CHAPTER 4:
CONCEPTUALISATION

4.1   Introduction

Building on the discussion about the definition of CRM, the potential drivers of CRM adoption and the impacts reviewed in the literature in chapter 2 and 3, this chapter presents the conceptual framework for this research by combining exploratory qualitative work with the insights from the existing literature to generate a conceptual framework which will then be tested in the second half of this thesis. This chapter explicitly considers the reasons behind the use of exploratory qualitative research at this stage. Exploratory research is important for two main reasons; first, it is provides insights from practice that are needed to develop a conceptual framework for subsequent testing. Second, it is necessary assess whether the concepts or ideas of CRM definitions and the antecedents of CRM adoption gathered from the literature are consistent with the views of practitioners in Hong Kong.

Exploratory qualitative research will help to reduce and refine factors found from the literature review. In-depth interview is chosen as the method of information collection. The conduct of the qualitative interviews will be described in this chapter including factors such as the sample selection process and the profile of respondents.

What follows is the findings of the exploratory interviews. The interview results together with the information gathered from the literature presented in the previous chapter will be integrated in order to finalise the research

questions for this research. At the end, a conceptual framework is developed. It contributes to research by extending Rogers' (1962) framework on the diffusion of innovations and there are all together 17 hypotheses in this research. Empirical testing of the hypotheses will be described in chapter 6.

4.2 Purpose for qualitative methodology – exploratory interview

The overarching methodology for this thesis is one that combines exploratory qualitative work to develop a conceptual framework with subsequent quantitative testing of that framework via a sample survey. This methodology is discussed in detail in chapter 5 and the purpose of the current discussion is to outline some of the details associated with the qualitative phase of the research.

The literature review generated a number of factors considered as influencing CRM adoption. However, the literature reviewed was not specifically applicable to the population and CRM implementation in question, the factors gathered may be inconsequential or incomplete. Therefore, it was necessary to reduce, refine and seek factors relative to the research objectives in order to assist in the development of theory and ultimate testing through a questionnaire. "Qualitative research methods have become increasingly important modes of inquiry for the social sciences" (Marshall and Rossman, 1995, p.36). They provide "richness and scope" (Kvale, 1996) which can be missing when using quantitative methods in isolation. Discussing the merits of a qualitative study, Churnchill (1999) sees the activity as collapsing extensive and amorphous problem statements into

smaller, more precise sub problem statements and then into propositions. In addition qualitative studies clarify constructs within the environment under study (Churchill, 1999). The emphasis of qualitative research is upon interpreting and describing the experiences and meanings of people as accurately as possible. It has become a popular method for generating items on questionnaires and for many other purposes, which aim to measure the subjective experience of practitioners in the marketing area. Therefore, a qualitative study was considered necessary, with the intention that the issues identified could be resolved.

Qualitative methods enable a study to "explore substantive areas about which little is known" (Strauss and Corbin, 1998, p.11) and offer an opportunity to discover and "identify the presence or absence of something" without the need to know what researcher is "going to discover" (Kirk and Miller, 1986, p.9, 17). Review of the appropriate literature has demonstrated the lack of mixed qualitative and quantitative approaches to this research issues.

Cresswell (1994) divides qualitative research into five main qualitative research types, they are: 1) biography 2) phenomenology 3) grounded theory 4) ethnography and 5) case study. In addition, action research is also presented as a type of qualitative research. In particular, case study and action research might be considered to understand the issues of CRM adoption by studying single or multiple cases. Case study methods involve an in-depth, longitudinal examination of a single instance. Action research is a reflective process of progressive problem solving led by individuals

working with others in teams or to improve the way they address issues and solve problems. I do not use these methods because they are not appropriate in developing conceptual framework in this research.

Instead, exploratory interview is considered as it would be more suitable to assess the relevance of factors found in the literature as well as the relevance of Rogers' framework for companies in the Hong Kong context and whether they require any additions or extension by talking to practitioners working in different companies who are doing CRM. Moreover, it is important to understand the views of practitioners in Hong Kong in order to check whether my understanding about the research area from the literature is correct and whether the author is using the appropriate terms to describe practitioners' thinking before developing the hypotheses. This would make sure that the questions could be developed in a way that the practitioners can understand in the quantitative stage.

The technique of the semi-structured in-depth interview was selected as the most appropriate to explore the research questions for the research. The advantage of this technique is that fairly systematic data may be obtained across interviewees and across interviewers, while maintaining some degree of flexibility to allow for the recording of rich individual differences. The next section will describe the in-depth interview in detail.

4.3 Qualitative research method: In-depth interview

There are three main method of data collection, they are 1) interactive interviewing, 2) written descriptions by participants and 3) observation (Myers, 2002). As mentioned, it will be useful to understand the views of practitioners on CRM adoption, therefore, interviewing would be the most appropriate method in gathering information for developing hypotheses. Interviewing is a way of getting people to tell stories as a "meaning-making experience" (Seidman, 1998, p.1).

