM, on the other hand, provides a solution to this situation. Karkoviata (2001) argues that CRM helps small companies to improve their ability to combine, integrate, and process customer information. It not only assists companies to be more responsive to customer's needs (Karkoviata, 2001, Vermond, 2004), but also comprehensive customer knowledge provides an opportunity for SMEs to manage customer relationships effectively (Christopher et al., 1991) and turn satisfaction into loyalty.

In recent years, in addition to academic research, statistical information also reveals the appreciation of CRM by SMEs. Research indicates that SMEs represent a big market growth opportunity for CRM providers in many countries (Karkoviata, 2001, Vermond, 2004). In 2003, CRM market size in the SME sector was around US$300 billion (Vermond, 2004). Furthermore, 20 percent of SMEs in Canada have invested in CRM solutions. These are mainly the financial services, communication and high tech manufacturing industries (Vermond, 2004).

It is interesting to note that although SMEs are adopting the CRM concept, the adoption has not occurred among all industries. Bland (2004) and Vermond (2004)

argue that SMEs are reluctant to adopt CRM due to the following reasons: (1) The implementation process is time-consuming, and may tie up key employees; (2) Financial shortage for capital investment; (3) Employees already multi-task and are overworked. They simply do not have extra time for it; (4) A shortage of adequate IT resources; (5) The adoption of CRM technology needs to be strategically planned and some small businesses struggle with it.

2.5 Culture

Cultural influence has been frequently discussed in the literature. According to Hofstede (1984), culture has an impact on *"… an individual's mental programming, which control activities, motivation and values"*. This argument is supported by the literature which indicates that consumer behaviour varies in different cultural contexts (Crotts and Erdmann, 2000, Liu and McClure, 2001). In addition to its impact on behaviour, research also reveals that culture has a significant influence on various business practices (Adler, 1991; Hall, 1990; Hofstede, 1984; Usunier, 1993).

Xing (1995) defines culture as "*a shared pattern of being, thinking and behaving; something leaned from childhood through socialization; something deeply rooted in tradition that permeates all aspects of any given society*". Hence, each culture has it own distinct characters which differentiate itself from other cultures. Hofstede (1991) initially identified four elements which contribute to the difference between cultures. The four elements of culture are: (1) power distance between superiors and subordinates; (2) masculinity and femininity societies; (3) uncertainty avoidance societies; and (4) individualism and collectivism.

In the consumer behaviour research, culture is one of the main focuses and it has been recognized that culture is one of the fundamental factors in the development of consumer behaviour patterns (Luo, 1997b). As the essence of CRM is to develop long-term relationships with customers (Payne and Frow, 2004), it involves personal interaction between sellers and buyers. Therefore, it is important to examine the influence of culture in the process of relationship construction (Gilbert and Tsao, 2000). In the following, the impact of Chinese culture on consumer behaviour and business practice is discussed.

2.5.1 Cultural Influence on Consumer Behaviour

In this study, the Chinese culture is chosen to examine the cultural influence on CRM implementation. This is due to the consideration that Chinese culture has a strong relational orientation (Bond and Hwang, 1986, Hung, 2004, Gilbert and Tsao, 2000). For instance, research indicates that relationships are critical issues when involved in business transactions in places like Taiwan, Hong Kong and China, where human interaction is extensively stressed (Leung, Wong and Wong, 1996, Sander and Carroll, 1991). In addition, researchers have also pointed out that the Chinese have a distinctive perspective on customer service standards (Ellis, Williams and Zuo, 2003).

Research has been conducted to examine the validity and relevance of various models of decision making and satisfaction in the Chinese context (Briley, Morris and Simonson, 2000, Spreng and Chiou, 2002). In general, countries such as Taiwan, China, Hong Kong, Singapore and Macau are located in what may be considered the Chinese cultural territory (Gilbert and Tsao, 2000). These countries share clear Chinese values driven by Confucianism (King, 1996, Yau, 1988) and have similar patterns of cultural characteristics, including power distance, collectivism and femininity (Hofstede, 1984, Hofstede, 1993). They have often been defined as 'Chinese Commonwealth" countries (Luo, 1997a, Kao, 1993).

In the traditional Chinese culture, networking, often referred to as "*guanxi*", and interpreted as "*special relationship/connections*" (Leung et al., 1996), has been greatly emphasized in interpersonal relationships (Gilbert and Tsao, 2000, Hung, 2004). Accordingly to Luk et al (1996), the cultural components, which form the foundation of the sophisticated concept of guanxi, have strong influence on people from the traditional Chinese culture. In particular, these components are:

   (1) Group orientation: associations and close personal relationships;

   (2) Renging: social obligations to repay favours;

   (3) Ganging (friendships): the close bond between two parties which involves both monetary and non-monetary relationships. It often means sharing fortunes and facing failures together;

   (4) Face: it is a symbol of superior social status and prestige. It allows the ease of access to valuable resources and important people.

The Chinese tend to live in a highly relationship-driven context. They appear to be closely connected in a complex social network, one that has a great influence on their daily activities. Hence, word of mouth and referrals from peers in the same network are influential in their decision making process (Merrilees and Millerb, 1999). This argument is supported by a study which reveals that in the Chinese culture, people are close to each other, and information is exchanged frequently (Leung, Wong and Tam, 1995). In addition, research also shows that, compared to country such as Australia, the elements of relationship marketing are more highly developed and widely practiced in China (Merrilees and Millerb, 1999). Moreover, Parnell (2005) states that the highly sophisticated networking system is the central element of all business interaction in China (Parnell, 2005). Furthermore, the significance of interpersonal relationship in doing business is also demonstrated in other countries such as Hong Kong (Lee and Dawes, 2005) and Taiwan (Gilbert and Tsao, 2000).

2.5.2 Cultural Influence on Business Practice

Chinese cultural values have strong impact on Chinese managerial practice (Wah, 2001). In particular, guanxi plays a key role in social interaction (Gilbert and Tsao, 2000, Parnell, 2005), which in turn has an impact on business practice (Hung, 2004). This notion is support by the recognition that maintaining personal relationships is a fundamental function in Chinese society (Yua, Lee, Chow, Sin and Tse, 2000). In addition, Luo and Chen (1997) also emphasize the importance of guanxi to business survival by establishing the close association between guanxi and company performance.

Interpreted as "*special relationship/connections*" (Leung et al., 1996), Guanxi plays an influential role in determining business conduct in the Chinese context (Gilbert and Tsao, 2000, Luo, 1997b). According to Alston (1989), "*Guanxi is a major dynamic in Chinese society and refers to the special relationships two persons have with each other. It is friendship with overtones of unlimited exchange of favors, which tends to favor the weaker member*".

According to Leung and Wong (2001), the importance of guanxi to business is due to its impact on reducing perceived uncertainty. As Chinese society, compared to the Western culture, presents a higher level of uncertainty avoidance (Hofstede, 1991), the

presence of guanxi facilitates the establishment of trust which reduces levels of perceived risk associated with the business environment. Therefore, to the Chinese, trustworthiness is important while doing business (Osland, 1989)

2.6 Development of the Research Problem

During the last decade, customer service has been recognized as one of the most important issues in business practice (Morash, 2001, Stefanou et al., 2003). Customer relationship management (CRM) has been extensively endorsed as a marketing tool that can assist organizations in managing customers effectively (Chen and Popvich, 2003). However, the results of CRM projects so far have been disappointing, and the high failure rate of CRM projects has led to questions. Numerous studies have been conducted and factors have been identified that appear to be critical to CRM's success. As the majority of CRM implementation research focuses on large enterprises, it is important to examine the relevance of these factors in the SME context. In addition, research has shown that culture has a significant influence on the construction of relationship processes between parties (Hofstede, 1984). Therefore, it is important to include cultural factors in this research.

In consideration of the above, it is clear that the CRM-SME question presents a research opportunity that is worth exploring further. Specifically, this study aims to investigate the way CRM is implemented by small businesses with a strong influence from Chinese culture. To illustrate this focus, the general research question for this project is:

What are the critical factors in implementing CRM in Chinese-owned SMEs?

In answering this question, important issues involved in the process of applying CRM will be revealed. In particular, this research will hopefully provide insight into CRM implementation in the context of SMEs that will offer guidelines for future implementation and that will increase the success of CRM. In addition, as research shows, consumer behaviour and business practice varies within different cultural contexts. This project aims to verify the cultural impact of implementing CRM in SMEs.

2.7 Chapter Summary

In this chapter, discussion in the literature regarding two key concepts of this study – Customer Relationship Management (CRM) and small and medium sized enterprises (SMEs) were reviewed. In addition, the implementation of CRM among SMEs, and the impact of Chinese culture were also examined. Based on these discussions, the research question was evolved.

First, various perspectives on the CRM concept were outlined and discussed. The development of CRM is closely related to the evolution of Relationship Marketing and the recognition of the critical value of customer service in business practice. CRM has been promoted as a solution that enables organizations to deliver better customer services and to manage relationships with the customer effectively. This, in turn, has a positive impact on the company's profit. In addition, this research argues that CRM should be perceived as a managerial issue. In the early stages of development, CRM was often perceived as a technical solution or computer software. However, more and more people have now agreed that CRM is not just a software program; rather it is a management approach. In this research, CRM is perceived as a customer-centric business strategy that aims to establish long-term relationships with profitable customers by utilizing comprehensive customer knowledge.

Secondly, the nature of SMEs was illustrated. SMEs play a vital role in economic development and growth in many countries. They have distinctive characteristics, including lack of resources, owner/manager operation, flexible company structure and a low degree of technology involvement. In addition, customer service in SMEs is one of the main sources of competitive advantage.

Moreover, connections between CRM and SMEs were also discussed. Although the adoption of CRM is rather slow among the SMEs sector so far, more and more small businesses have started to consider adopting CRM, and SMEs represent a big market growth potential in the future. By implementing CRM, SMEs maybe able to deliver better customer service and retain their competitive advantage.

The importance of culture was also discussed in this chapter. In particular, Chinese culture was a focus as it emphasizes the importance of personal relationships, which is

a key factor in the CRM concept. In addition, as guanxi is fundamental in Chinese culture, its impact on business practice was also discussed. Finally, a research question was presented to define the focus and scope of this project.

In the following chapter, the conceptual framework is developed to examine the research question identified earlier in the chapter. In addition, key concepts that constitute the research model are also presented

Chapter Three: Research Model

3.1 Overview

The literature review presented in Chapter 2 identified the key concepts of this study. In this chapter, the conceptual model of this research is outlined. Detailed discussion regarding the issue of Customer Relationship Management (CRM) in the previous chapter reveals that the majority of existing research was conducted within the large or multi-national enterprises context. This justifies the necessity of examining CRM in different contexts. In addition, chapter 2 also outlines the significant benefits CRM contributes to the small and medium sized enterprises (SMEs) sector. In consideration of the above, this study examines the implementation of CRM in the SMEs context. Derived from the research question outlined in the previous chapter, this chapter illustrates the central focus of this study. It starts with establishing the conceptual model that tackles the research problem. Based on previous research, three factors - organization, strategy and culture – are identified as influential to the success of CRM implementation. Hence, these factors constitute the three major parts of the model. Details of these factors and their connections with CRM implementation are presented.

3.2 Research Model

The huge growth potential and the high failure rate of Customer Relationship Management (CRM) have led to research interest in how to improve CRM performance. During recent years, many studies have examined the implementation process (Rigby et al., 2002, Starkey and Woodcock, 2002, Wall et al., 2004) and attempted to identify the main factors for its success (Johnson, 2004, Kotorov, 2003, Plakoyiannaki and Tzokas, 2002). For example, Chen and Popvich (2003) argue that managing successful CRM implementation requires an integrated and balanced approach to technology, processes and people. Woodcock and Starkey (2001) encourage managers to have a comprehensive understanding of what CRM is, and what CRM can do for the company, in order to develop an appropriate strategy for its implementation. Kotorov (2003) also recognized CRM as a business strategy, not just a computer solution. Rigby and Ledingham (2004) argue that in addition to being strategically focused, sufficient leadership and organizational adjustment facilitate the coordination among departments which, in turn, impact the returns from the investment in CRM. A summary of issues identified as important to a successful

implementation of CRM in the literature are outlined as follows (Table 3.1).

Authors	Key Points of CRM Implementation
Abbott, J. et al (2001)	• Data Quality • Technological support
Brendler, W. & Loyle D. (2001)	• Clear vision • System evaluation • Executive management support/commitment • Skill
Chen, I. J. & Popvich, K. (2003).	• Human resource • System integration • Technology readiness
Croteau, A.-M. C. & Li, P. (2003).	• Technological readiness • Senior management commitment • Knowledge management capability
Dibb S.& Meadows M. (2004)	• Organizational structure • Recruitment • Training
Johnson, J. (2004)	• Customer strategy • Integrated business model
Kotorov, R. (2003).	• Strategic focus • Cross-functional integration • Senior management commitment
Plakoyiannaki, E & Tzokas, N. (2002)	• Learning and market orientation • Integration • Analytical capabilities • Operational capabilities • Direction capabilities
Rigby, D. & Ledingham, D. (2004)	• Strategic Focus/Strategic Planning • Leadership • Process/Organizational Change • Coordination
Starkey, M & Woodcock, N. (2002)	• Senior Executive Ownership/Leadership • Functional and departmental isolation • Customer-centric culture • Training / Review system • Establishment of appropriate business model
Woodcock, N. & Starkey, M (2001)	• Clear understanding of the project • Executive management commitment • Strategic Planning • Relevant skill – Management / Staff • System integration

**Table 3.1 Summary of CRM Research Literature**

Based on previous research, three factors - organization, strategy and culture – are identified as influential to the success of CRM implementation. First, CRM is an organization-wide project as it requires the cooperation from various functions within a company (Chen and Popvich, 2003, Payne and Frow, 2004). Hence, organizational issues such as the degree of organizational integration, the level of executive commitment, the readiness of systems and the availability of the resources needed are important to the result of CRM implementation. In addition to organizational structure, the strategic focus also has a strong impact on CRM implementation (Kotorov, 2003, Rigby and Ledingham, 2004). In particular, CRM is perceived as a business strategy that aims to improve company performance by effectively managing its relationships with valuable customers. Therefore, it is important that a company maintains a strategic focus that is aligned with the nature of CRM. Hence, strategic issues such as company vision, implementation planning and customer-centric culture should not be ignored. Furthermore, CRM is about managing relationships with customers. Customer's behaviour and preferences are essential issues a company needs to understand in order to decide how to deal with its customers. And culture is a fundamental element that influences the behaviour pattern and preferences of a particular person. Therefore, cultural issues, such as networking and human interaction are also important.

Based on the factors discussed above, the research model is developed to illustrate the relationships between these issues and CRM implementation (Figure 3.1). From this model, it reveals that three factors, i.e. organization, strategy and culture, are identified in this research as having direct impact on CRM implementation. In particular, organizational issues include organization integration, executive commitment, system readiness and resource availability. Moreover, vision, planning and customer-centric culture are strategic issues identified in this research. Furthermore, networking and human interaction are cultural issues included in the model. Details of these factors and their connections with CRM implementation are discussed.

3.3 CRM Implementation Factors

As illustrated in the research model (Figure 3.1), nine issues have been identified in this study as influential elements for the Customer Relationship Management (CRM)

implementation process. They are grouped into organizational, strategic or cultural perspectives, accordingly. In the following sections, details of these issues are discussed further.
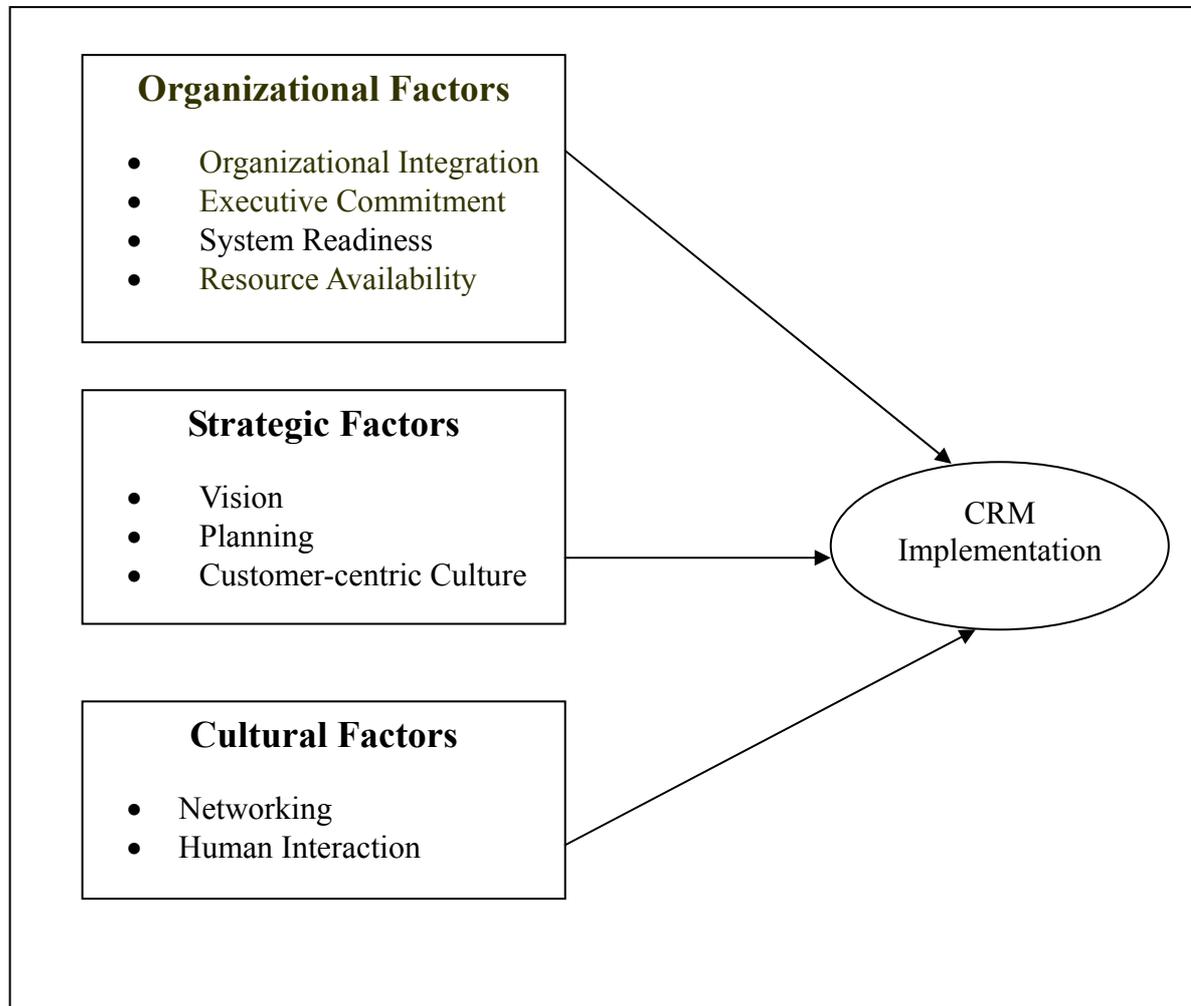
Figure 3.1 Research Model - CRM Implementation

3.3.1 Organizational Factors

Many organizational issues have been frequently mentioned in the CRM literature and are considered as the most critical for CRM implementation. For example, Alonson (2002) argues that CRM is a company-wide project, and organizational features such as the company's structure and business operational procedures are key issues to achieving CRM success. This comment is supported by other studies, which argue that CRM involves not only the cooperation of various departments within the company (Alonso, 2002, Kotorov, 2003, Nancarrow et al., 2003) but also the employment of a series of resources (Croteau and Li, 2003). Therefore, an appropriate organizational structure that supports the cooperation of different functions within the

company is crucial to achieving these tasks. Hence, organizational factors are identified as essential to include in this study. Specifically, the level of integration within the organization, commitment of senior management towards the project, readiness of appropriate systems and the availability of various resources are organizational issues that have significant impact on the CRM implementation process. Each organizational element is discussed as follows:

a. Organizational Integration

Organizational integration has been identified as one of the most essential factors in CRM implementation (Chen and Popvich, 2003, Fisher, 2002, Kotorov, 2003, Payne and Frow, 2004). It refers to the establishment of an interconnected system that allows close cooperation between various business functions within an organization (Alonso, 2002). From production, marketing and sales, to technical support, all parties need to work closely together (Alonso, 2002).

The importance of organizational integration is closely related to the crucial role customer information plays in CRM. According to Karkoviato (2001), customer information is often isolated in different departments and not shared. The integration of all processes within an organization enables it to collect and manage customer information from different areas more effectively (Bharadwaj, 2000, Bradshaw and Brash, 2001). This facilitates efforts intended to gain comprehensive customer knowledge (Battista and Verhun, 2000, Nancarrow et al., 2003). Comprehensive customer knowledge, recognized as one of the key assets of an organization (Gebert, Geib, Kolbe and Brenner, 2003, Rowley, 2002), enables it to successfully identify, deliver and manage customer relationships (Croteau and Li, 2003, Foss, 2002, Johnson, 2004, Woodcock and Starkey, 2001). In addition, it also facilitates the delivery of the right products or services based on the company's understanding of its target customers (Blosch, 2000, Gordon, Kaminski, Calantone and di Benedetto, 1993).

