Chapter XI The Right Path to SCM–CRM Integration

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ABSTRACT

Growing competitive pressures and escalating customer demands have led businesses to sophisticated information technology to manage costs and enhance revenues. Two popular initiatives are supply chain management (SCM) and customer relationship management (CRM). SCM focuses on optimizing the materials, information, services, and financial flows through a supply network. CRM focuses on marketing, sales, and customer service, and aims to maximize the value of customer relationships. Furthermore, the real potential lies in the integration of SCM and CRM. Disconnected implementations can result in IT "silos" with redundancies in hardware, software and staff, breaks in the information chain, and disappointing performance. There are different paths to integration. The right path depends on the organization's relative maturity on 6 key factors: 1) interconnectivity, 2) interoperability of systems' functionality, 3) information integrity, 4) interorganizational competence, 5) intellectual capital, and 6) innovative capability.

INTRODUCTION

Since the early 1990s, the number and varieties of software categories available to firms have skyrocketed. Due to advances in other information, process, and communication technologies (IPCT), and especially those related to the Internet, managers have far greater choices and expanded functionality for running their businesses than ever before. Of these, software for coordinating enterprise-wide supply and demand is among the most prominent. On the supply side, Supply Chain

Management (SCM) systems may employ enterprise resource planning (ERP) software to boost enterprise efficiency, improve decision-making by providing greater visibility into operations, and promote collaboration via information sharing. On the demand side, Customer Relationship Management (CRM) offers the opportunity to gain more information in real time about current and prospective customers, providing functionality for contact management, sales force automation, and customer service. A recent survey by the Yankee Group reveals that external applications -those aimed at enhancing customer and supplier relationships - are growing at a much faster rate than internally focused applications (Westervelt, 2004). Furthermore, companies are increasingly focused on integrating technologies.

For some firms, the SCM and CRM software solutions delivered at least partially on their promises, whereas for others the results were less than anticipated. Despite significant investments in resources, most companies were not prepared for the implementation hurdles. During the first wave of their infusion into businesses, in which individual SCM and/or CRM software modules were generally treated as separate installations, the integration with existing legacy systems proved most troublesome. The Standish Group (1995) reported that the average cost overrun was 178 percent of budget; and the implementation schedules exceed 230 percent of plan. Estimates of implementation failures of CRM ranged from 55 -75 percent according to the Meta Group (Johnson, 2004). From a survey of 162 senior managers conducted by Bain and Co. (Cook and Hagey, 2003), researchers concluded that SCM-which was long touted as an avenue to control costs, reduce risks, and increase service performance-was mismanaged by most companies. While executives in charge of supply-chain management recognized the importance of the supply chain, many had yet to realize its potential. Interestingly, 86 percent said supply-chain performance was a priority, but two-thirds said their companies failed to track

the performance of their internal supply chains outside their corporations.

Recent evidence is more encouraging. In a survey of primarily large, established, businessto-business U.S. firms, Ramaswami, Bhargava, and Srivastava (2004) found that both CRM and SCM processes have positive and significant associations with the financial performance of firms. Rosenzweig, Roth, and Dean (2003) reported that the intensity of supply chain integration led to improved capabilities. Roth, Cattani, and Froehle (2008) empirically showed that the fundamentals of supply chain management were prerequisites to global competence; and Stratman and Roth (2008) linked ERP competence to business performance. However, many companies found that the payoff from implementing only one side of the equation was not enough (Koudal and Lavieri, 2003). In response, some are calling for a "consumer driven supply chain" (IBM, 2004) that represents a shift from traditional supply chains that focus on maximizing internal systems to end-to-end systems. These systems are highly collaborative, integrated throughout the enterprise, and emphasize more focus on the ultimate impact on the consumer. Similarly, Deloitte Consulting refers to firms who have effectively linked SCM with CRM as having a 'digital loyalty network.'

Despite its potential, integrating SCM and CRM processes has proven to be a major challenge that few have tried or accomplished (Bartholomew, 2004; Koudal and Lavieri, 2003), as steep organizational changes are often necessary - from literally revamping entire business processes, to reorganization, to aggressively developing the people competencies not only to use, but also to leverage the new systems for competitive advantage. Unfortunately, the prevailing notions of how best to achieve the 'optimal' level of integration - the right path, so to speak – is not well understood. In this chapter, we describe how firms can successfully take advantage of 'integrated' SCM and CRM functionalities. We propose a classification of the SCM-CRM integration paths in terms of 16 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/right-path-scm-crm-integration/20278

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