In-depth interview is chosen as the data collection method rather than focus group in this study because of the potentially confidential nature of the interview topic. In this case, a detail discussion with every participant can be conducted. In-depth interview is diagnostic and allows the researcher and respondent to explore an issue through these sharing sessions. When it is important to explore a subject in detail or probe for latent attitudes and feelings, the in-depth interview may be the appropriate technique to use (Kumar *et al.*, 1999). In-depth interviews are used throughout the research academia to determine individuals' perceptions, opinions, facts and forecasts and their reactions to initial findings and potential solutions. The in-depth interview has several roles in market research: 1) Exploring the boundaries of a problem, 2) Obtaining evidence for a problem or issue, 3) Evaluating potential solutions, and 4) Managing the research process.

In general, there are three basic approaches to in-depth interviewing that differ mainly in the extent to which the interview questions are determined

and standardised beforehand: the informal conversational interview, semi-structured interview, and the standardised open-ended interview. Briefly, the informal conversational interview relies primarily on the spontaneous generation of questions from a set of just one or two pre-determined questions. While this type of interview may offer flexibility to be highly responsive to the interviewee, the disadvantage is that it generally generates less systematic data. The standardised open-ended interview, on the other hand, works very differently. It provides standard and systematic data for researchers. Semi-structured interviews involve the preparation of an interview guide that lists a pre-determined set of questions that are to be explored during a forthcoming interview. The guide serves as a good checklist and guide for both interviewer and interviewee，during the interview which ensures the consistency of information acquired from the various interviews. The interviewer has the freedom to encourage the interviewee to elaborate or explain answers, thus allowing the interviews to have a modicum of spontaneity. It is even possible to deviate from the topic outline, if it is thought the answers will be fruitful. Semi-structured interviews enabling "the participants to take any direction he or she wants" and do "not presume and answer" (Seidman, 1998, p.69). It allows for "an openness to changes of sequences" (Kvale, 1996, p.124). People are able to "tell their stores freely and provide rationales to account for the way events unfolded over time" (Crick and Jones, 2000). For this reason, the approach of the semi-structured in-depth interview was selected as it will be the most suitable method in addressing the questions or issues that are relevant to the research topic.

During the interview, the order and actual working of the questions is generally not determined in advance, although it is sensible to start with the same two or three questions with each interviewee. Further, within the topic or subject area, the interviewer may pursue certain questions in greater depth. The advantage with this technique is that fairly systematic data may be obtained across interviewees and across interviewers, while maintaining some degree of flexibility to allow for the recording of rich individual differences.

What follows is the description on the selection of sample and the characteristics of the sample.

4.4 Sample selection and characteristics

This section describes how and why the participants were selected and gives the characteristics of those who participated in the qualitative study. The exploratory research consisted of in-depth interviews with eight Marketing or CRM Managers from a cross-section of different industries in the services sector in Hong Kong. Since the purpose of the study was to investigate why companies adopt CRM, it was important to include a wide range of experiences and perspectives in implementing CRM during the data collection. To recap, Hong Kong's overall economic growth has been driven by the strong performance of the services sector and given the dominance of this sector in the economy, it was chosen as the focus for the research; therefore, participants were chosen from organisations in the services sector.

Convenience sampling is used to select the participants in this study. Participants were identified from the clients of the author's working organisation, the guests that were met during seminars on CRM topics and students of the Master of Business Administration course on which the author lectured. The participants ideally should be managers working in marketing or customer relationship or CRM areas. The author was able to contact 12 potential participants. However, only 8 of them agreed to take part in the interviews. Interviews were carried out from January 2005 to March 2005. Initially, the sample was to be structured so that it included a mix of adopters and non adopters. However, none of those organisations contacted would describe themselves as non adopters. Further efforts have been made to find organizations which are non adopters of CRM at that time. However, it was unsuccessful as the contacted companies described that they are using CRM in some form. At this stage it was difficult to be sure why this was the case. There were two possibilities;

a) the number of non adopters is genuinely low and most firms are using CRM in some form or another

b) there is form of social desirability bias in that no one would wish to describe themselves as a non adopter.

However, what was apparent during the interviews, was that, although all respondents thought that their organisations were using CRM there were quite marked differences in the variation of CRM adoption. Some organisations were using CRM in a very basic form while others were operating complex proprietary systems.

The inability to identify companies that were prepared to describe themselves as non adopters created some difficulties in terms of the quantitative analysis. The obvious approach of comparing adopters and non adopters would clearly not be practical. Accordingly, it was decided to undertake the analysis by categorising the CRM adopters based on the variety of levels of CRM adoption rather than viewing adoption as a simple binary decision (adopt/not adopt), and compare the interview results between adopters with basic low levels of engagement with CRM and adopters with higher levels of engagement with CRM. In other words, the analysis was treating CRM adoption as a continuum ranging from basic low levels of engagement with CRM to more complex higher levels of engagement with CRM and comparing the responses of two groups towards either extreme on this continuum.