In addition to integration among the various business functions, multi-channel integration is another important aspect of organizational integration in CRM implementation (Kinikin, 2000, Payne and Frow, 2004). Due to advances in information technology, the organization needs to communicate with customers

through various channels based on its customers' preferences (Gordon et al., 1993). Superior integration among channels not only ensures all channels deliver consistent information (Bharadwaj, 2000), it also enables delivery of consistent service (Payne and Frow, 2004).

In the small and medium sized enterprises (SMEs) context, the issue of organizational integration represents a big challenge, as its practice may be significantly different from that of large organizations (Gunasekaran et al., 2000, LeBlanc et al., 1997). Considering the small size of the company and limited resources available, SMEs tend to have a flexible company structure and business operation model (Levy and Powell, 1998, Narula, 2004). The lack of procedure means staff usually act spontaneously to accomplish their tasks and provide customer service (Gilmore et al., 1999, Zontanos and Anderson, 2004). In addition, it also implies that a clearly-defined procedure for exchanging customer information within the company is not common among small businesses. However, the small company size makes the interaction and communication between staff easier (Levy and Powell, 1998). Therefore, staff can easily access information when it is required and the information flow between staff may be more efficient. Therefore, the existence of a formal integration procedure is not necessarily applicable or relevant in the SME context. Instead, business operations may be highly integrated in different formats among SMEs.

b. Executive Commitment

Although organizational integration is an important issue to CRM implementation, the commitment of senior management also has a strong influence on its performance (Rigby and Ledingham, 2004). This argument is supported by the literature, which has frequently identified leadership as one of the more important factors that determine the success of CRM implementation (Brendler and Loyle, 2001, Rigby and Ledingham, 2004, Starkey and Woodcock, 2002, Woodcock and Starkey, 2001). In this study, executive commitment refers to the involvement and support that SMEs owners or managers give to the CRM project

Management involvement can have many positive results for a CRM project. First, managers' involvement means they have better control of the implementation to ensures the project is executed as planned (Rigby and Ledingham, 2004).

Management's active participation in the project also plays an influential role in the process of recruiting the necessary resources for the project (Rigby and Ledingham, 2004). Furthermore, management involvement is a good endorsement of the project as it delivers the message of strong support from the company (Croteau and Li, 2003).

The degree of support management shows to the CRM project also benefits its implementation process. Top management support has been closely associated with a company's innovative adoption behaviour (Croteau and Li, 2003, Kimberly and Evanisko, 1981). The support from the executive level of the organization delivers the message of commitment throughout the company. This commitment translates into motivation for employees, who devote their energies to the project (Alonso, 2002, Dibb, 2001, Selland, 2004, Woodcock and Starkey, 2001). In addition, it can also reduce the attitude of resistance to change in the organization (Kotter, 1995, Rai and Bajwa, 1997) and speed up the recognition of the CRM project within the organization.

In the SME context, the issue of executive commitment is affected by the nature of owner/manager operation (Gilmore et al., 2001). In most SMEs, owners are likely to be the main decision makers and the issue of executive commitment, therefore, often refers to the attitude and commitment of the owner towards CRM. Hence, owner's participation and support in applying CRM plays an important role in SME's CRM performance. A highly committed small business owner ensures the allocation of company resources and the cooperation of employees in improving the company's ability to manage its relationship with its customers.

c. System Readiness

In addition to a high degree of integration within the organisation and support from senior management, the issue of system readiness is another organizational issue that is relevant to CRM implementation (Alonso, 2002, Kotorov, 2003). In particular, the establishment of appropriate operational processes and the development of a proper reward structure are two indicators of whether an organization has a suitable system in place before applying CRM project (Crosby and Johnson, 2001, Rigby and Ledingham, 2004).

Rigby and Ledingham (2004) argue that having an appropriate organizational structure that supports the execution of the project is important. Therefore, business processes need to be examined and the necessary organizational and process changes need to be carefully planned and executed (Rigby and Ledingham, 2004) to ensure the system serves in assisting CRM implementation (Alonso, 2002, Kotorov, 2003).

In respect to reward structure, CRM is a project that requires significant time and resources to implement (Alonso, 2002, Iacovou et al., 1995). Hence, it is very important to have a proper performance measurement system and reward structure to motivate employees into giving continuous effort to the project (Crosby and Johnson, 2001, Rigby and Ledingham, 2004). For example, an organization can measure employee performance not just on market share or customer growth, but also on customer retention and profitability (Sheth and Sisodia, 2001). Cross-sales can also be used as an indicator of improvement in customer value (Johnson, 2004).

In the SMEs context, the issue of system readiness represents a big challenge due to the flexible structure and deficiency of resources (Mclarty, 1999, Vermond, 2004). First, SMEs may not have sufficient resources to establish a clearly-structured operational process. However, the high degree of flexibility inherent in SMEs' business structures overcomes this disadvantage. In particular, as SMEs are very customer-oriented, flexible operations allow employees to interact with their customers in the way they prefer, or the way they think is most appropriate. Therefore, the issue of business operational processes in SMEs should not be measured by the availability of a clearly-defined process that is highly customer-oriented. Instead, it should be assessed by whether SMEs have flexible operational processes that allow staff to adjust their actions according to a customer's preference. In respect to reward structure, the flexible company structure means it is likely that SMEs do not have performance measurement systems, and may not be able to use these performance results to reward their staff accordingly.

d. Resource Availability

Finally, the availability of necessary resources is another organizational issue that should not be overlooked in CRM implementation (Chen and Popvich, 2003, Croteau and Li, 2003). Resource availability refers to the accessibility of the resources needed

for implementation (Compton, 2005b). In this study, it includes not only financial resources but also the relevant technical knowledge and human resources.

According to Compton (2004), Customer Relationship Management is a complex concept that requires not only integration among functions within the organization but also the investment of large amounts of resources. Hence, for a successful implementation, it is important to ensure the availability of various resources when they are required. According to the literature, three types of resources – human resources, technology and financial resources are particularly important in the CRM implementation process (Abbott, Stone and Buttle, 2001, Brendler and Loyle, 2001, Dibb, 2001). First, human resources refers to the skills of the executive management and employees (Dibb, 2001, Dibb and Meadows, 2004, Woodcock and Starkey, 2001). It includes staff's ability in relation to customer service and customer management, and also manager's skill in installing the CRM concept into the company. In addition, if training is required, management needs to ensure the necessary resources, such as trainers and relevant facilities, are available (Compton, 2005b). Secondly, relevant technology, such as databases and data mining instruments are relevant (Abbott et al., 2001, Alonso, 2002, Dibb, 2001, Foss, 2002, Hirschowitz, 2001). Comprehensive customer knowledge is fundamental for CRM success. Therefore, it is important that organizations have the necessary technologies to produce and deliver information effectively. Lastly, financial resources also have an strong impact on CRM success (Brendler and Loyle, 2001, Croteau and Li, 2003). As a CRM project may involve system-wide transformation, sufficient financial resources will help ensure the organization acquires all the necessary human resources and technology.

In the SMEs context, the issue of resource availability represents a big challenge, due to shortages of resources (Gilmore et al., 2001, Iacovou et al., 1995). Therefore, it is expected that the relevant technology and financial resources are not easy to access in SMEs. However, this problem does not include human resources, such as employee's knowledge and ability to perform excellent service and manage relationships with customers. This is due to SMEs high levels of customer orientation; the ability to perform good customer service is a skill expected of SME employees.

To this point, attention has focused mainly on the organizational perspective in the

CRM implementation process. Although it is important, the literature suggests that strategic perspective of CRM implementation should not be overlooked. In the following section, the strategic perspective relating to CRM implementation is discussed in detail.

3.3.2 Strategic Factors

In addition to organizational factors, strategic issues also have significant influence on the CRM implementation process (Kotorov, 2003, Rigby and Ledingham, 2004). For example, a clear vision of what CRM can achieve and how it can improve the company's long term performance are issues to be considered. This argument is supported by Kotter (1995) and Moore (2005) who reveal that project implementation requires not only an appropriate organizational structure, but also an overall strategic focus, which has an impact on the result of project implementation (Kotter, 1995, Moore, 2005). This is applicable to CRM implementation. To become a CRM-driven organization, fundamental changes in the organization's philosophy are necessary in order to instill a customer-centric corporate culture (Kotorov, 2003). It is important that the company looks at the CRM issue from the strategic perspective in order to achieve this. In particular, a clear understanding and vision of CRM, detailed planning on implementation, and a strong customer-centric culture within the organisation, are strategic issues identified in the literature. These are discussed further as follows:

a. Vision

Clear vision refers to the conceptualization of the project and the establishment of the relevance of the project in the existing organizational context (Brendler and Loyle, 2001). Formal CRM is a very complex project that requires significant investment of time and money (Rigby and Ledingham, 2004). Thus, it is important to have a clear understanding of what CRM is and what can be achieved before the company starts the CRM project (Alonso, 2002, Brendler and Loyle, 2001, Plakoyiannaki and Tzokas, 2002, Woodcock and Starkey, 2001). This is crucial, as the comprehensive recognition of what CRM really is assists the company in identifying the strategic benefits CRM can offer (Kotorov, 2003, Kotter, 1995). Although CRM is relevant in the entire customer relationship cycle, (i.e. from initial contact, purchase experience, after-sales service to potential future sales), it is important to maintain focus and apply effort only to the areas that are vital to the company's competitiveness (Feinberg et al., 2002,

Rigby and Ledingham, 2004). This allows the company to focus on critical customer relationships issues and problems (Rigby and Ledingham, 2004), develop pragmatic objectives (Woodcock and Starkey, 2001) and establish sensible strategies on how to achieve them (Kotorov, 2003).

In the SMEs context, the issue of vision is as important as in large or multi-national companies (Salavou et al., 2004). It suggests that SMEs should have a comprehensive view of the CRM concept, and decide on the degree of its relevance to their organizations. In addition, the focus of CRM efforts in the company should also be clearly defined. However, the flexible organizational structure means this information may not be well documented.

b. Planning

After obtaining a clear vision of what CRM can contribute to the company, it is then important to carefully plan the execution of the project. Planning refers to the establishment of specific execution protocols and the arrangement of the necessary resources for the project (Rigby and Ledingham, 2004). CRM is a long-term, complex process which requires cooperation among different functions within an organization (Kotorov, 2003) as well as a large amount of time and resources (Alonso, 2002, Woodcock and Starkey, 2001). A well-designed plan and adequate budgeting, followed by a customer-centric business strategy, ensures the strategic focus and smooth implementation of CRM projects during all stages (Rigby and Ledingham, 2004). In addition, it is important to adopt a multistage planning approach (Compton, 2005b). As CRM is a long-term project, having short-term targets in every stage reduces the risks of losing momentum and motivates employees for continuous involvement (Kotter, 1995).

In the SMEs context, as they tend to have a less formal business operational approach, the issue of establishing an implementation plan for CRM is considered a big challenge (Narula, 2004). Specifically, SMEs may plan to apply CRM, but the availability of a well-documented execution plan may not be common. Hence, it is likely that evidence of CRM planning among SMEs rarely exists.

c. Customer-centric culture

In addition to a clear understanding of, and vision for, CRM and detailed planning for its implementation, a strong customer-centric culture within the organisation is another strategic issue that must be considered (Zablah et al., 2004). According to Fisher (2002), effective CRM requires a customer-centric philosophy and culture. By effectively managing company-wide resources, CRM aims to achieve satisfactory customer service, thus clearly delivering a strong message of a customer-centric focus (Kim et al., 2003, Plakoyiannaki and Tzokas, 2002). This argument is also supported by Xue and Harker (2002), who describe CRM as "a customer-centric strategy". By acknowledging the importance of customer in the company, the implementation of CRM assists the company in becoming customer-focused, and to establish the idea that the customer plays an important role in the company's operation.

In recent years, the issue of customer-centricity has been extensively discussed, and many companies have been focusing on establishing customer-centric organizations (Arnold, Birkinshaw and Toulan, 2001, Kim et al., 2003). To accomplish this, a company needs to be market oriented. In addition, the focus on the customer is at the organizational level, not just limited to the sales level (Chen and Popvich, 2003, Leigh and Marshall, 2001). In other words, based on customer knowledge, the company designs its business processes, develops a marketing and sales strategy, delivers products and services to customers, and also establishes proper job descriptions and reward systems for its employees (Chen and Popvich, 2003, Gurau, Ranchhod and Hackney, 2003, Leigh and Marshall, 2001).

In the SMEs context, the issue of customer-centric culture is expected to be highly relevant. As mentioned in the earlier chapter, SMEs are, in general, highly customer-oriented (Gilmore et al., 1999, Zontanos and Anderson, 2004). Hence, it is not surprising to find that the customer-centric corporate culture is well-established among most SMEs. In particular, a company's operational process, its product/service design and its marketing strategy are strongly affected by its customer focus (Gilmore et al., 1999).

In addition to the organizational and strategic issues discussed above, culture is another influence identified as having a significant impact on CRM implementation

and, therefore, is included in this study. In the following sections, cultural factors related to CRM implementation are discussed further.

3.3.3 Cultural Factors

Cultural influence has been frequently discussed in literature. Research indicates that culture has a significant influence on not only consumer behaviour (Crotts and Erdmann, 2000, Liu and McClure, 2001), but also on business practices (Adler, 1991; Hall, 1990; Hofstede, 1984; Usunier, 1993). In this study, the Chinese culture is chosen to examine the impact of cultural factors on CRM implementation. This is due to the consideration that Chinese culture has a strong relational orientation (Bond and Hwang, 1986, Hung, 2004), and also comprises a distinctive perspective on customer service standards (Ellis et al., 2003). In traditional Chinese culture, human interaction and networking, often referred to as "*guanxi*", and interpreted as "*special relationship/connections*" (Leung et al., 1996), are two factors that have been greatly emphasized in interpersonal relationships (Hung, 2004, Gilbert and Tsao, 2000). As the fundamental philosophy of CRM is about relationships with customers (Payne and Frow, 2004), it is important to examine the significance of human interaction and networking effects on CRM implementation.

a. Networking

In recent years, the relationship is widely recognized as an important type of "*social capital*" (McGrath and Sparks, 2005). Networking has been perceived as one of the most important factors in business practice, especially in the building of buyer and seller relationships (Gilbert and Tsao, 2000). The importance of networking is even greater among SMEs, as it is recognized as part of their normal business tasks, as is marketing (Gilmore et al., 2001).

In Chinese business practice, the concept of networking, commonly known as g*uanxi* or k*uan-hsi,* is recognized as the key to success (Hsieh and Liu, 1992, Sander and Carroll, 1991). Guanxi is interpreted a s "*special relationship/connections*" and requires very personal interactions with others (Leung et al., 1996). It is based on mutual interests and benefits between two persons (Yang, 1994) and involves mutual obligations (Gilbert and Tsao, 2000, Wong, 1998). According to Ichiro Numazaki (1987), guanxi is based on "*personal trust*" (Kao, 1991). The trust between two

parties has a crucial effect on whether the relationship continues as it reduces the fear of uncertainty (Hsieh and Liu, 1992) and increases confidence (Lee and Dawes, 2005).

The concept of guanxi has been widely adopted by Chinese businesses (Buttery and Leung, 1998, Hsieh and Liu, 1992) for a long time and is perceived as essential for business survival (Redding, 1995). According to Sheng (1979), Chinese businesses conducted their business with a strong influence on the "moralistic notion of friendship". This friendship exists not only while establishing a business relationship, it also plays an important role in solving problems in different business processes, ranging from negotiation, production, channel management to government approval or resource acquisition (Hsieh and Liu, 1992, Lee and Dawes, 2005, Luo, 1997b). Tsang (1998) even describes guanxi as "the informal connections so essential to gaining approval for or access to just about everything".

In the SMEs context, the practice of networking is commonly expected. As noted earlier, networking is an important part of small businesses normal business tasks. Therefore, it is not unusual for SMEs to apply networking techniques frequently in order to establish and maintain good relationships with their customers.

b. Human Interaction

In addition to networking, face-to-face human interaction is another cultural factor considered as important and should not be overlooked in this study. The human dimension is an indispensable element in any business (McGarry, 1995, Torcy, 2002). Tordoir (1998) has noted that interpersonal interaction plays an important part in the service delivery process and often is the key determinant of the end result. Moreover, it has also been shown that personal interaction is important in maintaining relationships with customers (Frankwick, Porter and Crosby, 2001, McGarry, 1995).

Human interaction plays an important role in the process of building trust between parties (Drucker, 1981, Unger, 1984). Through these interactions, two people observe each others' behaviour in different situations, and use this information to understand and foresee the person's future behaviour with confidence which, in turn, establishes trust (Lee and Dawes, 2005).

Traditional Chinese culture emphasizes the importance of human interaction (Gilbert and Tsao, 2000, Sander and Carroll, 1991). Compared to Western culture, the degree of dependence on human interaction in the relationship building process is greater in Chinese culture (Hsieh and Liu, 1992). As the presence of human interaction provides some degree of assurance (Hsieh and Liu, 1992) and trust (Lee and Dawes, 2005), the personal relationship plays an important role in relationship marketing.

In the SMEs context, human interaction is expected to be highly relevant in the CRM implementation process. In contrast to large companies, small businesses are closer to their customers, and use more personal services when dealing with customers (Hardy, 1987, Vermond, 2004). Therefore, it is not surprising that there are close and frequent interactions between staff and customers.

3.4 Definition of Key Concepts and Related Terms

This study has proposed a research model which aims illustrate issues involved in the CRM implementation. In particular, a number of organizational, strategic, and cultural factors have been identified as important to CRM implementation. In the following table (Table 3.2), the description of key concepts and related terms is outlined.

Concept	Definition
Customer Relationship Management (CRM)	Customer Relationship Management (CRM) is a management approach that utilizes customer related information or knowledge to create, develop and enhance relationships with carefully targeted customers (Bull, 2003; Little & Marandi, 2003).
Organizational Integration	Cross-functional cooperation within the organization. With the assistance of integrated systems, there is ongoing communication and sharing of information between departments. The integration of all processes within a company enables it to successfully identify, deliver and manage customer relationships (Croteau and Li, 2003, Woodcock and Starkey, 2001).

Executive Commitment	The support given by the executive levels of the organization towards the project. Senior managers' endorsement and active involvement deliver a strong message of commitment that translates into motivation for subordinates to devote their energies into the project (Dibb, 2001, Selland, 2004).
System Readiness	The essence of the project needs to be consistent with organizational cultural and philosophy in order to avoid potential conflict while implementing the project (Plakoyiannaki and Tzokas, 2002). In addition, the appropriate business processes also need to ensure the system will serve to assist implementation (Rigby and Ledingham, 2004). Furthermore, an adequate reward system will motivate employee involvement in the project (Crosby and Johnson, 2001).
Resource Availability	The availability of various resources required in order to execute the project. Human resources refer to both the competence and skill of executive management and employees (Dibb and Meadows, 2004). Technological resources include databases and computer systems (Abbott et al., 2001). Financial resources refer to the existing budget dedicated to the project so as to acquire other resources to carry out the project (Croteau and Li, 2003).
Vision	The organization has a comprehensive understanding of the project and detailed established targets to achieve (Kotorov, 2003). The organization also develops realistic objectives and establishes a strategic focus on how to achieve it (Rigby and Ledingham, 2004).
Planning	Planning is based on the objectives of the project. This includes the development of detailed execution plans and budgeting (Kotter, 1995).
Customer-centric Culture	The company is organized around customers (Chen and Popvich, 2003). The company's decisions regarding business process, marketing strategy, customer service, job scope and reward structure are based on customer knowledge (Gurau et al., 2003, Leigh and Marshall, 2001).
Networking	The element of establishing personal contact in the business process (Gilbert and Tsao, 2000).
Human Interaction	The element of personal contact during the interaction between the organization and their customers (Drucker, 1981).

Table 3.2 Summary of Related Terms and Concept Definitions

3.5 Chapter Summary

In this chapter, the argument that customer relationship management (CRM) implementation needs to be examined from multiple perspectives was presented. In particular, the necessity of evaluating CRM in the Chinese-owned small and medium sized enterprises (SMEs) sector was demonstrated. In addition, the research model was presented, which argues that organizational, strategic and cultural factors are three dimensions considered as having significant impact on CRM implementation. In particular, four organizational issues – organizational integration, executive commitment, system readiness and resource availability; three strategic issues – vision, planning and customer-centric culture; and two cultural issues – networking and human interaction were identified. Details of these factors and their connections with CRM implementation were presented.

In addition, as SMEs have distinguishing characteristics that are significantly different from large or multi-national companies, discussions regarding the application of these issues in the SMEs context were also presented. It is argued that due to the distinctive nature SMEs presents, some factors may not be applicable or relevant. Hence, some adjustments were, accordingly, suggested in order to align with the SMEs context. This will allow the research to measure these issues in the SMEs' context more appropriately. The applicability of these modifications will be verified based on research information collected during the research.

