

# Chapter 6.1

## E-CRM and Managerial Discretion

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### ABSTRACT

Most sectors of industry, commerce, and government have reported variation in the performance payoff from electronic customer relationship management (e-CRM). In this paper we build on surprisingly sparse literature regarding the importance of managerial discretion to show that the heterogeneity of beliefs held by managers about e-CRM execution matter when explaining e-CRM success. Drawing on a data sample comprising 50 interviews and 293 survey responses we utilise segmentation techniques to identify significant differences in managerial beliefs and then associate these belief segments with e-CRM performance. Results indicate that (1) three distinct types of managers can be identified based on the heterogeneity of their e-CRM beliefs: mindfully optimistic, mindfully realistic, and mindfully pessimistic; (2) that there is far less homogeneity at the individual firm level than is normally assumed in the literature; (3) that heterogeneity

in managerial beliefs is systematically associated with organisational performance; and (4) these results serve to remind practitioners that e-CRM performance is dependent upon the right balance between managerial optimism and realism.

### INTRODUCTION

A major focus of marketing theory and practice has attributed variation in the degree of business success to the importance of the customer and the competitive advantages associated with a *market orientation* (Rust, Zeithaml, & Lemon, 2000). One view of market orientation defines it as the ability to systematically gather and analyse customer and competitor information, to share this market knowledge, and then to use this knowledge to guide strategy recognition, understanding, creation, selection, implementation, and modification (Hunt & Morgan, 1995). It should also come as no surprise that many marketers have turned to

information technology—in particular CRM—as a way to support customer-oriented thinking, customer analysis, and understanding.

Enthralled by possibilities to deliver rich information regarding buyer behaviour to sales representatives, corporate investment in CRM technology has grown at a compound annual rate of 11.5% (Forrester Research, 2002). Reports of a positive link between CRM uptake and improved firm performance have been less encouraging. For example, the Gartner Group, a research and advisory firm, claims that close to 50% of all CRM projects fail to meet expectations (The Australian, 8th July, 2003). Additionally, an *InfoWorld* survey of chief technology officers (InfoWorld, 2001) found that close to 30% of chief technology officers said that CRM was one of the most “over hyped” technologies they had seen. A follow-up survey of information technology (IT) executives found that 43% of large companies that have deployed CRM still believe that it deserves the bad press (InfoWorld, 2003).

In contrast to the aforementioned industry survey reports, the recent academic literature appears to confirm that CRM programs enhance firm performance. For instance, in a special section in the *Journal of Marketing* eight of the ten papers published—conducted in a wide variety of industry settings—came to this conclusion (Boulding, Staelin, Ehret, & Johnston, 2005). As a whole however, CRM is a neglected area of research where “further efforts to address its mobilization and alignment are not only warranted but desperately needed” (Zablah, Bellenger, & Johnston, 2003, p. 116).

One of the problems with the way CRM and performance has been measured is that the term often means different things to different people, creating confusion and uncertainty. For example, in a series of interviews with executives, Payne and Frow (2005) found that to some, CRM meant direct mail, a loyalty scheme, help desk, and call centre. Whereas, others envisioned a data warehouse, data mining, e-commerce solutions,

or databases for sales force automation. To alleviate this problem we focus specifically on e-CRM programs as defined in a SAS Institute white paper (2000):

*the creation of knowledge from process automation and the collection, synthesis and delivery of data derived from the Internet and information technology (IT) based interactions between the company and its customers/channel partners.” This definition captures two important aspects of e-CRM: (1) IT infrastructure, and (2) e-intelligence capability. Modern IT such as relational databases, data warehousing, data mining, and Internet delivery are a feature of e-CRM programs that customise and enhance personal relationships with customer and suppliers. However, alone IT is an insufficient source of competitive advantage (Carr, 2003). Rather, competitive advantages arise from the interpretation of data or what we refer to as e-intelligence in this study.<sup>1</sup>*

For many managers, e-CRM creates an environment that is unfamiliar. Whenever decision makers face unfamiliar territory there is greater opportunity for managerial discretion to be seen as relevant and practically important to the final payoff. Hambrick and Finkelstein (1987) were the first to introduce and elaborate on the concept of managerial discretion as a way to reconcile polar views about how much influence executives and senior managers have on organisational outcomes. Defined as the “latitude of action” their proposition was that senior decision makers vary widely in how much discretion they have. Managerial discretion is not only theoretically important in its own right, but also potentially important to the complex decision making that accompanies e-CRM investment programs. Yet, it is by no means clear that modern managers always engage in a deliberate and considered way when addressing issues of whether, when, and how to invest in IT programs (Swanson & Ramiller, 1997; Swanson & Wang, 2005).

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