Accordingly, in the interview, respondents were asked to report the variety of levels of CRM adoption or the levels of engagement with CRM from their point of views. Of the eight interviewed, six claimed their companies were high engagement adopters and two claimed their companies were low engagement adopters. Basically, the respondents' affiliated companies were regarded as high engagement adopters because they use CRM more extensively and have fuller engagement with the underlying principles of CRM. Those were regarded as low engagement adopters because they use CRM innovation limitedly and have limited engagement with the underlying philosophy of CRM. Further explanations on the variation of engagement with CRM will be discussed later in this chapter.

With the approval of the respondents, the interviews were audio taped in

order to facilitate record keeping. Details of the samples are listed in table 4.1:

Table 4.1 - Detail of the samples

No	*Type of adopters(levels of engagement with CRM)*	*Industry*	*Company Name*
C1	High	Hospitality	Miramar Group
C2	High	Banking	Citibank N.A.
C3	High	Airline	MRM Groups-Cathay Pacific
C4	High	Diamond-retail	Mabelle
C5	High	Cosmetics-retail	Guerlain
C6	High	Department store-retail	Sincere
C7	Low	Telecom	Sunday
C8	Low	Banking	Wing Lung Bank

It is very difficult to make appointments with the marketing professionals in Hong Kong as they are very busy and not many of them are willing to take their time in an academic discussion. Although the sample size was not large in this exploratory research, the author finds the samples representative as they include experts coming from different kinds of service industry and having a rich experience in the marketing or customer relationship areas. Participant companies are large companies and have been set up for at least eight years in their respective industries. Special comparison (if there is any) can be made in the banking industry between the high engagement adopter (C2) and the low engagement adopter (C8).

Two interviews (C2 and C3) were conducted in English and the others in Cantonese and recorded on tape. The interview results for the latter were translated into English by paying attention to the special/professional terms. Advice was also sought from translators to improve the translation in order to reduce any error due to translation.

4.5 Design of interview questions

As mentioned previously, semi-structured interviews with key informants were employed. Opening questions were asked about drivers in adopting CRM and the difficulties were then explored. Questions were refined and added between interviews as knowledge gained helped to shape subsequent discussions (Miles and Huberman, 1994). The content of the interview questions was based upon "translation of the thematic research questions" (Kvale, 1996). Throughout the interviews probes and follow-up questions were also utilised. Probes signal "that you want longer and more detailed answers" whilst follow-up questions "get the depth that is a hallmark of qualitative interviewing" (Rubin and Rubin, 1995). Questions should be short to ensure that it is the participant that is talking and not the interviewer (Seidman, 1998).

The questions designed for the interviews are intertwined with the issues in the previous chapters and designed to answer the questions that the author proposed in the last chapter. First, the development of marketing practices in the company was understood. Then, the respondents were asked about the perceived definition of CRM and whether their company is an adopter of CRM or engaging with CRM at a certain degree. Finally, the drivers and

impacts of CRM adoption were explored during the interview. An interview guide is presented in Appendix 4.1 illustrating some of the questions used to develop discussions within the interviews. Prior to the interview each participant was briefed about the purpose and process of the study and their role. Many of the questions were open in nature but were followed by more focused probing questions.

The personal interview typically lasted about 60 minutes. The information obtained from these interviews affords novel insights into the meaning, causes and consequences of the CRM adoption. A detailed summary is listed in Appendix 4.2.

The following section will present the results of the in-depth interviews. The results will be integrated with the literature discussed in the previous chapters to form the hypotheses for this research.

4.6 Results and Hypotheses

In this section, hypotheses will be setup for empirical testing. Conceptual framework will be developed using literature review and the interview results. All interviews were fully transcribed within a short period after the interview, then the transcripts were analysed by processing the words that were derived from the interviews conducted. In accordance with Miles and Huberman (1984), two specific techniques were used to analyse the data. One is called within-case analysis (comparing data against theory) and the other one is called cross-case analysis (data in one case compared to data in

other cases). The within-case analysis checks how the findings from the interviews fit with previous findings in literature. Cross-case analysis provides a comparison of various data sets and compares one case with the others. This procedure aims to gain a better understanding of the phenomena being investigated.

Analysis results were summarised within this section. By combining the evidence from the existing literature as reviewed in chapter 3 with patterns emerging from the comparison of simple adopters with more sophisticated adopters, a series of hypotheses were generated. These would provide the basis for the conceptual model illustrated in section 4.7.

4.6.1 Meaning of CRM

In chapter 2, CRM definition was developed by integrating the four types of elements- "technology focused", "customer focused", "conceptual" and "practical" generated from the literature review. It was defined as integrated tactics and technologies for managing the relationships with potential and current customers and business partners across marketing, sales and service regardless of the communication channel. The goal of CRM is to optimise customer and partner satisfaction, revenue, and business efficiency by building the strongest possible relationships at an organisational level.