In the following chapter, the research method is presented. Hypotheses derived from the research question are outlined. In addition, detailed information of research design, data collection procedures and data analysis methods are also illustrated

Chapter Four: Research Methods

4.1 Overview

In this chapter, the research design is outlined. Derived from the research model established in chapter 3, three main hypotheses have been developed in order to examine the impact of organizational, strategic and cultural factors on the implementation of customer relationship management (CRM). A quantitative research method was employed in this study and a self-administered mailed survey was used to collect information. Research participants were recruited using a systematic sampling technique through a comprehensive Chinese business directory.

4.2 Hypothesis Development

In the following section the research hypotheses are presented, together with the rationale on how to examine the argument established in this study, as well as a guideline for conducting the study. In short, for this research, three main hypotheses were developed to test the research model. Each of the three hypotheses comprised four, three and two sub-hypotheses, respectively. The relationships between these hypotheses are outlined in Figure 4.1.

Hypothesis 1 focuses on the organizational perspective of the implementation of customer relationship management (CRM). It aims to evaluate the association of organizational factors with CRM implementation. Four sub-hypotheses were developed to ensure the organizational factors are comprehensively investigated.

Hypothesis 2 looks at the strategic perspective of CRM implementation. The intention is to examine the connection between the proposed strategic factors and CRM implementation. Three sub-hypotheses were proposed in order to examine the strategic perspective of CRM.

Hypothesis 3 emphasizes the cultural perspective of CRM implementation. The purpose is to analyze the relationships between cultural factors and CRM implementation. Two sub-hypotheses were constructed to explore the cultural issues underpinning CRM. In the following sections, details of these hypotheses are presented.

4.2.1 Hypothesis 1 – Organizational factors

CRM is an organizational-wide project and research indicates organizational factors are closely related to a company's performance in CRM. In particular, factors such as degree of integration (Chen and Popvich, 2003), executive commitment (Rigby and Ledingham, 2004), system readiness (Kotorov, 2003) and resource availability (Compton, 2005b) can all have critical impact on CRM success. Therefore, we hypothesize the following:

$H1_O$: CRM implementation is not affected by the degree of organizational support.

$H1_A$: CRM implementation is affected by the degree of organizational support.

To examine the significance of each organizational issue to CRM implementation, Hypothesis 1 was divided into four secondary hypotheses. Details of these hypotheses are as follows.

Sub-Hypothesis 1a – Organizational Integration

CRM is a company-wide project, focusing on the facilitation of better customer information and aimed at improving customer service so as to establish a long-term relationship (Nancarrow et al., 2003, Stefanou et al., 2003). In order to establish comprehensive customer knowledge and deliver satisfying service effectively and efficiently, departments need to communicate and cooperate closely together (Alonso, 2002, Nancarrow et al., 2003). Therefore, an integrated company structure that assists cooperation among departments is essential for CRM success. Thus, we hypothesize the following:

$H1a_O$: CRM implementation is not affected by the company's degree of organizational integration.

$H1a_A$: CRM implementation is affected by the company's degree of organizational integration.

Sub-Hypothesis 1b – Executive Commitment

Management commitment is commonly considered to be one of key factors of project success. Senior management involvement endorses the project, recruits support of other key players (Rigby and Ledingham, 2004), motivates employees' participation (Dibb and Meadows, 2004, Woodcock and Starkey, 2001) and also ensures the accessibility of the necessary resources (Kotorov, 2003, Rigby and Ledingham, 2004, Wall et al., 2004). Therefore, we hypothesize the following:

> $H1b_O$: CRM implementation is not affected by senior executives' commitment towards the project.
>
> $H1b_A$: CRM implementation is affected by senior executives' commitment towards the project.

Sub-Hypothesis 1c – System Readiness

Having an appropriate organizational structure and processes to support CRM implementation is also important (Alonso, 2002, Kotorov, 2003). In particular, a company needs to have a proper performance measurement and reward system to motivate employees to commit to the CRM project (Crosby and Johnson, 2001, Rigby and Ledingham, 2004). Therefore, we hypothesize the following:

> $H1c_O$: CRM implementation is not affected by the degree of system readiness.
>
> $H1c_A$: CRM implementation is affected by the degree of system readiness.

Sub-Hypothesis 1d – Resource Availability

CRM requires investment of large amounts of resources (Compton, 2004). Accessibility to the needed resources, financial, personnel and technical is important to facilitate a smooth system transformation (Abbott et al., 2001, Brendler and Loyle, 2001, Woodcock and Starkey, 2001). Therefore, we hypothesize the following:

> $H1d_O$: CRM implementation is not affected by availability of necessary resources.
>
> $H1d_A$: CRM implementation is affected by availability of necessary resources.

4.2.2 Hypothesis 2 – Strategic factors

CRM is a business strategy based on a customer-centric philosophy. Research indicates strategic issues such as clear vision, comprehensive planning and customer-centric culture can have significant impacts on CRM success. Therefore, we hypothesize the following:

H2$_O$: CRM implementation is not affected by the degree of strategic support.

H2$_A$: CRM implementation is affected by the degree of strategic support.

To examine the significance of each strategic issue to CRM implementation, Hypothesis 2 was divided into three separate secondary hypotheses. Details of these hypotheses follow.

Sub-Hypothesis 2a – Vision

CRM is a business strategy that enables organizations to effectively manage relationships with targeted customers (Chen and Popvich, 2003, Kotorov, 2003). CRM can be relevant in all stages of the customer relationship cycle and it is important to ensure that it is applied to an area that will increase the organization's competitiveness (Rigby and Ledingham, 2004). Thus, it is vital for the organization to integrate CRM into its activities in order to develop pragmatic objectives and strategies. Therefore, we hypothesize the following:

H2a$_O$: CRM implementation is not affected by company's vision toward the project.

H2a$_A$: A CRM implementation is affected by company's vision toward the project.

Sub-Hypothesis 2b – Planning

Implementing a CRM project requires substantial time and resources (Rigby and Ledingham, 2004). A carefully developed project management plan provides the organization with clear execution and guidance throughout the whole project and ensures the organisation remains strategically focused at all stages (Kotter, 1995). Furthermore, the project budgeting plan ensures the availability of the relevant resources when required (Brendler and Loyle, 2001). Therefore, we hypothesize the

following:

$H2b_O$: CRM implementation is not affected by company's planning for the project.

$H2a_A$: CRM implementation is affected by company's planning for the project.

Sub Hypothesis 2c – Customer-centric Culture

Customer service is a fundamental component of the CRM concept (Plakoyiannaki and Tzokas, 2002). To exploit the benefits of CRM fully, the establishment of a customer-centric culture in the organisation is crucial (Lau, Wong, Ma and Liu, 2003). In addition, business processes that support this "customer first" culture are also necessary (Alonso, 2002). Therefore, we hypothesize the following:

$H2c_O$: CRM implementation is not affected by company's customer-centric culture.

$H2c_A$: CRM implementation is affected by company's customer-centric culture.

4.2.3 Hypothesis 3 – Cultural factors

CRM is generally concerned with the effective management of long-term customer relationships in order to increase profit for the organisation. Research has emphasized the impact of culture on the relationship building process. In particular, networking and human interaction appear to be the most significant cultural factors. Therefore, we hypothesize the following:

$H3_O$: CRM implementation is not affected by the cultural factors.

$H3_A$: CRM implementation is affected by the cultural factors.

To examine the significance of each cultural issue to CRM implementation, Hypothesis 3 was divided into two separate secondary hypotheses. Details of these hypotheses are as follows:

Sub-Hypothesis 3a – Networking

Networking is a one of the key factors in establishing buyer and seller relationships (Gilbert and Tsao, 2000). In the Chinese cultural context, its influence may be even more significant. Perceived as "guanxi", it affects every aspect of people's lives (Lee and Dawes, 2005). Guanxi plays an important role in reducing uncertainty (Hsieh and Liu, 1992) and creating trust (Kao, 1991) between two parties which, in turn, helps to establish a relationship. Therefore, we hypothesize the following:

H3a$_O$: CRM implementation is not affected by the company's attitude towards networking.

H3a$_A$: CRM implementation is affected by the company's attitude towards networking.

Sub-Hypothesis 3b – Human Interaction

Human interaction is also an important aspect of the relationship building process (Drucker, 1981, Unger, 1984). The existence of personal interaction in the process helps to reduce risk and create trust between both parties (Drucker, 1981, Unger, 1984). The dependency on human interaction in forming relationships is even greater in the Chinese cultural context (Hsieh and Liu, 1992). Therefore, we hypothesize the following:

H3b$_O$: CRM implementation is not affected by the company's attitude towards human interaction.

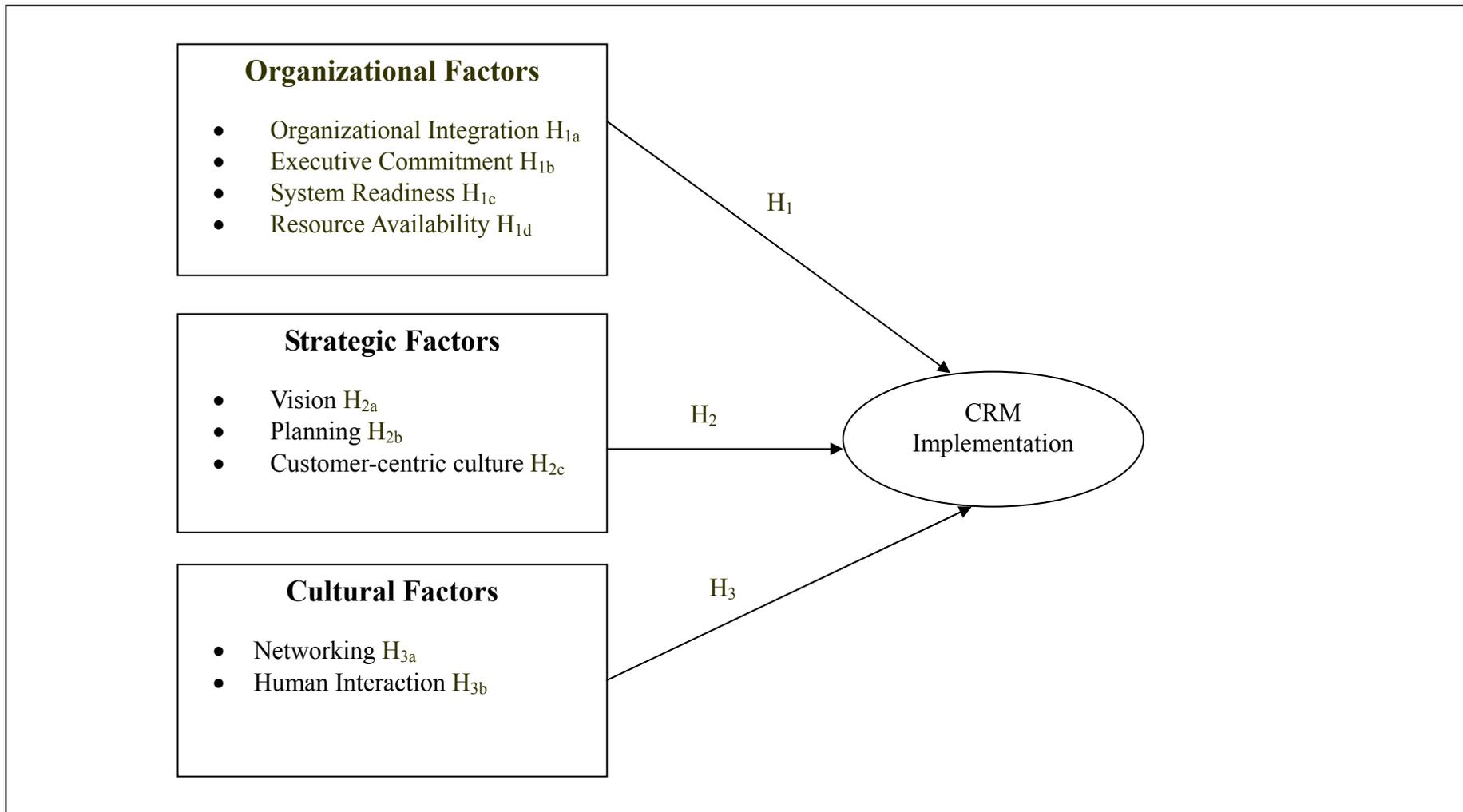H3b$_A$: CRM implementation is affected by the company's attitude towards human interaction.

Figure 4.1 Research Hypotheses

4.3 Research Design

Quantitative analysis was used in this research, with data collected by a self-administered mailed survey. Multiple measurements including rating scales, Likert scales and open-ended questions were employed in the questionnaire. A pilot test was conducted to identify and eliminate potential problems (Malhotra, Hall, Shaw and Oppenheim, 2002). Systematic sampling was employed to select participants from directories of Chinese businesses. To increase the response rate, a follow-up questionnaire was sent out two weeks later. In the following, details of the research design are illustrated.

4.3.1 Research Questionnaire

A self-administered mailed survey was adopted as the main data collection approach for this research. The mailed survey format was chosen for this research due to the following considerations: (1) Information sensitivity. Mailed surveys are considered a useful means for collecting sensitive information (Malhotra et al., 2002). As information collected in this research is considered commercially sensitive, remaining anonymous may encourage respondent's willingness to participate. (2) Cost issues. This project had a limited budget and, as a consequence, a mailed questionnaire was held to offer the advantage of moderate cost as compared to other means, such as face-to-face interview (Kanuk and Berenson, 1975).

Multiple measures, including rating scales, Likert scales, and open-ended questions were employed in the questionnaire. Scales were used to evaluate factors identified the literature reviewed for this research. While scales are good instruments for measuring attitudes, perceptions, or other complex issues (Sarantakos, 1993), other types of questions, including dichotomous selection questions and open-ended questions, were also used in the survey to improve the richness of the information collected.

The questionnaire contained five sections. At the start of each section, a brief explanation was supplied in an attempt to offer participants better insight into each question and to improve the high quality of data collected through the mail (Malhotra et al., 2002). In addition, reversed-coded questions were also included in this section.

This not only minimizes the possible impact to results if respondents' answers are skewed toward one side of the scale, it also helps to identify consistency in the responses provided (Churchill, 1991).

In the first three sections, participants were asked to answer questions related to organizational, strategic and cultural perspectives of Customer Relationship Management (CRM). This was followed by an open-ended question. In this part, participants were encouraged to raise any issues concerning relationships with their customer and any relevant management issues. It was aimed at exploring potential issues relevant to this study. In the last part of the questionnaire, respondents were asked to provide demographic information such as age and ethnicity. In addition, business information, such as industry, respondent's position in the company and company size were also asked to ensure the company profile is consistent with the target population of this research. Demographic information was positioned at the end of the questionnaire as respondents are more likely to continue to participate in the survey if they have already answered questions (Frazer and Lawley, 2000).

4.3.2 Research Population

The research population in this study included all Chinese-owned small to medium-sized enterprises (SMEs) in New Zealand. As the focus of this research was on Chinese-owned SMEs in New Zealand, the definition of SMEs was based on the one adopted by the Ministry of Economic Development in New Zealand. In this case, SMEs was defined as "*enterprises with 19 or fewer employees*" (Ministry of Economic Development, 2005).

In addition, culture was one of factors examined in this study and the Chinese culture, specifically, was the targeted cultural group in this study. To align with this focus, being from the Chinese culture was one of the criteria used to identify the research population. In particular, although it is recognized that every country has its own distinct characteristics, it is also important to note that countries such as Taiwan, China, Hong Kong, Singapore and Macau still share clear Chinese values (King, 1996, Yau, 1988) and have been defined as '*Chinese Commonwealth countries*' (Luo, 1997a). Therefore, SMEs owned by this selected group constituted the target population in this research

Lastly, to ensure the appropriate representation for the study, this research has included participants from various industries. This approach overcomes the potential problem of the small sample size, as there are limited numbers of Chinese-owned SMEs in each industry. In addition, taking into account the nature of SMEs where the decision maker is often also the owner of the business, the owner of the identified SMEs was the main target for data collection.

4.3.3 Sampling Design

A research participant list can be collected through different sources, such as through telephone directories or association membership lists (Malhotra et al., 2002). In this study, it was anticipated that there were only a small number of Government agencies able to provide a list of Chinese-owned SMEs in New Zealand. For example, the official government agency, the Companies Office, a unit of The Ministry of Economic Development, maintains the company register in New Zealand. In addition, other business bodies such as the Chamber of Commerce are also potential sources owning lists of SMEs in New Zealand. As it may be difficult to distinguish Chinese SMEs from others on such lists, alternative sources were also considered.

As a consequence of this potential complication, the Chinese telephone directory published by the local Chinese community was chosen as the sampling frame for constructing the sampling list. In particular, Chinese SMEs located in Auckland were selected for two reasons. First, the majority of the Chinese population resides in Auckland; secondly, the sampling source, The Chinese Directory, contains information of Chinese businesses in the Auckland area only. Five hundred Chinese companies were selected, using systemic sampling technique, from this publication to participate in this research.

According to Sekaran (2000), most research follows the rule of thumb of having the sample size between thirty and five hundred. Taking into consideration the possibility of a low response rate, due to the nature of data collection technique, the questionnaire (Cooper and Schindler, 1998), as well as the tendency toward lower rates of participation in Chinese communities (Carr, Leong and Sheu, 2000), this study came to the decision of contacting a large number of potential participants in

order to increase the number of valid, returned survey.

4.4 Data Collection Procedures

Due to time constraints, an informal pilot test of the questionnaire was performed, in order to identify and eliminate potential problems in the questionnaire (Malhotra et al., 2002). A questionnaire was given to a Chinese small business owner. The respondent was encouraged to identify and change confusing or offensive items and also provide opinions and comments about the questionnaire. In general, the respondent felt that the questionnaire was easy to fill in and turns of phrases were suggested to improve the smoothness of the content. Minor wording adjustments were made accordingly to reflect the feedback.

Five hundred copies of the questionnaire we re sent to Chinese SMEs owners in the Auckland region who were systematically selected from Chinese directory. These were attached to a cover letter detailing the research purpose and providing the offering researchers contact details.

According to Dillham (1987), follow-up increases research response rate. However, to ensure anonymity of the research and due to limited financial resources, participants were not contacted by a follow-up phone call. Instead, a second copy of the questionnaire was sent to all participants two weeks after the initial mailing to remind and encourage their participation. This approach was adopted as it is considered as a technique to maximize the survey returns (Cooper and Schindler, 1998).

4.5 Validity and Reliability

An adequate measurement process needs to be reliable and valid. Attempts made to ensure the reliability and validity of the project are outlined as follows. First, reliability refers to the ability of a research instrument to produce consistent results (Sarantakos, 1993). It is a necessary but not sufficient contributor to validity (Cooper and Schindler, 1998). Cronbach's coefficient alpha has been used in this research as it is the most common method of ensuring reliability for a multi–item scale measurement (Churchill, 1979, Cooper and Schindler, 1998).

Validity refers to the degree to which a research instrument measures what it attempts to measure (Cooper and Schindler, 1998). In particular, content validity, criterion-related validity and construct validity are considered in this study. Content validity refers to the degree to which the characteristics of factors are captured by the measurement (Churchill, 1995). Existing literature and research were carefully examined in order to ensure the validity of this study. In particular, this practice has improved the coverage of the CRM concept by the measurement device. Furthermore, it also helped to ensure the appropriateness of the scale used in the study (Cooper and Schindler, 1998).

Criterion-related validity, also known as pragmatic validity, refers to the degree to which the measurement instrument predicts the criterion (Churchill, 1995). Correlation coefficients between each variable and the measurement instrument were tested to ensure the criterion-related validity is achieved. Construct validity is about whether the underlining constructs are appropriately identified and are represented by the test (Churchill, 1995). Judgmental evaluation was adopted to establish the construct validity. In particular, relevant research and literature were carefully examined to ensure the representativeness of the construct by the test.

4.6 Data Analysis

In this research, the Statistical Package for the Social Sciences (SPSS) was used for data entry as well as for examining the data later. Data preparation was the initial step, which aimed to convert raw data into a more structured format that is more appropriate for analysis. Tasks in this stage included data editing, data coding and data entry. Descriptive statistics were used to summarize respondent's characteristics, including demographic information, such as age, gender and ethnicity; also questions about the participating company's profile, such as industry and numbers of employees were included. Furthermore, inferential statistics were used to test hypotheses to determine the relationship between variables. In particular, Pearson Correlation was used to verify the association of interval level to the construct, whilst Chi-square was used to validate the association between nominal variables and the construct. Moreover, the Cronbach coefficient alpha was used for reliability tests. Lastly, the variable analysis tool, aanalysis of variance (ANOVA), was used to determine the significance of individual variables over the whole model. This parametric test

technique was chosen as the data was collected, using interval measurements, from multiple numbers of independent samples. On the other hand, Chi-square test was employed to examine potential relationships between the data, which was collected using nominal scales, and CRM implementation. Cramer's V was then used to explore the strength of the relationship between these two variables.

