

## Chapter 55

# Customer Relationship Management (CRM) Practices by Small Businesses in Developing Economies: A Case Study of Egypt

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### ABSTRACT

*This study investigates the different factors affecting Customer Relationship Management (CRM) adoption by Egyptian Small Business Enterprises (SBEs). A systematic review of extant literature on CRM adoption by SBEs was conducted both holistically, and specifically in developing countries (e.g. Egypt). The study then progresses to validate a conceptual framework of CRM practices utilising a positivist research philosophy augmented with a quantitative approach, using questionnaire survey data. Findings indicated the response rate of Egyptian SBEs was low and that SBEs' owners, marketing managers and sales managers lack knowledge about CRM practice and the different tools or forms related to it. The findings also illustrated that SBE internal and external factors have a different impact upon CRM adoption. The study provides stakeholders (including entrepreneurs, policy makers, practitioners, researchers and educators) with an invaluable insight and a deeper understanding of issues related to CRM adoption by Egyptian SBEs. This research makes an important contribution to the current dearth of empirical studies in this field. Research outcomes consolidate and clarify several pertinent issues and provide peers with direction for future research.*

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## INTRODUCTION

Customer Relationship Management (CRM) has attracted vast interest from researchers, policy makers and practitioners during the last two decades. Most of these stakeholders (including entrepreneurs, policy makers, practitioners, researchers and educators) consider CRM to be a quintessentially important tool for increasing an organisation's ability to gain, retain and satisfy customers through creating and sustaining good long-lasting relationships with customers. CRM is thus considered to be a quintessentially important means of establishing competitive advantage.

Although CRM is inextricably linked to Relationship Marketing (RM), it is also aligned to technology usage to manage the company-to-customer relationship. This trait is noticeable in the different definitions of CRM. For example, Kincaid (2003) defined CRM as "the strategic use of information, process, technology, and people to manage the customer's relationship across the whole customer life cycle" (Kincaid, 2003; p: 41). Moreover, information technology (IT) and information systems (IS) can support and integrate CRM processes to satisfy customer needs (Law, 2009). Accordingly, IT and IS facilitate efficient and effective CRM development (Kincaid, 2003).

The adoption of IT, the Internet and innovative technologies (such as CRM) has attracted significant interest from stakeholders. Consequently, a number of accepted theoretical frameworks have been developed and implemented by researchers to investigate the adoption and diffusion of IT and new technologies within the business community. More recent research sought to predict enabling factors that facilitate the application of these technologies in a marketing context (Lynn *et al.*, 2002:35; Rose & Straub, 1998:39, El-Gohary, 2010a). However, CRM practices and adoption in developing countries remains a relatively new phenomenon, particularly for Small Business Enterprises (SBEs) that have limited resources, bad infrastructure, strong competition and can-

not afford to make unwise investments or wrong decisions. A clearer understanding of the different factors affecting CRM adoption by SBEs is needed together with an appreciation of how CRM can augment or replace traditional marketing activities and processes.

Globally, SBEs make a significant contribution to economic, development and employment growth. Discovering new ways of helping SBEs to conduct business in an effective and efficient way will strengthen the global economy itself. Against this background, this paper aims to explore, analyze and develop a clear understanding of the different factors affecting the adoption of CRM by Egyptian SBEs and make a notable contribution to the current body of marketing literature.

## THEORETICAL BACKGROUND: CRM AND EGYPTIAN SBES

The importance of SBEs is grounded in their inherent ability to generate wealth and create jobs; indeed, they bear the greatest responsibility for employment in the private sector globally. The development of SBEs is recognized as an important factor for the achievement of economic development objectives - including poverty alleviation and the promotion of democratic societies. According to Mulhern (1995), 99% of all European companies are Small and Medium sized Enterprises (SMEs) with less than 10 employees and provides more new jobs than bigger companies. From 1985-1995, SMEs provided 66% of all employment in Europe (*ibid*). Similar pattern are replicated in Less Developing Countries (LDC's) with SBEs representing a high percentage of the total number of enterprises. According to the Egyptian Ministry of Trade and Industry - EMTI (2010), SBEs represent a startling 84.42% of the total number of registered enterprises in Egypt. Since SBEs provide an economic engine that drives global development, they have attracted considerable academic attention. Much of this focus derives from the belief that innovation, particularly

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