In keeping with the views developed in the earlier chapters, the views of the managers on CRM were consistent with those found in the literature review, i.e. "CRM is a comprehensive set of processes and technologies for

managing relationships with potential and current customers. The objective is to optimize customer satisfaction and profits by building a strongest relationship with customers." The following statements made by three managers who have been interviewed, support the definitions in the literature review cited earlier:

"We think that the most important component of CRM is the customer information……The information will then be processed through systematic and technological supporting devices to understand our customers in a timely way. Through this channel, the company can reach the customers or provide information to the customers in order to increase sales." (C1)

"We think CRM is to build relationship with customers……CRM needs a lot of support including technology support and human resources support…" (C5)

"CRM is a strategy which can retain loyal customers and is a way to increase the purchase frequency of the existing customers in order to make more profits." (C8)

Whilst most of the managers agree with the traditional view of CRM, as cited in the literature review, several of them also emphasised that CRM is about targeting customers and attaching lifetime value to individuals. The following are three examples that illustrate such emphasis.

<u>*Participant emphasised CRM helps to target customers*</u>

"CRM helps the company use the information stored in the database more effectively and it can help the company to sell the suitable products <u>to target</u> customers at the right time." (C2)

<u>*Participant emphasised CRM helps to target customers effectively*</u>

"We think CRM can help us to retain the customers and<u> target</u> the customers correctly in order to gain profits. CRM can allow the company to use money effectively by targeting suitable customers for right products. It will also increase the word of mouth so that more customer will stay with the company." (C7)

"We can cross-sell different products to the customers by adopting CRM for segmentation in order to increase profits.... We need to analyze the value of the customers by using profit analysis...With CRM, we can analyze the background of the customers together with their requirements." (C8)

<u>*The saying implies value of individuals are focused*</u>

"...CRM therefore is about slicing and dicing your database into segments and clusters (customers with similar characteristics). For the airline, one cluster may be Chinese living overseas.... CRM is all about attaching lifetime value to each individual in your database.(C3)"

By looking at the opinions, segmentation, targeting customers and attaching lifetime value to individuals were found as the meanings of CRM.

In Chapter 2, we demonstrated that CRM includes: 1) a continuous performance initiative to increase a company's knowledge of its customers, and 2) consistently high quality customer support access across all communication channels according to McDonald (2000). After interviewing the participants, it was seen from the findings that the practitioners in Hong Kong not only have quite good theoretical concepts about CRM, but their understanding of CRM also matched the academic views found in the literature mentioned earlier. However, the concept of CRM adoption that surfaced during the interviews is essentially more operational compared to the academic view, which tends to be more theoretical. For example, one participant thought that CRM is used to slice the customer database into segments and is all about attaching lifetime value to each individual in the database. Consistent views were, however, gained from all the participants. It seems that there are no obvious differences in the perceived definitions of CRM between high engagement and low engagement adopters.What has been said by the respondents was the same as the following characteristics of CRM mentioned in Chapter 2.   Therefore, these will be kept in mind when the questionnaire for quantitative analysis is decided upon in the latter stage of this thesis.

- *A customer relationship perspective aimed at the long-term retention of selected customers.*

- *Gathering and integrating information on customers.*

- *Use of dedicated software to analyse this information.*

- *Segmentation by expected customer lifetime value.*

- *Micro-segmentation of markets according to customers' needs and wants.*

- *Customer value creation through process management*

- *Customer value delivery through service tailored to micro-segments, facilitated by detailed, integrated customer profiles.*

4.6.2 CRM adoption

As well as the meanings of CRM, participants also provided valuable insights in defining the variation of CRM adoption.

In order to verify the proposed model, it would be ideal to collect opinions from companies which have and have not adopted CRM. However, the interviews suggested that doing this would be more complex than originally thought. As mentioned in chapter 2, CRM is a complex construct. Firms were unlikely to describe themselves as non adopters because the service sector is very important in Hong Kong and more people are aware of this concept; also most of them acknowledge the relationship with customers is important and have applied CRM concepts across their organisations with the support of IT. Because of this, it was decided to operationalise the adoption decision as a continuum from no adoption, through basic low levels of engagement with CRM to higher levels of engagement with CRM, recognising that the real benefits of CRM would be associated with more comprehensive and extensive use of CRM and fuller engagement with the underlying philosophy of CRM. Thus, the degree of engagement with CRM was reported by the respondents during the interview. It can be seen that they were classified as high engagement adopters and low engagement adopters in the sample characteristics listed in table 4.1. The grouping is going to be further explained in the following paragraphs.

The quotations from managers, shown below in italics, illustrate that some of the participating companies are high engagement adopers This conclusion was drawn from the underscored key phrases, which implied that their organisations have already implemented CRM for a certain period of time or even claimed themselves as leaders in the corresponding industry.

"Our head office in US has set up CRM for a long time. However, our department started to develop in Asia four years ago." (C2)

"Our VIP program has been set up over 10 years. We have 0.12million of VIP customers in our database." (C6)

"We are a leader in adopting CRM in this industry. Many other diamond shops do not have CRM programme. We are quite mature in using relationship strategy compared to other companies in this industry." (C4)

"I think we are quite ahead of the game (competition) in this industry, we have a well built database warehouse to store our data for access and many competitors do not have that ability so it makes us adopt CRM easier." (C2)

The following findings indicate the participating companies are in the developing stage of CRM adoption. The underscored phrases showed that the organisations are low engagement adopters.