4.7 Chapter Summary

This chapter outlined the details of the design developed for this study. In short, a quantitative research approach was chosen for this study. Using a self-administered mailed survey, information was collected to test three composite hypotheses. Research participants were recruited systematically from an Auckland-based Chinese business directory. Relevant descriptive statistics and inferential statistical techniques were used to analyze data and test hypotheses. In addition, precautions were taken to ensure the reliability and validity of the study. In the following chapter, details of research results, generated from information collected from research participants, are presented.

Chapter Five: Results

5.1 Overview

In the previous chapter, the method of this study was outlined. This chapter describes results of the analysis and contains three parts. First, it starts with a description of the research response rate. Secondly, demographic characteristics of the respondents, including participants' personal information and the participating companies' profiles, are presented. Lastly, the results of the data analysis with regard to the research hypotheses are presented and summarized. This section also includes descriptive information of participating companies' Customer Relationship Management (CRM) implementation, particularly from organizational, strategic and cultural perspectives.

5.2 Response Rate

In this research, five hundred copies of the questionnaires were sent out by mail. Fifty-three questionnaires were completed and returned; while thirteen questionnaires were undeliverable. Among those completed questionnaires, no questionnaire contained substantial uncompleted sections. However, two questionnaires were eliminated as they were identified as companies with more than nineteen employees, defined as the upper limit for small and medium sized enterprises (SMEs) in New Zealand. As the main focus of this study was SMEs, it was considered as appropriate to remove the attribute of large business. Hence, there were fifty-one valid questionnaires and the valid response rate was 10.2%.

It is important to note here that, although the number of valid respondents is more than the minimum requirement of this study (Appendix 2), the response rate is rather low. This is a disappointing outcome; taking into consideration that the sample size was thought to be substantial enough to overcome the anticipated lower response from Asian Business owners (Tay and Liow, 2006). This circumstance implies that the result is less representative and the ability of generalize is substantially compromised. As such, this research is considered as being a preliminary exploratory study.

5.3 Demographic Characteristics

In the following sections, demographic characteristics of the research participants and

participating companies are outlined. In general, respondents are highly educated and middle-aged. In addition, the proportions of male and female respondents are similar. Moreover, close to half of the respondents identified themselves as from China. In respect to the participating companies' profiles, the majority of businesses are categorized as small or medium-sized businesses, with a significant proportion of medium-sized companies. Immigration and student consultation, import trading and travel agency businesses are the most identified industry sectors. Furthermore, Chinese customers are the dominant customer base; and the company owner is the major decision maker. Details descriptions are as follows.

5.3.1 Gender, Ethnicity, Age and Education

The proportion of male and female respondents is almost the same, with more males (52%) than females (48%). With respect to age, more than half (68.4%) of participants are under forty years old; in particular, thirty-six to forty years old is the most common age range (36.8%) (Figure 5.1).
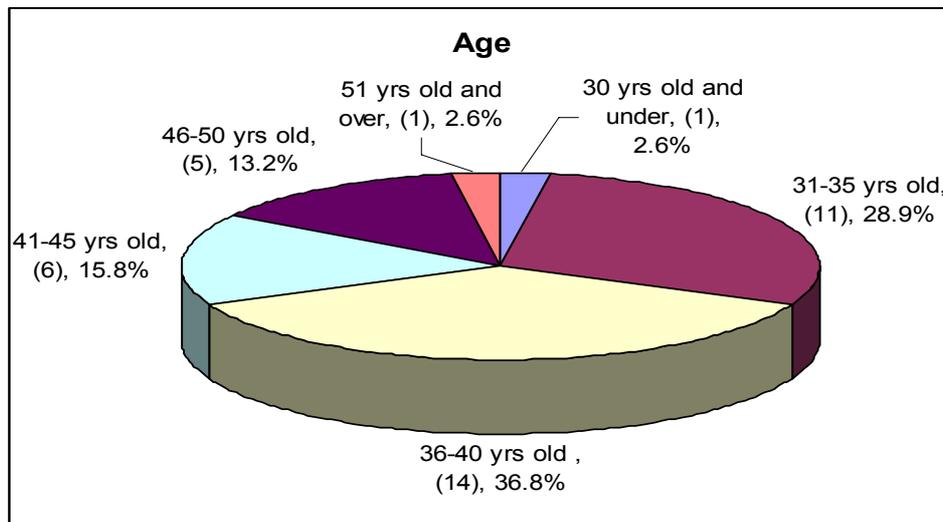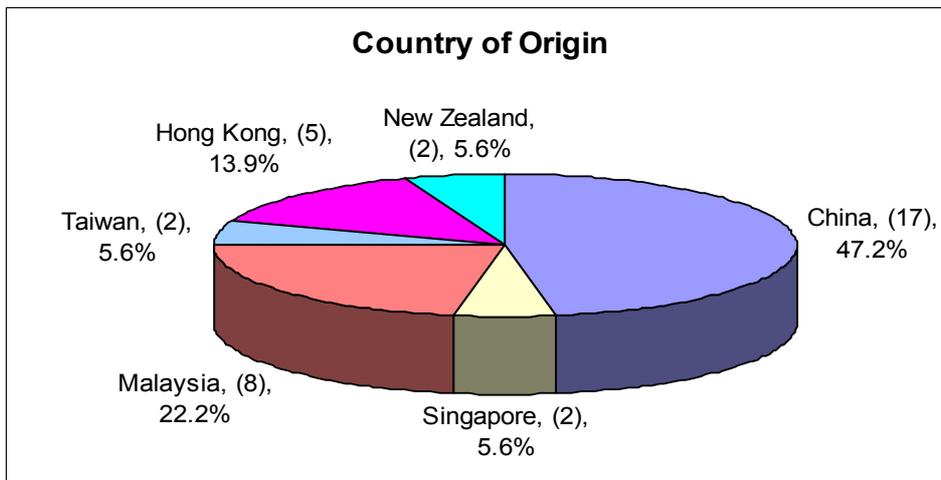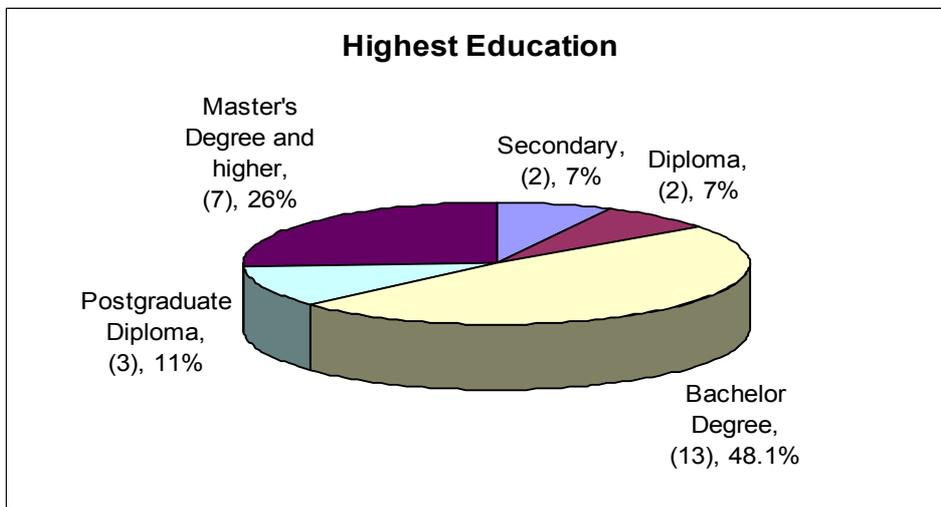

Figure 5.1: Age of respondents

The largest group of respondents identified themselves as from China (47.2%); in addition, there are also significant numbers of respondents identified as Malaysian (22.2%) (Figure 5.2). The high percentage of Chinese respondents identified as from China is in line with official census information. According to Statistics New Zealand, China represents the most dominant country of origin of the Chinese population in New Zealand (Statistics New Zealand, 2001).

Figure 5.2: Ethnicity of respondents

In terms of respondent's highest education level, most of the respondents are well educated. In particular, 86% hold at least a Bachelor degree. Only 7% of the respondents had completed only to secondary or lower levels of education (Figure 5.3).

Figure 5.3: The highest education level of respondents

5.3.2. Company Profile

In general, close to half of respondents identified the industry of their businesses as property and business services, wholesale, or accommodation, café and restaurants. In addition, the majority of companies are small or medium sized, with a significant proportion of medium-sized companies. Furthermore, there are significant differences

between small and medium size companies in respect to industry sector distribution. In particular, property and business services are the most identified industry sectors among small businesses; while wholesale trade, accommodation, café and restaurants, and transport and storage are industries commonly acknowledged among medium sized business. Lastly, company owners are the dominant decision makers in the majority of companies. In the following sections, detailed profiles of participated companies are outlined.

Industry sectors

The Australian and New Zealand standard industrial classification (ANZSIC 2006) was used as the basis for analysing industry category. This classification method was chosen as it is a widely adopted instrument in classifying industries. In addition, it is also adopted by the national agency for statistical purposes in New Zealand. Therefore, there will be fewer problems with compatibility to other studies.

According to this classification some industries are retail-focused, while others target businesses or industrial segments. It is important; however, to point out that, although some types of organizations, such as wholesale trade, do not have direct business relationships with retail customers, the issue of managing relationships with customers is still a vital issue to the company. In the case of wholesale companies, for example, having good relationships with their customers, who typically are retail businesses, is important. Hence, this study claims the importance of customer relationship management applies to all businesses. Therefore, the method adopted of grouping businesses does not contradict the focus of this study.

In general, the result indicates that property and business services (17.6%), identified by companies in the sub-category of immigration or student consultancy, is the most common industry amongst SMEs. This is followed by wholesale trade (13.7%), which is composed mainly of import trading companies. Accommodation, cafés and restaurants (13.7%) is another popular industry sector, with significant proportion of companies identified as restaurants businesses. Furthermore, transport and storage (9.8%) is also a common industry sector in this study. In particular, one of its sub-category, travel agencies, are business frequently acknowledged by respondents (Table 5.1).

	Frequency	Percentage (%)	Cumulative Percentage (%)
Property and business services	9	17.6%	17.6%
Wholesale trade	7	13.7%	31.4%
Accommodation, cafés and restaurants	7	13.7%	45.1%
Transport and storage	5	9.8%	54.9%
Retail trade	2	3.9%	58.8%
Education	2	3.9%	62.7%
Finance and insurance	1	2.0%	64.7%
Health and community services	1	2.0%	66.7%
Missing data	17	33.3%	100.0%
Total	51	100.0%	

Table 5.1: Proportion of enterprises by industry sector

Company size

As noted in chapter two, for the purpose of this study, number of employee is the selected criteria to define company size. In particular, a small business is a company with no more than five employees. A company employing more than five, but fewer than twenty employees is defined as a medium-sized company, while a company employing more than twenty staff is categorized as a large business. Based on these definitions, Chinese owned businesses responding to the questionnaire are predominantly SMEs (95.6%). Only a small percentage of companies (4.4%) are identified as large business (Table 5.2). This result is similar to New Zealand's national distribution by enterprise size (Ministry of Economic Development, 2005).

However, the results also reveal that Chinese owned companies in NZ have a larger percentage of medium sized companies, compared to the national ratio in New Zealand. In particular, just 28.9% of Chinese company are small businesses, and 66.7% are medium sized companies. In contrast, 86.8% of New Zealand enterprises are small business; while only 9.5% of companies in New Zealand are medium-sized enterprises (Ministry of Economic Development, 2005) (Table 5.2). This phenomenon
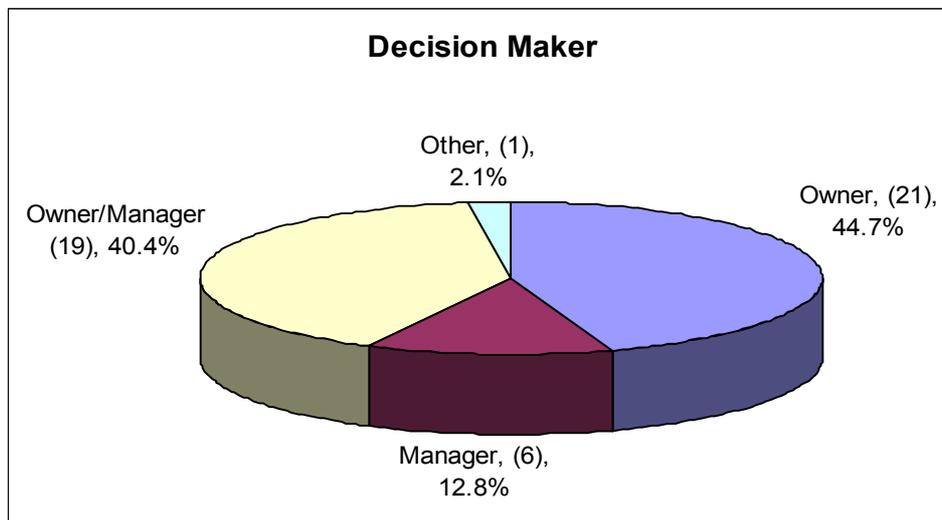
is likely to be related to the industry classification of the research participants. Further examination of company size versus industry classification is outlined in Appendix 3.

	Chinese Owned Business in NZ	National Distribution in NZ
0-5 employee (Small Business)	28.9%	86.6%
6-19 employee (Medium Business)	66.7%	9.5%
20 and more employee (Large Business)	4.4%	3.7%
Total	100.0%	100%

Table 5.2: Comparison of Company Size between Chinese Owned Businesses and National Distribution in New Zealand

Decision Maker

Figure 5.4 indicates business owners are the main decision makers in most of Chinese owned companies (85.1%). Among which, half of company owners actively participate in daily operations of their businesses. This result is not unforeseen as the majority of respondents have identified their businesses as small or medium-sized businesses, where owners tend to be the principle decision marker.

Figure 5.4: Proportion of decision maker in the company

Customer source

On average, the majority of a company's customers are Chinese (76%) and only small portion of their customers are non-Chinese customers (24%). It is suspected that this phenomenon is likely to be related to the industry classification of the research

participants. Further examination of customer source versus industry category is outlined in Appendix 4.

5.4 Hypotheses Results

This research aims to examine the argument that a company's Customer Relationship Management (CRM) implementation is affected by the company's practice and attitudes in respect to organizational, strategic and cultural issues. Three main hypotheses, with four, three, and two sub-hypothesis, respectively, have been generated to examine the relationship between CRM implementation and these factors. In the following sections, detailed results of these hypothesis tests are presented.

5.4.1 Organizational Factors

Organizational factors, one of the critical issues in CRM implementation, were measured by four constructs: organizational integration, executive commitment, system readiness and resource availability. Hypotheses designed to examine the impact of these four organizational constructs about CRM implementation are presented in the context of the analysis below. First, descriptive analysis is used to illustrate each construct. Subsequently, after validating preliminary assumptions of analysis of variance (ANOVA), the hypotheses were tested and results were drawn.
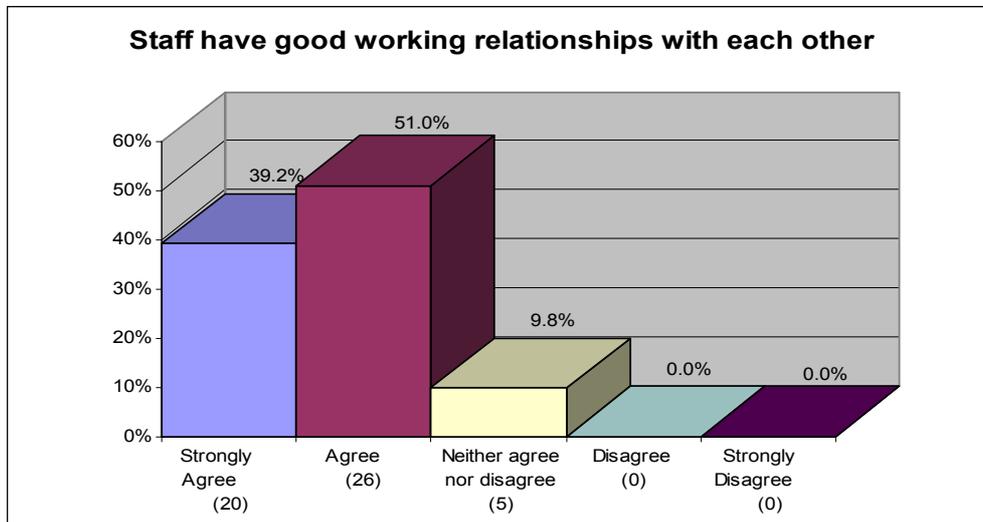
5.4.1a Organizational Integration

Organizational integration has been identified as one of the essential factors in CRM implementation (Chen and Popvich, 2003, Kotorov, 2003, Payne and Frow, 2004). The level of integration of a company can be measured by two indicators; the degree of information sharing and the nature of intra company working relationships. The results indicate that information is generally shared between employees. A majority of Chinese SME's staff (86%) exchange customer information within the company. In particular, among companies whose staffs exchange customer information, most of them (87.1%) frequently or very frequently practice it (Figure 5.5). In addition, product/service preferences (85.4%) are the most frequently exchanged type of information. In contrast, the customers' spending patterns (43.9%) are the least exchanged information.
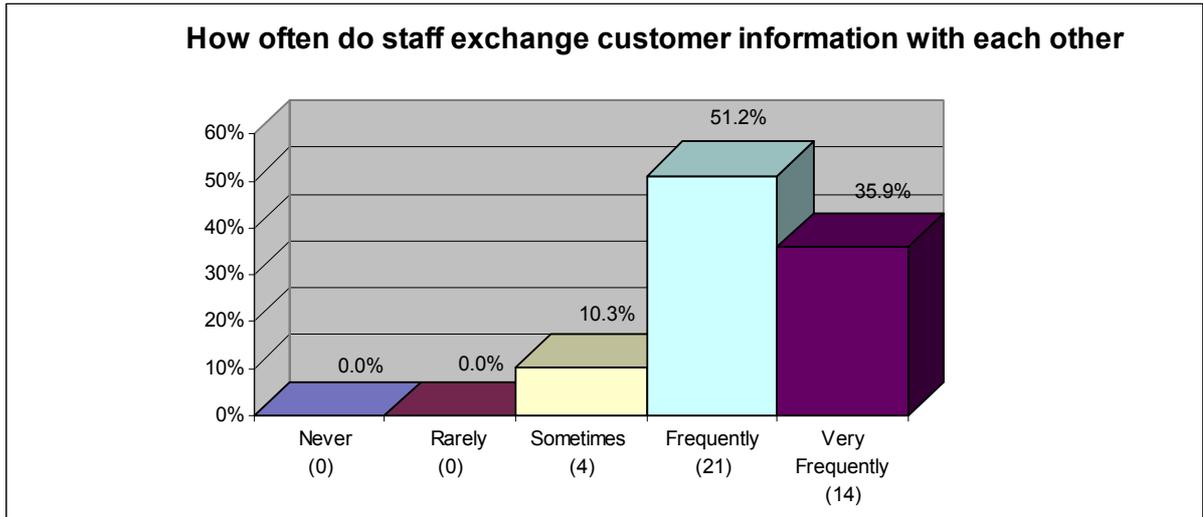
Figure 5.5: Frequency of information sharing between staff

With respect to the issue of close working relationships, staff generally have good relationships with each other (Figure 5.6) but do not always follow company guidelines to work as a team. This result is in line with one of SMEs' unique characteristics; flexible yet closed working relationships within the company (Gunasekaran et al., 2000)

Figure 5.6: Close working relationship between staff

To examine the impact of organizational integration on CRM implementation, hypotheses were constructed as follows:

H1a$_O$: CRM implementation is not affected by the company's degree of organizational integration.

H1a$_A$: CRM implementation is affected by the company's degree of organizational integration.

Analysis of variance (ANOVA) was used to test the impact of organizational integration on CRM implementation. The three preliminary assumptions of ANOVA – independence, normality, and homogeneity – were met (Appendix 5).

The ANOVA result (Table 5.3) indicates an F value (F=10.218; d.f.=4.46) greater than the critical value (F=2.586), when α=0.05. Therefore, the null hypothesis is rejected and we conclude that there is a relationship between organizational integration and CRM implementation. Hence, CRM implementation produces more satisfactory outcome when the company has greater integration within organisation.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	27.455(a)	4	6.864	10.218	.000
Intercept	183.553	1	183.553	273.267	.000
Q2.1	27.455	4	6.864	10.218	.000
Error	30.898	46	.672		
Total	400.000	51			
Corrected Total	58.353	50			

(a) R Squared = .470 (Adjusted R Squared = .424)

Table 5.3 ANOVA: Organizational integration

5.4.1b Executive Commitment

Leadership has also been perceived as one of the influential factors that predicts the success of CRM implementation (Brendler and Loyle, 2001, Rigby and Ledingham, 2004, Starkey and Woodcock, 2002, Woodcock and Starkey, 2001). Executive commitment is measured by two indicators: the degree of management involvement in implementing CRM and the extent to which management endorses CRM. The results indicate that management of Chinese SMEs frequently discuss the issue of customer interaction with staff (Figure 5.7). In addition, management spends around five hours every day, on average, in interacting with customers and 22% of respondents spend seven hours or more daily in dealing with customers. This result implies that management is actively involved with their customers.
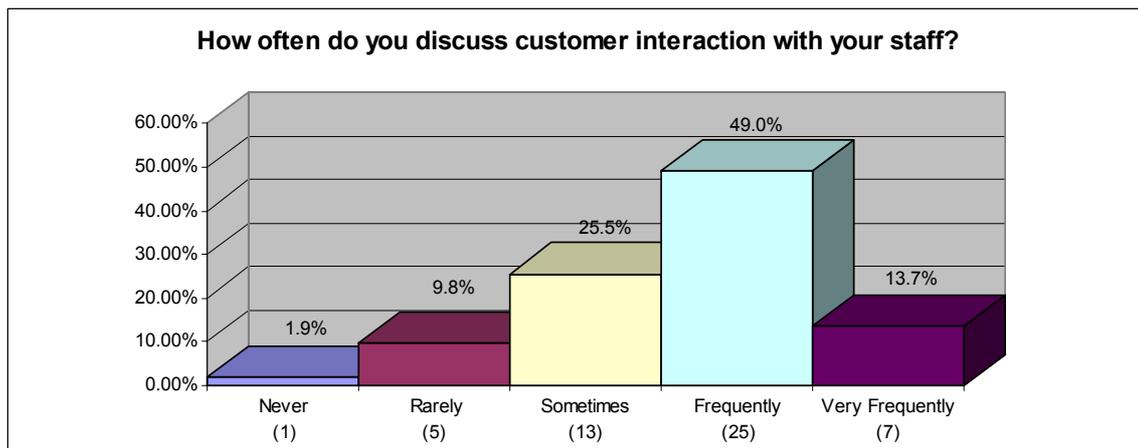
Figure 5.7: Management champion of CRM concept to company employee

To examine the impact of executive commitment on CRM implementation, the hypotheses were constructed as follows:

H1b$_O$:   CRM implementation is not affected by senior executives' commitment towards the project.

H1b$_A$:   CRM implementation is affected by senior executives' commitment towards the project.

Analysis of variance (ANOVA) was used to test the impact of executive commitment on CRM implementation. To ensure the validity of the test, three preliminary assumptions of independence, normality and homogeneity were examined and results were satisfactory (Appendix 6).

| Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	14.839(a)	4	3.710	6.301	.000
Intercept	158.737	1	158.737	269.614	.000
Q2.1	14.839	4	3.710	6.301	.000
Error	27.083	46	.589		
Total	329.000	51			
Corrected Total	41.922	50			

(a) R Squared = .354 (Adjusted R Squared = .298)

Table 5.4 ANOVA: Executive Commitment

The ANOVA result (Table 5.4) indicates the F value (F=6.301, d.f.=4.46) is greater than the critical value (F=2.586) at 0.05 significance level. Therefore, we reject the null hypothesis and conclude that there is a relationship between senior executive's commitment and the CRM projects. In other words, CRM implementation produces more satisfactory outcomes when senior executives demonstrate strong commitment towards the project.

5.4.1c System Readiness

Having an appropriate organizational structure to maintain project execution is also an important issue in CRM implementation (Rigby and Ledingham, 2004). The degree of system readiness can be determined by two factors: the existence of a clearly defined job description and the use of an appropriate reward system. Information collected from respondents indicates that the majority of companies have clear instructions on how to deal with customers (Figure 5.8). This shows that Chinese SMEs recognize the importance of the customer. However, although SME have written rules, it also reveals that staff usually, but not always, follow procedures.
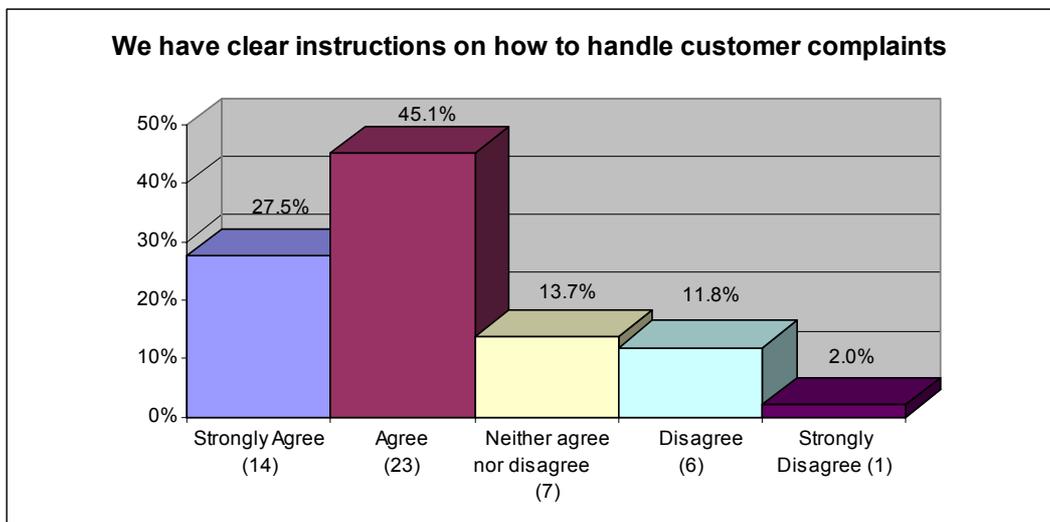
Figure 5.8: Existence of instructions on dealing with customer

In terms of reward systems, Chinese SMEs do not always measure employee performance using a formal appraisal system. In addition, almost half of Chinese SMEs participating do not reward their employee according to their performance on customer service (Figure 5.9). They are, on the contrary, usually rewarded on their performance in sales.
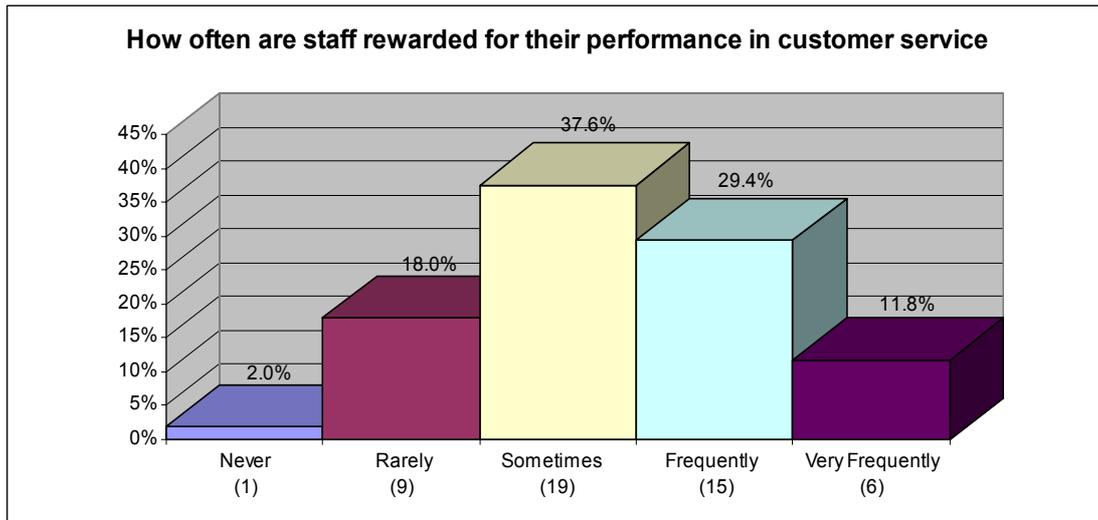
Figure 5.9: Reward system based on customer service

To examine the impact of system readiness on CRM implementation, hypotheses were constructed as follows:

H1c$_O$: CRM implementation is not affected by the degree of system readiness.

H1c$_A$: CRM implementation is affected by the degree of system readiness.

Analysis of variance (ANOVA) was conducted to test the impact of system readiness on CRM implementation. To ensure the validity of the test, three preliminary assumptions of independence, normality and homogeneity were examined and results were satisfactory (Appendix 7).

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	24.219(a)	4	6.055	9.764	.000
Intercept	137.548	1	137.548	221.804	.000
Q2.1	24.219	4	6.055	9.764	.000
Error	28.526	46	.620		
Total	290.000	51			
Corrected Total	52.745	50			

(a) R Squared = .459 (Adjusted R Squared = .412)

Table 5.5 ANOVA: System Readiness

The ANOVA results (Table 5.5) indicates the F value (F=9.764, d.f.=4.46) is greater than the critical value (F=2.586) at 0.05 significant level. Therefore, we reject the null hypothesis and conclude that there is a relationship between CRM implementation

and the degree of system readiness in the company. In other words, CRM implementation produces more satisfactory outcomes when the company's system is ready for implementing the CRM project.

5.4.1d Resource Availability

Availability of various resources when required is important to a successful CRM implementation. In particular, financial, technological and human resources are influential. Result indicate that, financially, the average spend on each customer is $332.90 However, among respondents who revealed their company's spending on customers, more than half spent $20 or less on each customers (Table 5.6). In terms of the company's technological investment in CRM-related resources, only a small group of respondents (15.7%) have installed a computerised CRM system. However, the majority of companies agree that a computer system plays an important role in managing customer information. Furthermore, among companies that have a computer-based CRM system, the CRM system is frequently used for customer service.

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	$0	3	5.9%	16.7%	16.7%
	$2	1	2.0%	5.6%	22.2%
	$10	3	5.9%	16.7%	38.9%
	$20	2	3.9%	11.1%	50.0%
	$30	1	2.0%	5.6%	55.6%
	$40	1	2.0%	5.6%	61.1%
	$100	3	5.9%	16.7%	77.8%
	$150	1	2.0%	5.6%	83.3%
	$200	1	2.0%	5.6%	88.9%
	$1,200	1	2.0%	5.6%	94.4%
	$4,000	1	2.0%	5.6%	100.0%
	Total	18	35.3%	100.0%	
Missing	System	33	64.7%		
Total		51	100.0%		

Table 5.6: Financial investment on customers

With respect to human resources, the results indicate that Chinese-owned businesses generally have similar proportions of generalized skilled and specialized skilled staff in their companies, with the proportion of generalized skilled staff slightly greater than specialized staff. Therefore, the issue of a lack of specialized human resources,

one of disadvantages SMEs face while applying CRM (Vermond, 2004), can not be supported in this study.

This study also examined the issue of staff training in Chinese businesses. The majority of companies recognize the importance of teaching staff about performing good customer service. Although companies recognize the importance of providing training to improve staff ability in managing customers, results also reveal that selling techniques and produce/service information are the two most common items to be included in initial and ongoing training. This situation can be explained by the limited availability of resources and the high pressure on sales people experienced by most SMEs. Therefore, the business decisions are mainly sales and survival oriented. Although SMEs are aware of the importance of customer service, they cannot afford to invest too heavily in staff training for customer service.

To examine the impact of resource availability on CRM implementation, hypotheses were constructed as follows:

H1d$_O$: CRM implementation is not affected by availability of necessary resources.

H1d$_A$: CRM implementation is affected by availability of necessary resources.

Analysis of variance (ANOVA) was conducted to test resource availability and CRM implementation. To ensure the validity of the test, three preliminary assumptions of independence, normality and homogeneity were examined with satisfactory results (Appendix 8).

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	28.084(a)	4	7.021	15.311	.000
Intercept	144.532	1	144.532	315.182	.000
Q2.1	28.084	4	7.021	15.311	.000
Error	20.636	45	.459		
Total	282.000	50			
Corrected Total	48.720	49			

(a) R Squared = .576 (Adjusted R Squared = .539)

Table 5.7 ANOVA: Resource Availability

ANOVA indicates the F value (F=15.311, d.f.=4.45) is larger than the critical value (F=2.590) (Table 5.7). Therefore, the null hypothesis is rejected. This indicates that the availability of essential resources has an impact on CRM implementation. Hence, when essential resources for the project are available, CRM implementation results in a more satisfactory outcome.

5.4.2 Strategic Factors

A clear strategy ensures the focus of CRM implementation (Kotter, 1995, Moore, 2005). The strategic factor is made up of three constructs: vision, planning, and customer-centric culture. Hypotheses designed to examine the impact of these three strategic constructs toward CRM implementation are presented in the context of the analysis below. First, a descriptive analysis is used to illustrate each construct. This is then followed by two types of tests according to the nature of the scale. A nonparametric test of significance, the Chi-square test, was performed to examine questions measured at the nominal level. An analysis of variance (ANOVA) was performed to test the hypothesis with questions using interval scales.

	Number	Percentage
Sales	42	23.0%
Keeping customers from going to competitors	41	22.4%
Development of produce/service offering	35	19.1%
Service process designs	32	17.5%
Targeting and marketing	31	16.9%
Other	2	1.1%
Total	183	100%

Table 5.8: Benefits of having good relationships with customers

5.4.2a Vision

Comprehensive recognition of what CRM really is assists the company in identifying the strategic benefits CRM can offer (Kotter, 1995, Kotorov, 2003). Vision is measured by two indicators: comprehension and strategy. Results indicate that almost close to half (41.2%) of Chinese businesses understand the concept of CRM. However,

all participants are aware of the benefits of having good relationships with customers. When respondents were asked to reveal all benefits they associate with customer relationships, few benefits are commonly recognized as being closely associated with customer relationships. In particular, sales (23.0%) and keeping customers from going to competitors (22.4%) are the benefits most identified as having good relationships with customers. Moreover, development of product/services offerings (19.1%), service process designs (17.5%) and targeting and marketing (16.9%) are also commonly perceived benefits related to good customer relationships (Table 5.8).

Furthermore, a majority (82.4%) of Chinese companies have strategies for improving relationships with customers. They have frequently applied these strategies to improve their company's performance in various areas. In particular, the most common objective expected by improving relationships with customers is to increase profit (20.3%). In addition, customer loyalty (19.3%) is another goal tat is frequently acknowledged (Table 5.9).

	Number	Percentage
Profit	42	20.3%
Customer loyalty	40	19.3%
Customer recommend us to his/her friends	37	17.9%
Market share	36	15.5%
Customer buy extra products	30	14.5%
Customer don't buy from my competitors	26	12.6%
Total	207	100%

Table 5.9: Purposes of improving relationships with customers

To examine the impact of vision on CRM implementation, hypotheses were constructed as follows:

H2a$_O$: CRM implementation is not affected by company's vision toward the project.

H2a$_A$: A CRM implementation is affected by company's vision toward the project.

Due to the nature of nominal scales, AVOVA is not an appropriate tool. Pearson Chi-square test was employed to examine the potential relationship between strategy and CRM implementation. The Pearson Chi-square between strategy and CRM implementation (Pearson Chi-square = 14.949, d.f.=2) is larger than the critical value (5.99) when the significance level is at 0.05 (Table 5.10.)

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.949(a)	2	.001
Likelihood Ratio	13.307	2	.001
Linear-by-Linear Association	13.583	1	.000
N of Valid Cases	51		

(a) 3 cells (50.0%) have expected count less than 5. The minimum expected count is 1.41.

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.541	.001
	Cramer's V	.541	.001
No of Valid Cases		51	

(a) Not assuming the null hypothesis.
(b) Using the asymptotic standard error assuming the null hypothesis.

Table 5.10 Chi-Square: Vision

It is important to note here that because a large number of research participants acknowledged the existence of customer relationship related concepts and strategy in

their organizations, it is not surprising there a disproportionate distribution of results in the dichotomous selection questions. Specifically, there were large numbers of "yes" answers, while only a few "no" answers were selected by participants. This rationale explains the low values in certain cells, and raises the confidence in drawing conclusions from the test result.

Therefore, we determine that the null hypothesis is rejected and a significant relationship between strategy and CRM implementation is confirmed. Cramer's V is then used to explore the strength of the relationship between these two variables. The result (V=0.541) indicates a moderate relationship between strategy and CRM implementation (Table5.10). Therefore, we conclude that the company receives a more satisfactory outcome from CRM projects when it has a clear vision of the project.

5.4.2b Planning

CRM is a long-term, complex process which requires a large amount of time and resources (Alonso, 2002, Woodcock and Starkey, 2001). A well-designed plan for implementation and a well-thought budget ensures it is strategically focused and implemented smoothly during all stages. The construct of planning is measured by two indicators: project planning and budgeting. Results indicate that from time to time a majority (84.3%) of Chinese SMEs execute projects to improve the company's relationships with customers. In particular, more than half (54.9%) implement them frequently (Figure 5.10). In addition, more than half (51.0%) of Chinese SMEs frequently document projects with the aim of improving their company's relationships with customers. However, only a small proportion of companies (34.0%) have clear rules on allocating budget for entraining customers.

To examine the impact of planning on CRM implementation, hypotheses were constructed as follows:

$H2b_O$: CRM implementation is not affected by company's planning for the project.

$H2a_A$: CRM implementation is affected by company's planning for the project.
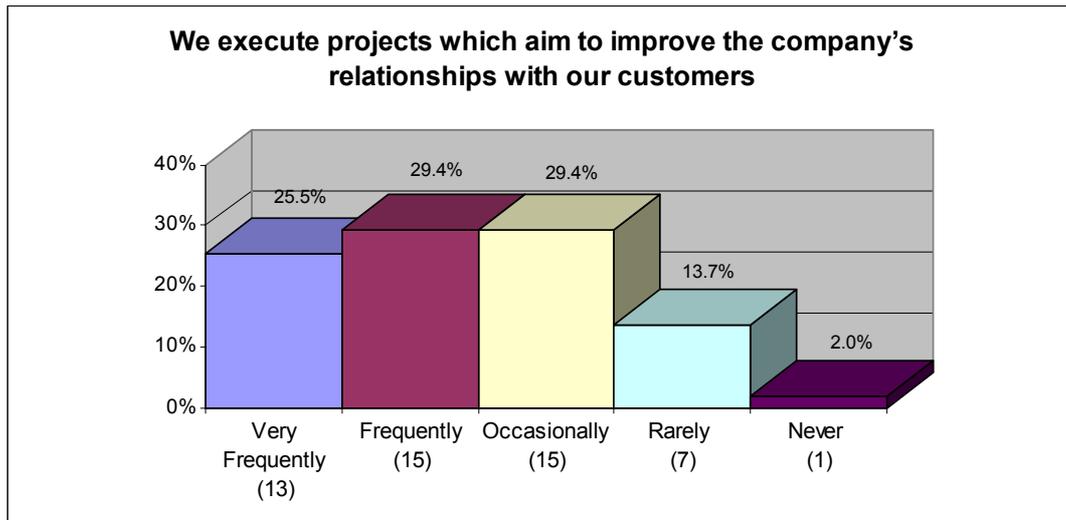
Figure 5.10: CRM implementation

Analysis of variance (ANOVA) was used to test for relationships between project planning and CRM implementation. To ensure the validity of the test, the three preliminary assumptions of independence, normality and homogeneity were examined, with satisfactory results (Appendix 9). F value (F=35.999, d.f.=4.46) is larger than the critical value (F=2.586) (Table 5.11). Therefore, the null hypothesis is rejected, suggesting that project planning has an impact on CRM implementation. In other words, the outcomes of CRM projects are more satisfactory when comprehensive planning is developed for the project.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	77.572(a)	4	19.393	35.999	.000
Intercept	190.095	1	190.095	352.867	.000
Q2.1	77.572	4	19.393	35.999	.000
Error	24.781	46	.539		
Total	444.000	51			
Corrected Total	102.353	50			

(a) R Squared = .758 (Adjusted R Squared = .737)

Table 5.11 ANOVA: Planning

5.4.2c Customer-centric culture

The central philosophy of the CRM concept is the recognition that the customer is the key asset of the company. Therefore, it is critical for the company to have a customer-centric culture while implementing CRM (Lau et al., 2003).

In general, the analysis suggests that a customer-centric culture is commonly established among Chinese SMEs. A majority (98.0%) of respondents have recognized the importance of customers to their businesses and agreed that customers' interests usually come first. In addition, all companies participating in the survey have established their operations based on their customers' needs. Furthermore, more than half (62.8%) frequently make use of information collected from customers in developing new products/services (Figure 5.11).
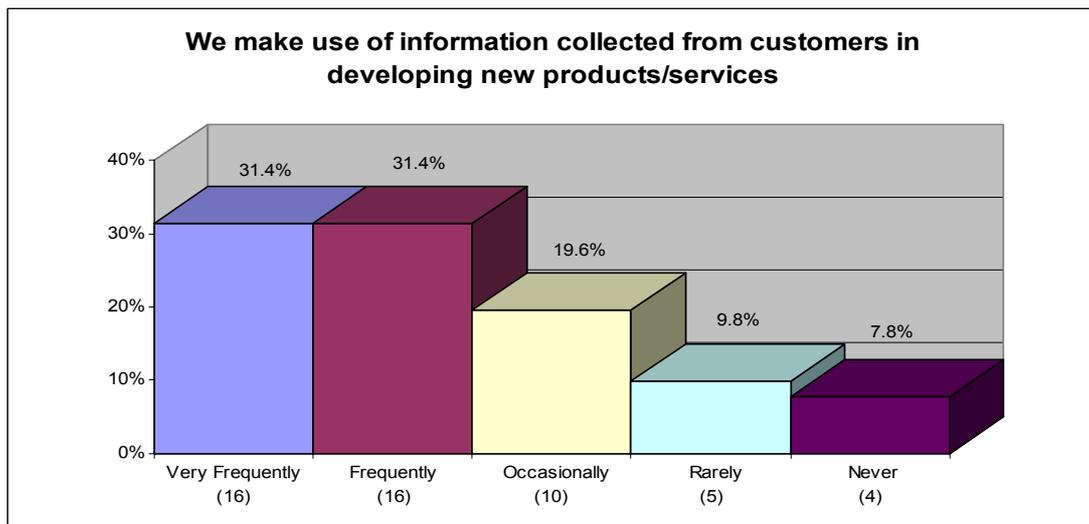
Figure 5.11: Usage of customer information in developing new products/services

To examine the impact of a customer-centric culture on CRM implementation, hypotheses were constructed as follows:

H2c$_O$: CRM implementation is not affected by company's customer-centric culture.