"We followed the leader in the industry, changed our platform (e.g. storing financial transactions of deposit and fixed-deposit etc.) and set up the CRM system which was bought from IBM 3 years ago …We <u>are at the beginning of the CRM</u> practice, the formal setup of the <u>whole CRM related system</u> is just 1 year." (C8)

"We would like to use more <u>sophisticated technology</u> and also acknowledged the things that we need for CRM, <u>however, these aspects will not be the first priority</u> of company's investment. We may need to invest more on the some new mobile technology such as 3G network." (C7)

Therefore, from what has been said, organisations seem to have considerable diversity in patterns of adoption even when they have adopted CRM. The distinction between high engagement and low engagement adopters was made due to the pace of CRM adoption, years of CRM adoption and investment in CRM. This suggested measuring the level of CRM adoption by the stages of CRM programme development. During the interviews, it was found that C2 thought of itself as a leader of CRM adoption by thinking that they had a well built data warehouse, but C4 thought of itself as a leader of CRM adoption by thinking that they have used a relationship related strategy for a long time. This indicated that some firms have fully embraced CRM as an approach to business while others simply view it as a database system which they use in a relatively limited way. In order to have a more objective method of classification because of the complexity, multi-dimensional scale on the usage of CRM strategy would

also be used to classify the organisations into high engagement and low engagement adopters besides the simple binary classification in the quantitative survey instead of years of adoption.

In 2005, Sin *et al.* presented CRM as a multifaceted strategy consisting of four broad behavioural components: 1) key customer focus, 2) CRM organization, 3) knowledge management and 4) technology-based CRM. Therefore, it is supported that CRM is more than just a system, it is about attitudes and methods of use. Sin *et al.* have developed a series of questions for measuring the levels of engagement with CRM. Their questions will be used in the future data collection in this thesis to investigate the variation of CRM adoption of the respondents' organisations. Furthermore, the responses to those questions will be used in clustering the respondents into high engagement and low engagement adopters. In this case, the drivers leading to the adoption of CRM can be compared between high engagement and low engagement groups rather than with and without adoption because of the specific situation in Hong Kong.

4.6.3 Antecedents of CRM adoption

The drivers of CRM adoption gathered from the participants are further discussed in this section.

i. Relative advantage

As noted in the literature, top management generally expects that when customers become more satisfied, they will revisit more and profits will also be increased after the adoption of CRM.

From the interviews conducted, the majority of the respondents normally expect the

🞣 return frequency of existing customers will be higher,

🞣 revenue or sales from the existing customers in the database will increase, and

🞣 the churn rate to be decreased after the adoption of CRM programme.

These expectations are consistent with the literature review discussed in chapter 3. Some managers have indicated the following during the interviews:

High engagement adopters:

"CRM is a means of <u>generating additional revenue</u> from your existing client database... CX can make money after adopting CRM." (C3).

"Management is very concerned about the VIP program and <u>has confidence in the growth of sales</u> from the customers. They will keep track of the VIP sales data." (C6).

Low engagement adopters:

"We found that the revenue has been decreased because of customers attrition. Therefore, in order to increase the retention rate, we set up CRM 3 years ago. We expected the <u>churn rate to decrease</u> after the adoption of CRM." (C7)

> *"We expected the <u>revenue increase</u> after the adoption of CRM also."*
>
> *(C7)*

> *"Management expect the <u>sales can be increased</u> after adopting CRM.*
>
> *These results are perceived benefits and are yet to be seen." (C8)*

The above extracts taken from the interviews indicate that participants expect customer retention and profit should be increased after adopting CRM. These statements reaffirm the finding of Rogers' diffusion of innovation model that CRM is perceived as better than other relationship marketing ideas that have appeared before.

Furthermore, it was found that this variable seems to differentiate between high engagement adopters and low engagement adopers. During the interviews, the high engagement adopters (C3, C6) demonstrated that they have greater level of relative advantage such as profits and number of sales because of their extensive use of CRM and fuller engagement with CRM philosophy. However, due to the low level of engagement with CRMlow engagement adopters (C7, C8) seem has not seen significant improvement with the use of CRM and are not very sure about the benefits of CRM.

Other attributes proposed by Rogers in the literature were not mentioned explicitly or in detail by the respondents. However, they were implied during the conversations as those factors are very obvious.

During the interviews, it was implied that respondents considered adopting CRM as they thought that it could be tried out in their companies. In particular, the company could adopt CRM more extensively if the trialability is made easier, such as by the available IT support in the environment, practices learnt from other companies, etc. The low engagement adopter, C8 specifically pointed out that they thought the trialability for them to implement CRM is not so easy, therefore, they only adopted CRM at a very early stage at the point of interview. On the other hand, the high engagement adopters did not mention in the interviews that it was difficult for them to try CRM before adopting.

Furthermore, the participants understand that innovation adoption including CRM can be quite complex, therefore, the complexity affects their adoption decision. One high engagement adopter (C5) indicated that *"...CRM needs a lot of support including technology support and human resources support"*; *"There is a lot of companies providing data mining support to companies"*. The conversation in the interviews showed that high engagement adopters understand the complexity and know the ways in reducing it when they adopt CRM. On the other hand, low engagement adopters acknowledged in the interviews that complexity affects their adoption decision for CRM. In addition to Rogers in the literature, Akbulut (2002) reports that the complexity of a technology is a major factor that affects adoption decisions. Before that, in 2001, Chwelos *et al.* also reported that complexity is a strong factor hindering the intention to adopt innovation.