H2c$_A$: CRM implementation is affected by company's customer-centric culture.

Analysis of variance (ANOVA) was conducted to test for a relationship between customer-centric culture and CRM implementation. To ensure the validity of the test, three preliminary assumptions of independence, normality and homogeneity were examined and results were satisfactory (Appendix 10). The F value (F=23.107, d.f.=4.46) is greater than the critical value (F=2.586) (Table 5.12). Therefore, the null hypothesis is rejected and we can conclude that a customer-centric culture has an

impact on CRM implementation. As a result, the argument that the company has more satisfactory outcome from CRM projects when the customer-centric culture is established.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected model	51.399(a)	4	12.850	23.107	.000
Intercept	156.917	1	156.917	282.170	.000
Q2.1	51.399	4	12.850	23.107	.000
Error	25.581	46	.556		
Total	350.000	51			
Corrected total	76.980	50			

(a) R Squared = .668 (Adjusted R Squared = .639)

Table 5.12 ANOVA: Customer-centric Culture

5.4.3 Cultural Factors

Culture has a significant influence on business practices (Adler, 1991; Hall, 1990; Hofstede, 1984; Usunier, 1993). The data collected from respondents reveals that culture is an influential factor in conducting business. A large proportion (71.2%) of respondents agreed that language is a barrier to serving customers. In addition, the majority (86.8%) agreed that customers from different cultures require different business approaches.

In this research, cultural factors were measured by two constructs: networking and human interaction. Hypotheses designed to examine the impact of these two cultural constructs about CRM implementation are presented in the context of the analysis below. In the following, descriptive analysis is used to illustrate each construct. After validating preliminary assumptions of analysis of variance (ANOVA), the hypotheses were tested and results were drawn.

5.4.3a Networking

In recent years, networking, also known as *Guanxi*, has been perceived as one of the most important factors in business practice, especially in the building of buyer and seller relationships (Gilbert and Tsao, 2000). Results suggest that the concept of guanxi is commonly perceived by respondents as a special relationship (15.4%) or connection with important people (14.6%). In addition, the majority (89.6%) agree

that guanxi is important for keeping long-term relationships with customers (Figure 5.12) and guanxi customers are commonly perceived as company's best customers (74.5%). Conversely, around half (45.1%) of the respondents report that staffs frequently use their connections to generate new business.
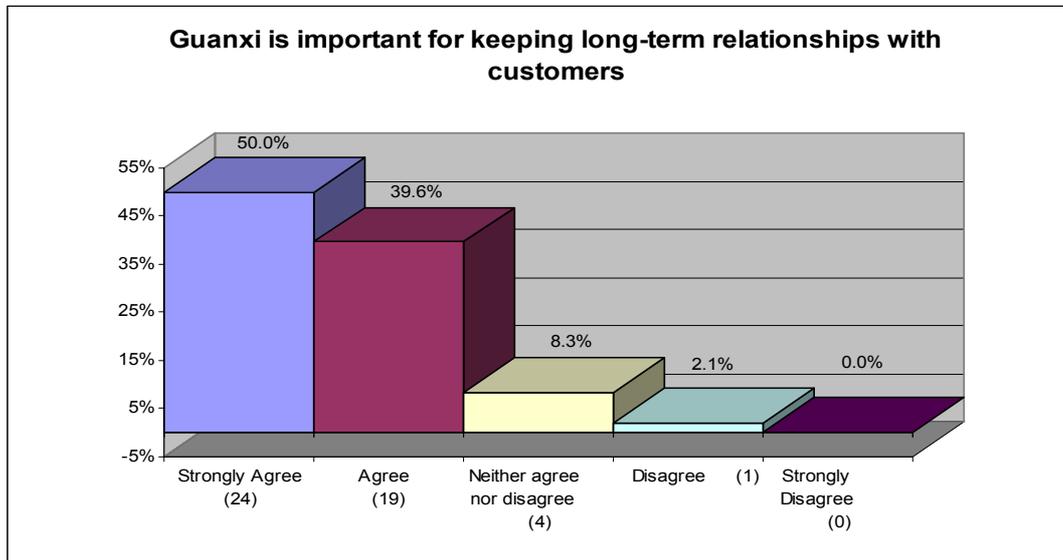
Figure 5.12: The importance of Guanxi for keeping long-term relationships with customers

Furthermore, guanxi has also been identified as presenting both a number of benefits and potential problems to businesses. Establishing a business relationship (16.0%) was the most common benefit identified. In addition, acquiring the necessary resources (14.6%), solving business problems (14.1%), reducing risk (13.6%) and a smooth negotiation process (13.1%) were also frequently mentioned. In contrast, a few potentially negative consequences for business operations associated with guanxi have also been identified. Reducing company profits (18.1%) and expenses to maintain relationships (16.8%) were two problems commonly acknowledged. In addition, unethical behaviour (13.5%) and unreasonable expectations from customers (12.3%) were problematic issues closely associated with guanxi.

To examine the impact of networking on CRM implementation, hypotheses were constructed as follows:

H3a$_O$: CRM implementation is not affected by the company's attitude towards networking.

H3a$_A$: CRM implementation is affected by the company's attitude towards networking.

Analysis of variance (ANOVA) was performed to examine this hypothesis. The three preliminary assumption of ANOVA – independence, normality, and homogeneity – were examined, and satisfactory results were drawn (Appendix 11).

The ANOVA result (Table 5.13) indicates the F value (F=3.353, d.f.=4.46) is greater than the critical value (F=2.586), when α=0.05. Therefore, the null hypothesis is rejected and the relationship between networking and CRM implementation can be confirmed. Hence, we conclude that the greater the issue of networking is considered while practising CRM by organisation, the better the CRM project is executed.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected model	7.710(a)	4	1.927	3.353	.017
Intercept	134.040	1	134.040	233.140	.000
Q2.1	7.710	4	1.927	3.353	.017
Error	26.447	46	.575		
Total	381.000	51			
Corrected total	34.157	50			

(a) R Squared = .226 (Adjusted R Squared = .158)

Table 5.13 ANOVA: Networking

5.4.3b Human Interaction

The human dimension is an indispensable element in any business (McGarry, 1995). The impact of human interaction is even greater when the issue of customer service or relationships with customers is involved (Tordoir, 1998). Respondents indicated that they value human interaction highly while operating their businesses. A large majority (94.1%) of respondents not only agree it is better to establish a relationship with customers in person (Figure 5.13) but also indicate that staff in the company interacts with customers rather frequently.

To examine the impact of human interaction on CRM implementation, hypotheses were constructed as follows:

H3b$_O$: CRM implementation is not affected by the company's attitude towards human interaction.

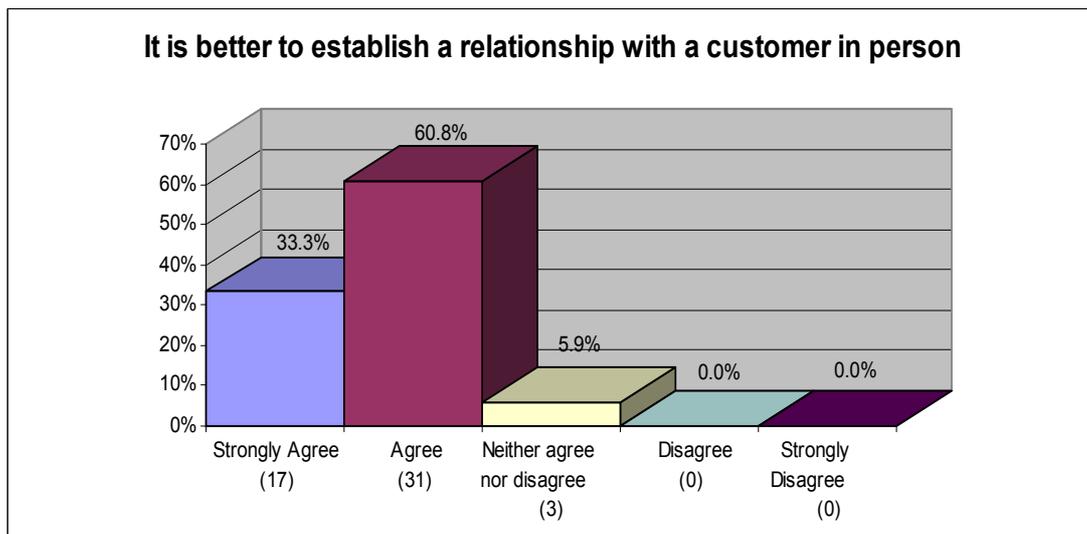H3b$_A$: CRM implementation is affected by the company's attitude towards human interaction.

Figure 5.13: The importance of establishing relationships with customers in person

Analysis of variance (ANOVA) was used to test between human interaction and CRM implementation. The three preliminary assumption of ANOVA test – independence, normality, and homogeneity – were examined with satisfactory results (Appendix 12).

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected model	4.772(a)	4	1.193	2.580	.050
Intercept	77.809	1	77.809	168.295	.000
Q2.1	4.772	4	1.193	2.580	.050
Error	21.267	46	.462		
Total	192.000	51			
Corrected total	26.039	50			

(a) R Squared = .183 (Adjusted R Squared = .112)

Table 5.14 ANOVA: Human Interaction

The ANOVA result (Table 5.14) indicates the F value (F=2.580, d.f.=4.46) is smaller than the critical value (F=2.586), when α=0.05. Therefore, the null hypothesis can not be rejected and we conclude that there is no relationship between human interaction and CRM implementation. This implies that the outcome of CRM implementation is not affected by company's attitude towards human interaction. However, as the F value is almost equal to the critical value, it suggests that there might be a weak relationship between human interaction and CRM implementation.

5.5 Chapter Summary

In this chapter, results of analysis were outlined. The nature of mailed surveys and the general lack of interest in participating in surveys among members of the Asian community provide a reasonable explanation for the low response rate of the study. The majority of respondents represent the decision makers of small and medium sized businesses. Immigration and student consultancies import trading, and travel agencies constitute the majority of industry sectors. Hypotheses were used to examine the impact of a company's practice and attitudes towards organizational, strategic and cultural issues on CRM implementation. Results indicate the majority of arguments have been supported, while associations between human interaction and CRM implementation could not be established. The summary of hypotheses results is outlined in Appendix 13. In the following chapter, the implication of research results will be discussed further. In addition, the conception model will also be revised accordingly.

Chapter Six: Discussion

6.1 Overview

In the previous chapter, results of hypotheses that were developed to examine the association between customer relationship management (CRM) implementation and organizational, strategic and cultural factors were outlined. This chapter will discuss the research findings further. Moreover, the conceptual model developed in this research will be amended accordingly. Lastly, this research will be placed in the context of other studies reported in the literature.

6.2 Organizational Factors

As the literature argues, customer relationship management (CRM) is a company-wide project involving participations and contributions from different units within the company (Alonso, 2002, Kotorov, 2003), as well as investment of various resources (Croteau and Li, 2003). Hence, the organizational factor is often perceived as one of the most critical issues in CRM implementation. In particular, the level of integration within the organization, the commitment of senior management about the project, the appropriate operating systems that support CRM practice and the availability of various resources have been argued as having significant consequences for CRM implementation process. In general, the findings of this study support these arguments. As all sub-hypotheses of the organizational factor have successfully confirmed the association between these organizational issues, it indicates that the organizational perspective of CRM should not be overlooked. In the following sections, the implications of each organizational issue are discussed further.

a. Organizational Integration

The literature indicates that CRM implementation can be accomplished only when employees from different departments work closely together. Therefore, integration between departments is often considered as one of the factors fundamental to CRM success (Chen and Popvich, 2003, Kotorov, 2003, Payne and Frow, 2004). Establishment of an interconnected system not only enables cooperation between various business functions (Alonso, 2002) but also helps to improve a company's ability to collect customer information and construct a comprehensive body of customer knowledge (Bharadwaj, 2000, Bradshaw and Brash, 2001).

Results from this study reveal there are frequent information exchange activities and close working relationships between staff in small to medium-sized enterprises (SMEs). However, information collected also indicates that employees of SMEs do not always follow company guidelines to work as a team. This outcome is not unforeseen as the literature suggest that SMEs generally have flexible organizational structures (Gunasekaran et al., 2000).

Moreover, this study has successfully supported the argument that integration among people working at different business functions does have an impact on a company's CRM implementation. This implies that close working relationships and frequent information exchange between staff improves a company's ability to capture crucial information about its customers. This, in turn, helps a company to serve customers effectively and efficiently.

b. Executive Commitment

The involvement and support of senior management is another crucial factor to CRM success. Strong support from the executive level delivers the message of commitment and this translates into motivation for employees to devote their energies to the project (Alonso, 2002, Dibb, 2001, Selland, 2004, Woodcock and Starkey, 2001). It also has a positive impact on securing the required resources for implementing the CRM project (Rigby and Ledingham, 2004), and reducing employee's resistance about the changes (Kotter, 1995, Rai and Bajwa, 1997).

This study reveals that management of Chinese SMEs not only actively participate in customer-related issues but also frequently discuss the issue of customer interaction with staff, to motive everyone in the organization to participate in improving customer relationships. In addition, this study also suggests that managers' attitudes about CRM are closely associated with its success. In particular, managers' efforts to promote CRM not only increase staff recognition and acceptance of the concept, it also motivates employees to participate in the project. This suggests that the factor of executive commitment should remain in the model as an influential factor for CRM implementation.

c. System Readiness

CRM implementation is a complex project that requires the continuous participation and commitment of staff. As a result, it is important to ensure that the company has a clear structure that encourages staff participation (Kotorov, 2003, Crosby and Johnson, 2001). In particular, operational processes need to be adjusted to ensure the system serves to assist CRM implementation (Alonso, 2002, Kotorov, 2003). In addition, a proper performance measurement system and reward structure is necessary in order to motive employees about   the project (Crosby and Johnson, 2001, Rigby and Ledingham, 2004).

Results from this study indicate that most SMEs have instructions about how to deal with customers. However, although these instructions are available to employees, they do not always follow procedures. This situation can be explained by the flexible organizational structures SMEs have. Moreover, although the results indicate that Chinese SMEs recognize the importance of customers, it is not reflected in companies' reward systems. Instead, employees are usually rewarded for their superior sales performance. In regard to this issue, the literature reveals that SMEs have limited resources and there is enormous pressure for business survival (Bland, 2004, Fuller, 1997). Therefore, SMEs tend to focus on issues that matter to their profits the most. In this case, although the ability of staff to deliver excellent customer service or manage relationships with customers is important; the sales employees generate, on the other hand, have more direct impact on the company. Therefore, employees' abilities to generate sales are very much emphasized.

Furthermore, the study supports the argument that the readiness of a company's system has an impact on CRM implementation. In particular, the company needs to establish a clear structure for staff to follow to execute the project. In addition, the company needs to measure staff performance based on relevant performance and staff should be awarded accordingly. For these reasons, system readiness is considered an influential factor to CRM implementation and remains in the model.

d. Resource Availability

When a company implements a CRM project, accessibility of resources plays an important role in its success (Compton, 2004). Results of this research support the

argument and conclude that availability of the necessary resources has a substantial impact on CRM implementation. Resource availability, thus, remains in the model as an influential factor to CRM implementation.

In particular, the technical resources available have a significant connection to a company's implementation of the CRM project. As noted earlier, technology advances play a crucial role in the development of the CRM concept. Development of technological applications helps to connect the different organizational functions allowing effective customer interaction (Chen and Popvich, 2003). In addition, advances in technology also increase a company's capability to handle large amounts of customer information (Hirschowitz, 2001). This enables a company to produce comprehensive customer knowledge, which helps it manage customer relationships more effectively (Crosby and Johnson, 2001).

With respect to human resources, the Chinese businesses sampled have similar proportions of generalized skilled and specialized skilled staff in the company, with the proportion of generalized skilled staff only slightly greater than specialized staff. Although the results support the argument that employees are not specialized in a specific area of expertise and are required to perform multiple tasks (Bland, 2004, Fuller, 1997, Vermond, 2004), there is no information indicating a shortage of specialized human resources in the SMEs sector. Hence, the issue a lack of specialized human resources, one of the disadvantages SMEs face while applying CRM (Vermond, 2004), cannot be supported in this study.

This study also examined the issue of staff training in Chinese businesses. The majority of companies recognize the importance of teaching staff about how to perform good customer service. Although companies recognize the importance of providing training to improve the ability of their staff to manage customers, results also reveal that selling techniques and produce/service information are the two most common items to be included in initial and ongoing training. This situation can be explained by the limited availability of resources and the high pressure put on sales people by most SMEs. Therefore, business decisions are mainly sales and survival oriented. Although SMEs are aware of the importance of customer service, they cannot afford to invest much of their resources on staff training for this issue.

6.3 Strategic Factors

In this research, customer relationship management (CRM) is defined as a strategy that aims to improve company performance by maximizing customers' lifetime value. Therefore, having a strategic perspective about the CRM issue is also important and cannot be ignored. In particular, establishment of a clear vision, development of comprehensive strategic plans, and formation of a customer-centric culture in the company are strategic issues that have significant impact on the CRM implementation process. In general, findings from this study support these arguments. As all sub-hypotheses of the strategic factor construct have successfully confirmed its influence on CRM, this indicates that the strategic perspective of CRM should not be overlooked. In the following sections, the implication of each strategic issue is discussed further.

a. Clear Vision

CRM is a complex concept that involves a wide range of issues. Therefore, it is important that a company establishes a comprehensive knowledge about the CRM concept (Plakoyiannaki and Tzokas, 2002), and also identifies the focus of the company's CRM implementation (Feinberg et al., 2002).

Results indicate that fewer than half of the Chinese businesses sampled understand the concept of CRM. However, all participants are aware of the benefits of having good relationships with customers. In addition, most of the Chinese SMEs sampled have strategies for improving relationships with customers and carry out apply these strategies frequently. These interesting findings show that even though SMEs may not recognize the so-called CRM concept, they practice various CRM activities frequently and these activities are part of their usual business operations. This phenomenon can be explained by the notion that most SMEs are owner operated and deficiency in managerial knowledge is one of the distinctive characters of SMEs (Birley, 1982/1983, Gurau, 2004).

In addition, the availability of a staff handbook is another issue that has been revealed from this study. The results indicate only a small number of Chinese SMEs sampled have a staff handbook. This is in line with the argument that SMEs have flexible and informal structures, which was caused mainly by the deficiency of managerial

knowledge (Carson, 1990, Fuller, 1997). However, it is also important to note that among these small numbers of companies with staff handbooks, all include the concept of CRM. In addition, these companies have explained the purpose of having good relationships with customers to their employees. They also have company rules about managing business relationships with their customers. It is important to point out here that this finding seems to contradict the common character of lacking managerial knowledge of SMEs. However, as there are only a few SMEs identified in this instance, the majority of participating companies still demonstrates the same character as suggested in the literature.

Furthermore, the results of this research confirm the argument that the establishment of clear vision has a large impact on CRM implementation. In particular, a company needs to have a clearly defined strategy when implementing CRM. It helps to ensure the project is strategically focused. This suggests that the issue of having a clear vision remains in the model and is considered an influential factor in CRM implementation.

b. Comprehensive Planning

CRM is a long-term, complex process which requires a large amount of time and resources (Alonso, 2002, Woodcock and Starkey, 2001). Therefore, constant input and cooperation from different departments for long periods of time are necessary while implementing CRM, and comprehensive planning is essential as it provides clear guidance to employees (Rigby and Ledingham, 2004). It helps to ensure the process is strategically focused and implemented smoothly.

Information collected in this study supports the argument that the establishment of comprehensive execution plans has an impact on CRM implementation. In particular, a company needs to have a project plan that specifies the objectives of different stages in the process. This ensures the company is strategically focused at all stages. Hence, comprehensive planning is considered as influential on CRM implementation and remains in the model.

c. Customer-centric Culture

The fundamental issue of the CRM concept is the value of customers to business

survival (Woodruff, 1997, Zablah et al., 2004). It emphasizes the message that a company needs to have a corporate culture that values its customers and always aims to satisfy them.

Results of this study reveal that a customer-centric culture is commonly established among the Chinese SMEs sampled. Most companies are not only aware of the importance of customers to their businesses but also have established their operational processes based on their customers' needs. Moreover, many companies include input obtained from their customers into their decision making process.