Furthermore, when the respondents mentioned organisational culture, they agreed that the compatibility of CRM philosophy in the company is a very important factor for determining the adoption of CRM, otherwise, CRM may create problems in the operations. A high engagement adopter (C2) mentioned that *"...Organizational structure can make adoption of CRM difficult. ...It has to change the staff's philosophy on focusing on customer relationship rather than product."* The company has made sure that it is compatible to adopt CRM when they consider implementing CRM. In other words, it is more likely for companies to adopt CRM if the existing values and needs of the companies are consistent with CRM. During the interviews, the low engagement adopter (C8) indicated that because of their long history, it takes time to make the existing values of the companies to be in line with CRM philosophy. Therefore, the   levels of engagement with CRM is low. Also, in literature about technology, Tornatzky and Fleischer (1990) stated that fit of the available technology with the organisation's existing technologies plays an important role in the technology adoption decision.

It was also examined whether the respondent companies considered adopting CRM as they have observed the benefits of CRM from competitors when they talked about competition in their industry. It was found that the greater observability, the higher the levels of engagement with CRM. For example, the high engagement adopter (C5) pointed out that *"Since the leader in this industry has set up CRM for keeping customers, we would also like to follow in order to see if we can maintain our customers."* Hence, observability was found to be greater in the high engagement adopter (C5) than the low engagement adopter as no   low engagement adopter has

pointed out this issue.

Throughout the interview process, the results demonstrated that there are differences in compatibility, trialability and observability between high engagement and low engagement adopters. High engagement adopter such as C5 also showed awareness of lower levels of complexity. Other attributes of innovation seem to be more significant in the   high engagement adopters such as C2 and C5 than in the low engagement adopters. As a result, the following hypotheses are offered:

> *H1: The greater the level of relative advantage associated with CRM, the higher the   levels of engagement with CRM.*
>
> *H2: The greater the compatibility associated with CRM, the higher the levels of engagement with CRM.*
>
> *H3: The lower the complexity associated with CRM, the higher the levels of engagement with CRM.*
>
> *H4: The easier trialability associated with CRM, the higher the levels of engagement with CRM.*
>
> *H5: The greater observability associated with CRM, the higher the levels of engagement with CRM.*

ii. Attitude towards change

Throughout the analysis of the interview scripts, top management's attitude towards change and support of CRM adoption were observed in nearly every organisation. A positive attitude towards change has been linked consistently to individual willingness to innovate.

Attitude towards change emerged as one of the most important antecedents

of CRM adoption. Interviews repeatedly emphasised the powerful impact of top managers in an organisation. The following quotations are representative of the ideas that surfaced in the interviews:

High engagement adopters:

"Attitude and support of top management was very important for our corporation to adopt CRM.....we have to persuade them to approve the change to CRM, therefore, if they do not support, nothing can be changed." (C1)

"Attitude of management level is very important for our company to adopt CRM. They decided to invest a lot on the frontline and even changed some objectives for meeting the goals." (C2)

"People's attitude is very important, if the management people are willing to change, it will make CRM easier." (C3)

"Attitude of top management is very important. They wanted to adopt CRM at the beginning." (C4)

"Management supported CRM strategy totally. CRM wastes time and money and it is difficult to see the immediate effect. However, management still supported because they know it is important." (C5)

Low engagement adopter:

>*"The management has not been very keen on the change to CRM before.*
>
>*Therefore, we followed the leader in the industry........and set up the CRM*
>
>*system which was bought from IBM 3 years ago." (C8)*

Most of the participants agree that the attitude of top management is very important in CRM adoption. These statements reinforce the earlier literature review in Chapter 3 that innovation originates with top management (Hage and Robert ,1973). The critical role of top management is also reflected in the literature review. For example Hage and Dewar, (1973) assert that innovation originates with top management.

The conversations in the interviews also demonstrated that the attitude towards change of top management seems to differentiate between high engagement and low engagement adopters. The attitude towards change of top management in the high engagement adopters (C2, C3, C4 and C5) is stronger than the attitude of low engagement adopter (C8). The quotes showed that the managers in high engagement adopters initiated and invested a lot in CRM adoption. However, the quote of manager in the low engagement adopters showed that the support by top management is not too keen. The detail of support was not clearly mentioned by the participant during the discussion. Therefore, it could be argued that the attitude towards change in the high engagement adopters is stronger than the low engagement adopters. Building on this argument, the following hypothesis is offered:

H6: The levels of engagement with CRM is higher if the managers' attitude towards change is more positive.

iii. Market orientation

In chapter 2, market orientation has been mentioned by Kohli and Jaworski, and Narver and Slater in 1990. They emphasised that market orientation means the activities of market information acquisition and dissemination and the coordinated creation customer value. In sharp contrast to the received views, the driver effect of market orientation to CRM adoption is not frequently mentioned in the interview findings. Two companies which are high engagement adopters indicated that:

"There was a market trend and more academic papers discussed about this issue. We wanted to keep the market pulse, therefore, we moved on to develop the CRM..." (C1) These key words "market trend" and "market pulse" used by the respondents reinforced the research findings by Narver and Slater (1990) that customer orientation and competitor orientation are key drivers for CRM adoption.

"Market trend is the most important driver which makes us adopt CRM. We know that a lot of cosmetics companies are doing CRM in Hong Kong...CRM was adopted as our company is market oriented and customer oriented. In other words, market trends and customers' needs are important to us." (C4)

This participant explicitly mentioned market orientation and customer orientation as the factors affecting CRM adoption in the company. Moreover, competitor orientation is specially implied from the quote about competitors'

actions in adopting CRM. Market orientation seems to differentiate high engagement and low engagement adopters. It is because when compared with the conversations with low engagement adopters, they seem to be unaware of this construct when considering adopting CRM as they did not mention such aspect.

As a result, it can be seen that these companies were displaying market orientation via their awareness and understanding of key trends in the market place. It was found that market orientation seems to be more significant in the high engagement adopters than the low engagement adopters. The following is therefore hypothesised:

H7: The levels of engagement with CRM is higher if the market orientation of the organisation is higher.

iv. Innovation orientation

Hurley and Hult (1998) define innovation orientation as "the notion of openness to new ideas as an aspect of firm's culture". They considered innovation orientation as the ability of the organisation to introduce new ideas or concepts. Surprisingly, during the exploratory interviews for this thesis, no interviewee placed any emphasis on how innovation orientation can affect the adoption of CRM directly. However, there were some indications which imply respondents are willing to introduce new ideas to the organisations and believe that new ideas can help to improve their business.

High engagement adopters:

"Our corporation started in the 1950s; at first, it did not have a Marketing Department - it was very sales oriented only. All the focus was just put on the sales......Marketing strategy was changing in the company....Our corporation has developed direct marketing and then a loyalty programme before adopting CRM." (C1)

"In the past, the marketing communication was just focused on promotion like advertisement....... in order for a company to survive nowadays, it is very important to understand the customers, manage individuals, build up a loyal relationship with customers, know how to serve customers better in response to their needs and differentiate yourself with competitors. As a result, CRM is emphasized." (C2)

"Guerlain has been set up in Hong Kong for more than 10 years.... The frontline staff did not keep any records of the customers at that time.... Advertisement is mainly used for brand building. We want to keep close relationship with customers so we adopted CRM" (C5)

Low engagement adopters:

"Our marketing strategy was very traditional and we have been low profile for a long time.... We set up the CRM system which was bought from IBM 3 years ago." (C8)

In the above conversations, it was found that the responding organisations have a very strong tendency to change through adopting CRM so as to

improve their organisational performance. Especially, the ability of high engagement adopters to introduce the new concepts seems to be higher and earlier than the   low engagement adopters.

Furthermore, in recent papers written by Siguaw *et al.* (2006), innovation orientation is considered as strategic plan that provides direction for organisations to adopt innovation faster. Furthermore, Barba-Sanchez *et al.* (2007) suggest that innovation orientation is the key element in the adoption of ICTs among SMEs. By considering CRM as an innovation, this factor will be kept for empirical testing and this construct will be extremely useful to retain in order to ascertain its impact or significance as a driver in the large-scale testing planned in this thesis.   Similar to other constructs, it is believed that high engagement adopters should have higher innovation orientation, hence, the following is hypothesised:

 H8: The levels of engagement with CRM is higher if the innovation orientation of the organisation is higher.

v. Organisational group culture

Moreover, organisational culture was found as the driver of CRM adoption from the participants' points of view. It involves the thoughts and cooperation of all staff within the organisation. It is not the same as compatibility because compatibility is the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopters, as defined by Rogers (1962).

Some interviewees stressed the importance of group culture for making a company adopt CRM. This corresponds to the discussion by O'Malley and Mitussis (2002) about organisation-wide adoption culture being the key to CRM adoption or implementation of CRM. The implementation of CRM systems might fail because of political in-fighting over the ownership of systems and data. Similar notions emerged in the literature, some high engagement adopters indicated that:

> *"Our corporation thinks that it is important to understand the needs of customers." (C1)*

> *"Company culture and company values are very important determinants for my company to adopt CRM...I think the whole company values customer relationship." (C2)*

The above two statements show that corporations place great emphasis on customer management and relationships.

> *"There is strong sense of CRM in the organizational culture. The staff understand the objectives and the benefits of CRM, therefore, they strongly support the programme and cooperate well." (C4)*

The unity of staff in implementing CRM is demonstrated here.