Furthermore, results of this research support the argument that a customer-centric culture has an impact on CRM implementation. In particular, staffs need to recognize the importance of customers and always put customer interests first. In addition, the company needs to establish its operational processes in the way that serves its customers best. This suggests that a customer-centric culture should remain in the model as an influential factor for CRM implementation.

6.4 Cultural Factors

The customer is the key component of the Customer Relationship Management (CRM) concept. Research has shown that culture has an impact on consumer behaviour (Crotts and Erdmann, 2000, Liu and McClure, 2001). Hence, this research argues that culture has an impact on relationships between customers and companies and, therefore, has impact on the way companies practice CRM. That is why cultural contributions to CRM are important and should not be ignored. In particular, the practice of networking and the degree of personal interaction between companies' employees and its customers are cultural issues that have a significant impact on the CRM implementation process. In general, the findings from this study have successfully confirmed the association between cultural and CRM implementation and, therefore, the cultural perspective on CRM should not be overlooked. In the following sections, the implication of each cultural issue is discussed further.

a. Networking

Establishing and managing long term relationships with customers with the intention of contributing to a company's profits is a fundamental element of customer

relationship management. As networking is promoted as an important element in managing buyer and seller relationships (Gilbert and Tsao, 2000), the issue of networking in a company's CRM practice should not be overlooked.

Results indicate that the majority of Chinese small to medium-sized enterprises (SMEs) recognize that networking is an important technique to achieve long-term relationships with important customers, and they apply it frequently. In addition, networking has a positive impact for establishing business relationships, acquiring the necessary resources, solving business problems, reducing risk and smoothing the negotiation process.

Overall, results from this study suggest that a company's attitude and practice of networking has an impact on CRM implementation. In particular, networking helps a company to establish business relationships. It also plays an important role in acquiring the necessary resources, reducing risk and solving business problems. Hence, networking remains in the model, as an influential factor to CRM implementation.

b. Human interaction

Human interaction is an important element in building relationships with customers (McGarry, 1995). The existence of interpersonal interaction helps to reduce risk and increase confidence (Lee and Dawes, 2005). Research also reveals that the degree of dependency on human interaction varies in different cultural backgrounds and, in particular, human interaction is highly regarded in Chinese culture (Hsieh and Liu, 1992). This suggests the inclusion of human interaction in this study as an influential factor in CRM implementation.

Results of this research, however, do not support this argument and the intention of demonstrating the association between human interaction and CRM implementation was not successful. Therefore, the factor of human interaction is removed from the model. Nevertheless, although this research failed to establish the connection between human interaction and CRM implementation, it is important to note that information collected in this research shows the majority of the companies sampled value human interaction greatly and frequently incorporate it into their business practices. This

argument can also been demonstrated by the result of the ANOVA test. The F value, which is almost equal to the critical value, implies that there might be a weak relationship between human interaction and CRM implementation. These contradictory results are unanticipated. However, this could be a result of the low response rate of the study.
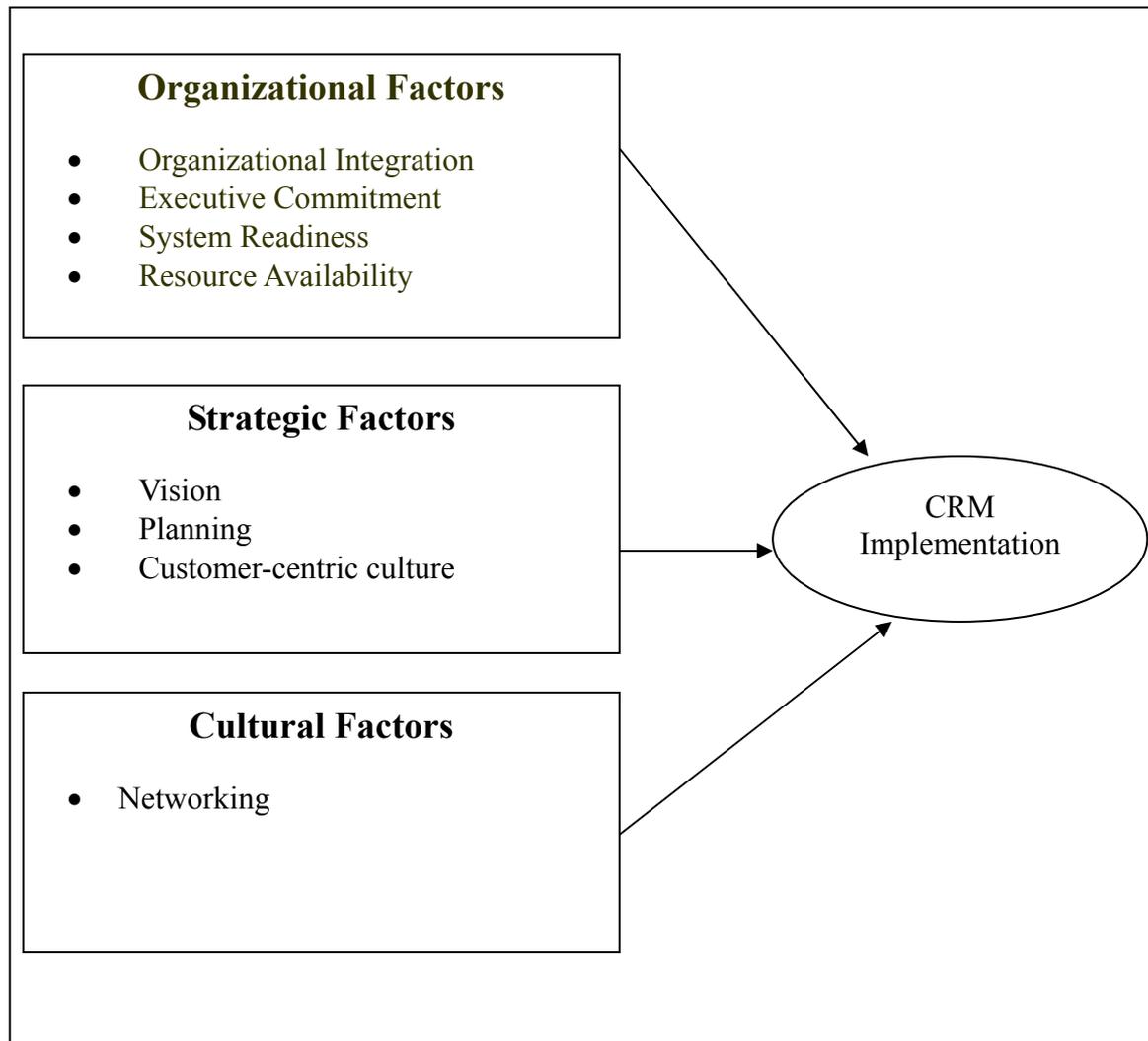
Figure 6.1 Revised Research Model

6.5 Research Model Modification

Results from the study so far have confirmed the relationship between organizational, strategic and cultural factors and Customer Relationship Management (CRM), while the association with one element of the cultural factor – human interaction and CRM – could not be established. Therefore, adjustments are required in the research model. In specific, the second cultural factor – human interaction – is removed from the model. All other elements remain in the model as the relationship between these

elements and CRM implementation has been established. In the following table (Table 6.1), the research model is modified to reflect this result.

6.6 Chapter Summary

In this chapter, the research results were discussed. Organizational factors, including organizational integration, executive commitment, system readiness and resource availability have been suggested as being closely associated with CRM implementation. In addition, strategic issues, including vision, planning and customer-centric culture are shown to have significant impacts on how CRM is implemented. Lastly, networking is the cultural factor identified as having an impact on CRM, while the issue of human interaction could not be supported as a cultural issue that is associated with CRM implementation. In the following chapter, research conclusions and managerial implications are presented.

Chapter Seven: Conclusions

7.1 Overview

In the previous chapter, the results of the study have been discussed. By verifying the associations between these factors and CRM implementation, the results from this study has successfully established the argument that CRM implementation is affected by a company's practices and attitudes toward organizational, strategic and cultural issues. In this chapter, managerial implications and recommendations are presented. In addition, limitations of the research that might compromise the results are also discussed. Furthermore, future research opportunities and directions related to CRM implementation issues are outlined.

7.2 Evaluation of the Research Question

This study aims to explore the implementation of CRM in Chinese SMEs, in particular, to find the factors that affect its implementation. In general, this study has supported the notion that the result of small to medium-sized enterprises' (SMEs) implementation of customer relationship management (CRM) is affected by attitudes and business practices about various organizational, strategic and cultural issues. In addition, this study reveals that the CRM concept is commonly practised in SME's day-to-day operations. However, little consideration is given to strategy. It is only considered at the sales level, not at the strategic or corporate levels. Therefore, this study suggests that SMEs need to apply CRM in a more well-defined/organized way, in order to maximize the benefits. This means SMEs need to focus on internal issues, such as operational processes, in order to gather all resources together to work on developing customer relationships in a more effective way. In the following sections, recommendations regarding each issue are outlined.

7.2.1 Organizational factors

SMEs are more flexible and closer to their customers than larger businesses. These unique characteristics provide them with an advantage in satisfying customers. However, the less formal and less structured nature with little internal integration among many SMEs may comprise their efforts to deliver superior and effective customer service. The establishment of organized business processes is considered to be a solution to overcome this issue. In particular, companies need to improve the

integration of CRM into the whole range of their business processes. This enables cooperation between departments and improves communication within the company. This, in turn, has positive impacts on the quality of customer information. Moreover, management needs to actively support and commit to CRM implementation, in order to obtain acceptance and commitment from employees for participation in CRM related tasks. Furthermore, a detailed job description that emphasizes the importance of customer service and a reward structure that provides clear guidelines and incentives encourages employee's involvement in the CRM project. Lastly, allocation of the necessary resources is also important in achieving a company's CRM objectives.

7.2.2 Strategic factors

As noted above, it is not adequate just to practise CRM only at the sales level. Having a strategic focus is also an important component of CRM implementation. However, this contradicts the fundamental nature of SMEs whose decision making and operational processes are reactive, intuitive and less informative. Research indicates that the decision maker's lack of skill in strategic planning is highly associated with this circumstance.

To overcome this issue, this study suggests that SMEs need to have a clear understanding of what CRM really is and what can be achieved by its implementation. Together with evaluations of the company's existing situation, SMEs need to determine the objective(s) they intend to achieve through applying CRM. Based on this goal, a company then needs to establish a clear plan of execution. In addition to a detailed plan, the establishment of a customer-centric culture needs to be widely accepted within the company. These deliver a clear message that customer should be the key consideration of all business decision.

7.2.3 Cultural factors

This study proposes that culture has a significant impact on CRM implementation. Research results indicate that the majority of SMEs have recognized the issue of cultural differences and their impact on consumer behaviour. In addition, many SMEs have also revealed that their staff adjust their behaviour when dealing with customers from different cultural backgrounds.

This research also supports the argument that networking is commonly practised among SMEs. Networking is perceived as not only an important tool and resource of the company but also an important element in establishing long-term relationships with their customers. This result shows that the issue of networking is closely associated with CRM implementation. In addition, this research also reveals that the emphasis of networking may vary in different contexts. This implies that customers with different cultural backgrounds need different degrees of networking.

7.3 Managerial Implications

As mentioned earlier, results of this study suggest that the implementation of customer relationship management (CRM) is affected by the organization's attitudes and business practices regarding various organizational, strategic and cultural issues. Hence, changes to management practice may be required to facilitate the implementation. Derived from these results, managerial implications are developed and presents as follows.

1. CRM is important to business performance. It is widely practiced, and companies should continue doing so. However, companies also need to have more understanding of the concept in order to maximize the benefit.

2. An organizational structure that supports the practice of CRM is necessary. In particular, the close cooperation within the company, the reward structure that encourages employee's involvement in applying CRM, continuous support and participants to the program, and provision of essential resources are issues that should not be overlooked.

3. Being strategically focused is another matter managers need to attend to. CRM is a broad concept which involves many issues. It is important to focus on the key elements. To achieve this, an implementation plan is useful. It helps to establish a clear goal and provides a clear guideline for managers and employee to follow.

4. Cultural does matter. Customers with different cultural backgrounds have different issues. Therefore, customers from different background should be treated accordingly.

7.4 Research Limitations

This study has established that small to medium-sized enterprises (SMEs) practice of organizational factors – organizational integration, executive commitment, system readiness and resource availability are closely associated with their customer relationship management (CRM) implementations. In addition, strategic issues, including vision, planning and customer-centric cultures; as well as a cultural issue – networking, are equally relevant. However, this study has also recognized a number of problems which compromise the results of this research. In the following sections, limitations identified in this research are outlined.

First, the research population is Chinese SMEs in New Zealand. However, due to resource constraints and the availability of research population information, research participants were recruited from Chinese SMEs in the Auckland area. Although Auckland is home to the majority of Chinese businesses in New Zealand, the lack of information input by Chinese SMEs from outside the Auckland region may have compromised the representativeness of the sample with regard to Chinese SMEs behaviour in New Zealand.

Secondly, the response rate of this study is rather low. Although this study tried to improve this situation by not limiting prospective subjects to a particular industry, those participating in the research were still rather limited in number. As such, a research result based upon information input from a small number of research participants is another issue that may compromise the representativeness and generalisability of the study. The problem of limited data input is caused by the following reasons. Chinese represent one of the minority ethnic groups in New Zealand and there is only small group of Chinese SMEs in New Zealand. In addition, Chinese are usually not interested in participating in research. According to Chen (2001), Chinese are not comfortable with disclosing their personal information, especially to outsiders. This is because they are usually reluctant to take risks and do not trust people they do not know (Cheung and Chow, 1999, Fuller and Peterson, 1992, Hofstede, 1984). This is also supported by Carr, Leong & Sheu (2000) who indicate that Chinese companies are not willing to take part in studies if they do not have relationships with the researchers beforehand. In addition to the risk adverse Chinese people, the sensitivity of the research topic is another possible reason causing

a low response rate (Churchill, 1995). This survey asked participants to reveal their company's information about various issues. The sensitivity of commercial information may prevent people from taking part in the research.

To overcome this problem, the following suggestions are reported from the literature. First, the design of the research is one issue that needs to be considered. Davison, Li and Kam (2006) point out that it is important that questions in the survey are simple and easy to understand. In addition, the time required to complete the survey, and the language and phrases used in the survey also has significant impacts on the response rate (Calvert and Pope, 2005). In this case, using Chinese in the questionnaire, for example, could be considered. Moreover, using another different data collection technique is also a solution to increasing the response rate. For example, a telephone survey usually generates a higher response rate than a mail survey as it is more difficult to refuse to participate on the phone than by mail (Calvert and Pope, 2005). Interviews are another option that can be considered. This method not only produces higher response rates, it also improves the validity of information (Lin and Wu, 2004). Moreover, a multi-method approach is another solution to improve the response rate (Flick, 1992). Instead of only conducting a mailed survey, other data collection methods, such as interviews or telephone surveys, can be used as part of the data collection procedure (Snell and Herndon, 2004). Furthermore, questionnaires can be coded in order to identify respondents. This will facilitate the researcher to carry out the follow-up contact. However, one must also recognise the confidentiality issue this may represent, and take steps to minimise its impact on response rates.

In addition to the design of the research, developing a relationship with research participants before conducting the survey is another way to improve the response rate. As mentioned earlier, Chinese are reluctant to participate in the research without knowing the researcher in advance (Carr et al., 2000). Hence, it is helpful that respondents are familiar with the researcher and the study before conducting the survey. However, the limited research resources often mean time and financial constraints that prevent the researcher from doing this. In this case, cooperation with a social group or a professional society is an alterative solution. This is a common channel for identifying potential respondents. It is also an effective way to establish a relationship with participants and to collect information (Davison et al., 2006).

7.5 Future Research

This research has successfully established a research framework that identifies essential factors related to customer relationship management (CRM) implementation in the small to medium-sized enterprises (SMEs) context. In particular, the Chinese context is emphasized in this study. This is because one of the focuses of this research is to examine the impact of cultural issues on CRM implementation. As Chinese culture is distinctive from Western culture and is strongly relationship oriented, it is considered a suitable section to be examined. In the following section, prospective research opportunities are identified.

First, the applicability of this research to different cultural contexts should be considered. Research shows culture has a strong impact on customer behaviour. Therefore, it would be interesting to explore the impact that different cultures might have on CRM implementation. In addition, a comparative study using this research framework between two cultural contexts is worth of exploring.

Moreover, SMEs are defined differently in different countries. The scale of SMEs may have a substantial impact on their behaviour. For instance, the size of small businesses in New Zealand is equivalent to micro businesses in the UK. Hence, the applicability of this research framework within different scale of the enterprise needs to be examined further.

Furthermore, research indicates that CRM is an important issue to businesses in all industries, and the customer is the most important assets to the organization. However, it is important to point out that the nature of each industry varies, so its business practises may vary accordingly. Therefore, examination of the framework in different industry contexts may produce interesting outcomes.

Lastly, a number of suggestions were pointed out which aim to rectify the problem as it occurred in this study. These include recruiting research participants outside the Auckland area, using different data collection methods such as face-to-face interviews, conducting the research in the appropriate Chinese language/dialect, and using different sampling methods to recruit participants. These suggestions also provide further research opportunities which could produce more satisfactory results.

7.6 Chapter Summary

This research has established a new framework for customer relationship management (CRM) implementation. In particular, it reinforces the argument promoted by many researchers that CRM is a strategic issue, not just a computer software or package. In addition, this research also identifies four organizational issues – organizational integration, executive commitment, system readiness, and resource availability; three strategic issues - vision, planning and customer-centric culture; and one cultural issue – networking -- as influencing a company's CRM implementation. To improve a company's results in implementing CRM, these important considerations should not be overlooked.

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Appendices

Appendix 1

Research Questionnaire

Section 1:

The following questions ask you to describe the organizational perspective of your company regarding its customers. Please tick (√) the box that corresponds with your company's view.

1.1 Do staff exchange customer information with each other? ☐Yes ☐No
    (If yes, please continue with question 1.2; otherwise, please go to question 1.4)

1.2 How often do staff exchange customer information with each other?
    ☐Never ☐Rarely ☐Sometimes ☐Frequently ☐Very Frequently

1.3 What kind of customer information does staff exchange with each other? (Please √ all that apply)

    ☐Service encounter experiences ☐Product/service preference
    ☐Spending patterns ☐Personal information
    ☐Other, please specify:_____

1.4 Does your company have a procedure on distributing customer information? ☐Yes ☐No
    (If yes, please continue with question 1.5; otherwise, please go to question1.6)

1.5 If yes, what is the major communication method?
    ☐Written Memo ☐Regular meeting
    ☐Conversation ☐Telephone conversation
    ☐Other, please specify:_____

1.6 If not, how is information distributed?
    Please specify:_____

1.7 Does your company use specialized Customer Relationship Management (CRM) software to
    manage customer? ☐Yes ☐No
    (If yes, please continue with question 1.8; otherwise, please go to question 1.9)

1.8 How often does your company use specialized Customer Relationship Management (CRM)
    software to improve its ability to manage customers?

    ☐Never ☐Rarely ☐Sometimes ☐Frequently ☐Very Frequently

	Never	Rarely	Sometimes	Frequently	Very Frequently
1.9 To what extent do staff have to follow guidelines to work together as a team?	☐	☐	☐	☐	☐
1.10 How often do you discuss with staff how to interact with customers?	☐	☐	☐	☐	☐
1.11 How often do staff follow procedures when dealing with customer complaints?	☐	☐	☐	☐	☐
1.12 To what extent do you follow a formal appraisal system to measure employee performance in customer service?	☐	☐	☐	☐	☐
1.13 How often are staff rewarded for their performance in customer service?	☐	☐	☐	☐	☐

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1.14 Staff have good working relationships with each other.	☐	☐	☐	☐	☐
1.15 We have clear instructions on how to handle customer complaints.	☐	☐	☐	☐	☐
1.16 Staff are satisfied with the way they are treated by the company.	☐	☐	☐	☐	☐
1.17 Our computer system plays an important role in managing customer information.	☐	☐	☐	☐	☐
1.18 I am capable of managing customers	☐	☐	☐	☐	☐
1.19 My staff are skilled at managing customers.	☐	☐	☐	☐	☐
1.20 Training staff in good customer relationships is essential to my business.	☐	☐	☐	☐	☐
1.21 We have a written rule for just about everything	☐	☐	☐	☐	☐
1.22 A staff member's personality is more important than training to good customer relationship management.	☐	☐	☐	☐	☐

1.23 Please indicate what proportion of staff communication is by written memos _____%

What proportion of customer communication is by verbal communication _____%

1.24 On average, how much time do you spend interacting with the average customer every day?
About _____hours

1.25 On average, how much do you spend on an average customer? NZD$_____

1.26 What percentage of your staff have general skills and what proportion have specialised skills?
General skilled staff _____%   Specialized skilled staff _____%

1.27. Staff are recognised or rewarded for improvement in the following areas. (Please √ all that apply)

☐Sales   ☐Cross-selling   ☐Customer satisfaction
☐Market share   ☐Number of new customers ☐Number of repeat customers
☐How much each customer spends   ☐Other, please specify: _____

1.28. We provide the following initial training to new staff. (Please √ all that apply)

☐Internet-mail policy   ☐Writing techniques   ☐Telephone techniques
☐Selling techniques   ☐Computer techniques   ☐Produce/service information
☐Company policies, procedures ☐Problem solving/negotiation skills
☐Dealing with angry customers ☐Other, please specify: _____

1.29 Staff have ongoing training in the following area. (Please √ all that apply)

☐Internet-mail policy   ☐Writing techniques   ☐Telephone techniques
☐Selling techniques   ☐Computer techniques   ☐Produce/service information
☐Company policies, procedures ☐Problem solving/negotiation skills
☐Dealing with angry customers
☐Other, please specify: _____

Section 2:

The following questions ask you to illustrate the strategy your company has for customer relationships. Please tick (√) the box that best describes your company.

	Very Frequently	Frequently	Occasionally	Rarely	Never
2.1 We execute projects which aim to improve the company's relationships with our customers.	☐	☐	☐	☐	☐
2.2 We document details of projects that aim to improve relationships with customers.	☐	☐	☐	☐	☐
2.3 We make use of information collected from customers in developing new products/services.	☐	☐	☐	☐	☐

2.4 I have a good understanding of the concept of Customer Relationship Management (CRM).
☐Yes   ☐No

2.5 I am aware of the benefits of having good relationships with customers
☐Yes   ☐No

2.6 My company has a clear strategy on how to improve relationships with customers.
☐Yes   ☐No

2.7 The customer's interest always comes first.
☐Yes ☐No

2.8 My company has established its operational process based on customer needs.
☐Yes   ☐No

2.9 We have a staff handbook.
☐Yes   ☐No
(If yes, please continue to answer question 2.10; otherwise, please go to question 2.13.)

2.10 The concept of Customer Relationship Management (CRM) is included in our staff handbook.
☐Yes ☐No

2.11 The purpose of managing good relationships with customers is explained in our staff handbook.
☐Yes ☐No

2.12 The company's code of conduct on how to manage business relationships with customers is detailed in our staff handbook.
☐Yes ☐No

2.13 Our company has a clear rule on the budget for entertaining customers.
☐Yes ☐No

2.14 Good relationships with customers will help the company to do better in the following areas. (Please √ all that apply)

☐Targeting and marketing   ☐Keeping customers from going to competitors   ☐Sales
☐Service process designs   ☐Development of product/service offering
☐Other, please specify:_____

2.15 What do you hope to achieve by improving relationships with customers? (Please √ all that apply)

☐Profit   ☐Customer loyalty   ☐Customers don't buy from my competitors
☐Market share   ☐Customers buy extra products
☐Customers recommend us to his/her friends   ☐Other, please specify:_____

Section 3:

The following statements questions ask you to describe the influence of culture in managing customer relationships in your company. Please √ the box that describes your company.

	Never	Rarely	Occasionally	Frequently	Very Frequently
3.1 How often do staff use their connections to generate new business?	☐	☐	☐	☐	☐
3.2 How often do staff interact with customers?	☐	☐	☐	☐	☐

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
3.3 Guanxi is important for keeping long-term relationships with customers.	☐	☐	☐	☐	☐
3.4 Networking is not important to my business.	☐	☐	☐	☐	☐
3.5 Guanxi customers are my best customers.	☐	☐	☐	☐	☐
3.6 It is better for business if friends are rarely customers.	☐	☐	☐	☐	☐
3.7 Language is a barrier to serving my customers.	☐	☐	☐	☐	☐
3.8 Customers from different cultures require different business approaches.	☐	☐	☐	☐	☐
3.9 It is better to establish a relationship with a customer in person.	☐	☐	☐	☐	☐
3.10 Problems are easier to resolve when customers are contacted by telephone, rather than face to face.	☐	☐	☐	☐	☐

3.11 What do you think the concept of Guanxi is about? (Please √ all that apply)
☐Special relationship   ☐Connection   ☐Personal interaction
☐Essential for business survival   ☐Friendship
☐Trust   ☐Key to success
☐Mutual benefits of two people   ☐Mutual obligations between people
☐Other, please specify:_____

3.12 What is/are the benefit(s) of Guanxi? (Please √ all that apply)
☐Reduce risk   ☐Increase confidence   ☐Establish business relationship
☐Solve business problem   ☐Acquire necessary resource ☐Smooth negotiation process
☐Channel cooperation   ☐Project approval   ☐Other, please specify:_____

3.13 What is/are the problem(s) with Guanxi? (Please √ all that apply)
☐Reduce profit   ☐Biased   ☐Interfere with normal business
☐Unethical   ☐Prejudiced   ☐Unreasonable expectation from customer
☐Never-ending obligation   ☐Can be expensive
☐Other, please specify:_____

Section 4:

What further comments do you have about managing customer relationships?

Section 5:

Please kindly provide the following general information.

5.1   Gender: ☐Male ☐Female

5.2   Age: _____ years

5.3   Country of origin: _____

5.4   Highest education level: please specify: _____

5.5   What is your position in the company?

         ☐Owner (how many companies do you own? _____)

         ☐Manager

         ☐Other, please specify: _____

5.6   Industry sector of your business

         _____

5.7   What is the proportion of Chinese and non-Chinese customers in your company?

         Chinese_____%

         Non-Chinese_____%

5.8   Number of staff:

         Full time: _____

         Part-time: _____

5.9   What was the sales turnover of your company last financial year?   NZD$_____

5.10   When was your company established?   _____

5.12   Who is the company's decision maker?

         ☐Owner ☐Manager   ☐Other, please specify:_____

Thank you very much for participating in this survey, your time and effort is greatly appreciated!

Appendix 2
Minimum Requirement of Sample Size

To determine the necessary sample size for this study, the following assumptions are made:

> (1) the degree of confidence is 95 percent;
>
> (2) level of precision is ±5 percentage points of the true level (Z=1.96);
>
> (3) estimated population proportion is 99 percent.

This is with the consideration that customer service and customer relationships are major sources of competitive advantages for most SMEs (Chen, 1999, Voudouris et al., 2000). Therefore, this study assumes the majority of SMEs incorporate the CRM concept into their business operations. Hence, the necessary size of sample is calculated as:

$$n = \frac{(1.96)^2}{(0.05)^2} (0.99)(1-0.99)$$

$$= \frac{3.8416}{0.0025} (0.99)(1-0.99)$$

$$= \frac{0.0380}{0.0025}$$

$$= \sim 15$$

Therefore, the minimum number of sample required for this study is 15 respondents.

Appendix 3

Examination of Company Size versus Industry Classifications

Table 8.1 presents a comparison of percentages between small and medium companies in each industry. It indicates that the property and business services (66.7%) was the industry sector with the highest proportion of small businesses. As noted in chapter five, participating companies identified as property and business services were mainly from the sub-category of immigration and student consultancies. These companies provide assistance and consultation to people who apply for visas and to study in New Zealand. This industry requires detailed knowledge of all relevant issues, which sometimes are rather complicated. In addition, the service process takes a long time as visa and school applications can often take a long time to approve. Furthermore, there are only small numbers of repeat or returned customers as a demand from the same customer does not occur often. Therefore, this result is reasonable taking into account the low labour intensity requirement of immigration and student consultant businesses. On the other hand, Chinese travel agencies and insurance brokers tend to employ more staff in order to provide prompt service to their customers. Therefore, it is not surprising to find that all companies identified as transport and storage, and finance and insurance were medium-sized enterprises.

		Company Size		
		Small Business : 0-5 employees	Medium Business : 6-19 employees	Total
Industry	Wholesale trade	2(28.6%)	5(71.4%)	7(100.0%)
	Retail trade	1 (50.0%)	1 (50.0%)	2 (100.0%)
	Accommodation, cafes and restaurants	2(28.6%)	5(71.4%)	7(100.0%)
	Transport and storage	**0 (0.0%)**	5(100.0%)	5(100.0%)
	Finance and insurance	**0 (0.0%)**	1(100.0%)	1(100.0%)
	Property and business services	6(66.7%)	3(33.3%)	9(100.0%)
	Education	1(50.0%)	1(50.0%)	2(100.0%)
	Health and community services	**0 (0.0%)**	1(100.0%)	1(100.0%)

Table 8.1: Proportion of enterprises by industry sector

Table 8.2 presents the distribution by industry among small companies and medium companies. It shows that half of small sized companies were identified as property and business services. In addition, wholesale trade and accommodation, cafés and restaurants were also commonly identified. Among companies that have been recognized as medium sized businesses, wholesale trade, accommodation, cafés and restaurants, as well as transport and storage, were the most commonly identified industry sectors.

		Company Size	
		Small Business : 0-5 employees	Medium Business : 6-19 employees
Industry	Wholesale trade	2 (16.7%)	5 (22.7%)
	Retail trade	1 (8.3%)	1 (4.5%)
	Accommodation, cafes and restaurants	2 (16.7%)	5 (22.7%)
	Transport and storage	**0 (0.0%)**	5 (22.7%)
	Finance and insurance	**0 (0.0%)**	1 (4.5%)
	Property and business services	6 (50.0%)	3 (13.6%)
	Education	1 (8.3%)	1 (4.5%)
	Health and community services	**0 (0.0%)**	1 (4.5%)
Total		12 (100.0%)	22 (100.0%)

Table 8.2: Proportion of industry sector by size

Appendix 4

Examination of Customer Source versus Industry Classifications

The result indicates that, on average, the majority of a company's customers are Chinese (76%) and only small portion of their customers are non-Chinese customers (24%). It is suspected that this phenomenon is likely to be related to the industry classification of the research participants. Table 8.3 indicates that more than seventy-five percent of companies in property and business services, transport and storage, and the education industries have identified Chinese customers as their major customers. In contrast, companies in the wholesale and retail trade groups have similar proportions of Chinese and non-Chinese customers. This seems sensible, considering the nature of these businesses. As noted above, companies identified as property and business services category are mainly immigration or student consultancies. In addition, companies categorized as in the transport and storage industry are mostly travel agencies, while language schools are categorized as in the education industry. Products or services offered by those companies are specifically catered to Chinese customers' needs.

		Estimated Chinese Customer Percentage				
		0-25%	26-50%	51-75%	76-100%	Total
Industry	Wholesale trade	2 (28.6%)	1 (14.3%)	**0 (0.0%)**	4 (57.1%)	7(100.0%)
	Retail trade	**0 (0.0%)**	1 (50.0%)	**0 (0.0%)**	1 (50.0%)	2 (100.0%)
	Accommodation, cafes and restaurants	**0 (0.0%)**	1 (14.3%)	3 (42.9%)	3 (42.9%)	7 (100.0%)
	Transport and storage	**0 (0.0%)**	**0 (0.0%)**	1 (25.0%)	3 (75.0%)	4 (100.0%)
	Finance and insurance	**0 (0.0%)**	**0 (0.0%)**	**0 (0.0%)**	1 (100.0%)	1 (100.0%)
	Property and business services	**0 (0.0%)**	1 (11.1%)	1 (11.1%)	7 (77.8%)	9 (100.0%)
	Education	**0 (0.0%)**	**0 (0.0%)**	**0 (0.0%)**	2 (100.0%)	2 (100.0%)
	Health and community services	**0 (0.0%)**	1 (100.0%)	**0 (0.0%)**	**0 (0.0%)**	1 (100.0%)

Table 8.3: Proportion of Chinese and non-Chinese customers by industry sector

Appendix 5

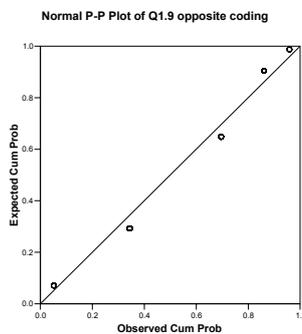# Hypothesis 1a: Organizational Integration

ANOVA assumption

The ANOVA is valid if the samples are randomly selected from normally distributed population and populations have equal variance. In the following, independence, normality and homogeneity are examined.

Independence

The sample is randomly selected from the normal population, hence, the chance of any one case been selected is not affected by any other case.

Normality

A normal probability plot is adopted to examine the normality of the distribution. The result indicates the distribution is normal as the line representing the actual data distribution closely follows the straight diagonal distribution line.

Normal P-P Plot of Q1.9 opposite coding

Homogeneity

Levene's test of equality of error variances is used to examine the homogeneity of variance of the dependent variable between groups. The result shows the Levene's statistic is not significant at the 0.05 level. Therefore, the homogeneity assumption has not been violated and the population has equal variances.

Levene's Test of Equality of Error Variances (a)

F	df1	df2	Sig.
1.281	4	46	.291

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+Q2.1

Appendix 6

Hypothesis 1b: Executive Commitment
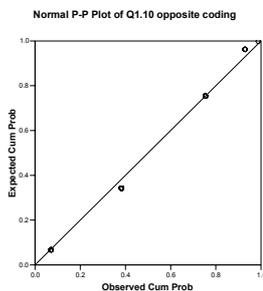
ANOVA assumption

The ANOVA is valid if the samples are randomly selected from normally distributed population and populations have equal variance. In the following, independence, normality and homogeneity are examined.

Independence

The sample is randomly selected from the normal population, hence, the chance of any one case been selected is not affected by any other case.

Normality

A normal probability plot is adopted to examine the normality of the distribution. The result indicates the distribution is normal as the line representing the actual data distribution closely follows the straight diagonal distribution line.

Homogeneity

Levene's test of equality of error variances is used to examine the homogeneity of variance of the dependent variable between groups. The result shows the Levene's statistic is not significant at the 0.05 level. Therefore, the homogeneity assumption has not been violated and the population has equal variances.

Levene's Test of Equality of Error Variances (a)

F	df1	df2	Sig.
2.106	4	46	.095

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+Q2.1

Appendix 7

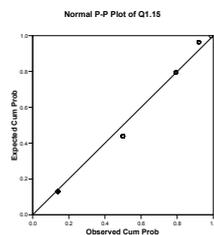# Hypothesis 1c: System Readiness

ANOVA assumption

The ANOVA is valid if the samples are randomly selected from normally distributed population and populations have equal variance. In the following, independence, normality and homogeneity are examined.

Independence

The sample is randomly selected from the normal population, hence, the chance of any one case been selected is not affected by any other case.

Normality

A normal probability plot is adopted to examine the normality of the distribution. The result indicates the distribution is normal as the line representing the actual data distribution closely follows the straight diagonal distribution line.

Homogeneity

Levene's test of equality of error variances is used to examine the homogeneity of variance of the dependent variable between groups. The result shows the Levene's statistic is not significant at the 0.05 level. Therefore, the homogeneity assumption has not been violated and the population has equal variances.

Levene's Test of Equality of Error Variances(a)

F	df1	df2	Sig.
2.456	4	46	.059

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+Q2.1

Appendix 8

Hypothesis 1d: Resource Availability
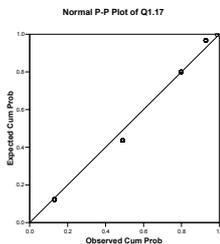
ANOVA assumption

The ANOVA is valid if the samples are randomly selected from normally distributed population and populations have equal variance. In the following, independence, normality and homogeneity are examined.

Independence

The sample is randomly selected from the normal population, hence the chance of any one case been selected is not affected by any other case.

Normality

A normal probability plot is adopted to examine the normality of the distribution. The result indicates the distribution is normal as the line representing the actual data distribution closely follows the straight diagonal distribution line.

Normal P-P Plot of Q1.17

Homogeneity

Levene's test of equality of error variances is used to examine the homogeneity of variance of the dependent variable between groups. The result shows the Levene's statistic is not significant at the 0.05 level. Therefore, the homogeneity assumption has not been violated and the population has equal variances.

Levene's Test of Equality of Error Variances(a)

F	df1	df2	Sig.
1.727	4	45	.161

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+Q2.1

Appendix 9

Hypothesis 2b: Planning
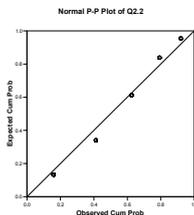
ANOVA assumption

The ANOVA is valid if the samples are randomly selected from normally distributed population and populations have equal variance. In the following, independence, normality and homogeneity are examined.

Independence

The sample is randomly selected from the normal population, hence, the chance of any one case been selected is not affected by any other case.

Normality

A normal probability plot is adopted to examine the normality of the distribution. The result indicates the distribution is normal as the line representing the actual data distribution closely follows the straight diagonal distribution line.

Homogeneity

Levene's test of equality of error variances is used to examine the homogeneity of variance of the dependent variable between groups. The result shows the Levene's statistic is not significant at the 0.05 level. Therefore, the homogeneity assumption has not been violated and the population has equal variances.

Levene's Test of Equality of Error Variances(a)

F	Df1	df2	Sig.
.804	4	46	.529

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+Q2.1

Appendix 10

Hypothesis 2c: Customer-centric Culture
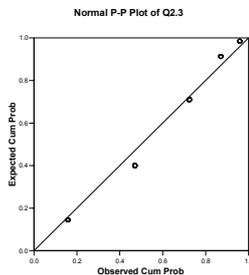
ANOVA assumption

The ANOVA is valid if the samples are randomly selected from normally distributed population and populations have equal variance. In the following, independence, normality and homogeneity are examined.

Independence

The sample is randomly selected from the normal population, hence, the chance of any one case been selected is not affected by any other case.

Normality

A normal probability plot is adopted to examine the normality of the distribution. The result indicates the distribution is normal as the line representing the actual data distribution closely follows the straight diagonal distribution line.

Normal P-P Plot of Q2.3

Homogeneity

Levene's test of equality of error variances is used to examine the homogeneity of variance of the dependent variable between groups. The result shows the Levene's statistic is not significant at the 0.05 level. Therefore, the homogeneity assumption has not been violated and the population has equal variances.

Levene's Test of Equality of Error Variances(a)

F	Df1	df2	Sig.
2.317	4	46	.071

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+Q2.1

Appendix 11

Hypothesis 3a: Networking
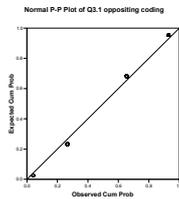
ANOVA assumption

The ANOVA is valid if the samples are randomly selected from normally distributed population and populations have equal variance. In the following, independence, normality and homogeneity are examined.

Independence

The sample is randomly selected from the normal population, hence, the chance of any one case been selected is not affected by any other case.

Normality

A normal probability plot is adopted to examine the normality of the distribution. The result indicates the distribution is normal as the line representing the actual data distribution closely follows the straight diagonal distribution line.

Homogeneity

Levene's test of equality of error variances is used to examine the homogeneity of variance of the dependent variable between groups. The result shows the Levene's statistic is not significant at the 0.05 level. Therefore, the homogeneity assumption has not been violated and the population has equal variances.

Levene's Test of Equality of Error Variances(a)

F	Df1	df2	Sig.
1.611	4	46	.188

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+Q2.1

Appendix 12

Hypothesis 3a: Human Interaction
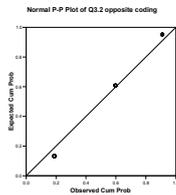
ANOVA assumption

The ANOVA is valid if the samples are randomly selected from normally distributed population and populations have equal variance. In the following, independence, normality and homogeneity are examined.

Independence

The sample is randomly selected from the normal population, hence, the chance of any one case been selected is not affected by any other case.

Normality

A normal probability plot is adopted to examine the normality of the distribution. The result indicates the distribution is normal as the line representing the actual data distribution closely follows the straight diagonal distribution line.

Homogeneity

Levene's test of equality of error variances is used to examine the homogeneity of variance of the dependent variable between groups. The result shows the Levene's statistic is not significant at the 0.05 level. Therefore, the homogeneity assumption has not been violated and the population has equal variances.

Levene's Test of Equality of Error Variances(a)

F	Df1	df2	Sig.
.804	4	46	.529

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+Q2.1

Appendix 13

Summary of Hypotheses Results

	Hypothesis	**Test**	**Significance (α=0.05)**	**Result**
$H1a_O$	CRM implementation is not affected by the company's **degree of organizational integration**.	ANOVA	Significant	Reject $H1a_O$
$H1b_O$	CRM implementation is not affected by **senior executives' commitment** towards the project.	ANOVA	Significant	Reject $H1b_O$
$H1c_O$	CRM implementation is not affected by the degree of **system readiness**.	ANOVA	Significant	Reject $H1c_0$
$H1d_O$	CRM implementation is not affected by **availability of necessary resources**.	ANOVA	Significant	Reject $H1d_O$
$H2a_O$	CRM implementation is not affected by company's **vision** toward the project	Chi-Square	Significant	Reject $H2a_O$
$H2b_O$	CRM implementation is not affected by company's **planning** for the project..	ANOVA	Significant	Reject $H2b_O$
$H2c_O$	CRM implementation is not affected by company's **customer-centric culture**.	ANOVA	Significant	Reject $H2c_O$
$H3a_O$	CRM implementation is not affected by the company's attitude towards **networking**.	ANOVA	Significant	Reject $H3a_O$
$H3b_O$	CRM implementation is not affected by the company's attitude towards **human interaction**.	ANOVA	Not Significant	Cannot reject $H3b_O$