From the above conversations, it seems that organisational group culture is different between high engagement and low engagement adopters. It is

because organisation culture in the high engagement adopters is stronger than in the low engagement adopters as the emphasis on this construct was only found in the high engagement adopters (C1, C2, C4). In other words, low engagement adopters seem to be less aware of organisation culture when they think about CRM adoption. Thus, the following is hypothesised:

H9: The levels of engagement with CRM is higher if the group culture of the organisation is stronger.

vi. Organisational characteristics

In accordance with the literature, Rogers and other researchers also suggested that certain adopter's characteristics influence the probability of adoption of a technological innovation by the individual firm. According to the findings of exploratory interviews, investment cost in implementing CRM seems to be the major concern of management for adopting CRM. Size of investment seems to have a high correlation with the level or intensity of CRM adoption. Costs include the benefits given to loyal customers as well as investment in sophisticated IT support tools for CRM. Companies which can invest more in the CRM programme can buy more comprehensive IT systems to support the CRM implementation and give greater benefits to customers. One of the managers interviewed indicated:

"Investment cost is an essential factor in determining whether the organisation will adopt CRM. Cost includes incentives in getting customers' contact information, training of staff, system setup and maintenance." (C1)

In addition, size of adopter will be kept as antecedent in this study as it is reasonable to expect large firms to adopt an innovation before small firms, particularly if there are economies of scale in the use of the innovation (Kimberly and Evanisko, 1981; Brown, 1981). Size of adopter (the number of staff) has also been found to be positively related to the adoption rate of innovation in the industrial context in literature (Kennedy, 1983). Although no special attention was paid to organisational size during the selection of samples as the use of exploratory interviews is to understand practitioners' thinking about CRM adoption, it was discovered that the high engagement adopters came mainly from large organisations. The organisational size of the two participants with basic low levels of engagement with CRM was relatively small in their industries. Hence, it can be argued that organisational size will positively influence an organisation's decision to adopt CRM and the variation of engagement with CRM in Hong Kong in particular.

Moreover, the age of the organisation may negatively influence the degree to which new ideas and products are welcomed by the firm (Lancaster and Taylor, 1988). Organisations with a longer history may be resistant to accepting innovation such as CRM. This information will be kept for reference in the quantitative analysis at a later stage.

Therefore, the following is hypothesised:

H10: The adapters' characteristics (company size and year of establishment) affect the levels of engagement with CRM.

<u>vii. Perceived accessibility of IT solutions</u>

Information technology enables CRM adoption to be implemented effectively in a company. When reviewing the literature, it was found that information technology is even at the heart of CRM as data analysis is important for practicing CRM. The results from the interviews echo suggestions in the literature that easy access to information technology solution is an essential factor for CRM adoption. The interviewees stressed that the IT solutions available in the business environment play a critical role in running the CRM programme, especially for the targeting and segmentation characteristics of CRM. Participants said the following about the IT aspects for CRM adoption:

High engagement adopters:

> *"We have in-house intensive data analysis rewrite on the SAS platform. We don't have any specific CRM solution." (C2)*

> *"We bought software from a consulting company and modified it by ourselves according to our requirements. We use IRMS – Interactive retail management system in order to enter the customers' information and customers can also use this system to view different designs of the diamonds and make an order." (C4)*

> *"We are aware of the development of IT, which can help us to search for information more efficiently. Therefore, we plan to adopt CRM. ...There are a lot of companies providing data mining support to companies. We outsource the data mining and data analysis work to a consulting company. so it allows us to adopt CRM." (C5)*

"POS system was bought for use as the system of our CRM program."

(C6)

Low engagement adopters:

"We bought the CRM technology from IBM. They helped us to create a user friendly program which can allow us to specify the product rule in order for us to select some target customers for sales." (C8)

The results showed that the perceived accessibility of information technology seems to differentiate between high engagement and low engagement adopters. It is because the perceived accessibility of IT was much higher for high engagement adopters (C2, C4, C5, C6) than the low engagement adopter (C8) as high engagement adopters even developed their own solutions for implementing CRM according to the conversations. In other words, the perceived ease of accessing IT is found to be lower in low engagement adopters.

In addition, the above statements support the literature review in Chapter 2, in that the perceived accessibility of information technology is a key enabler of CRM. This argument is supported by the findings of researchers that the accessibility of IT solutions such as relationship management software package (Jutla *et al.*, 2001), customer information system (Mentzas, 1997; Wells *et al.,* 1999), customer data base (El Sawy and Bowles, 1997), and decision support application software (Kohli *et al.,* 2001) are high which allow organisations to implement CRM easier. These concepts have been demonstrated by the use of SAS, POS system, IRMS and specially designed

CRM systems mentioned by practitioners. Without the help of information technology, it would be impossible to put CRM concepts into practice.

Building on the above argument, the following hypothesis is offered:

H11: The higher the perceived accessibility of CRM related IT solutions, the higher the levels of engagement with CRM.

viii. Competitive intensity

It was reviewed in literature that managers decide to adopt CRM in order to compete more effectively with their competitors. In practice, it was discovered that it may be the main reason that makes companies adopt CRM. Several participants mentioned this and they are listed in the following extracts:

High engagement adopters:

"We know that a lot of cosmetics companies are doing CRM in Hong Kong....it is essential for us to adopt CRM in order to compete with competitors in order to keep our customers." (C5)

"I think we are quite ahead of the game (competition) in this industry, we have a well built database warehouse to store our data for access and many competitors do not have that ability so it makes us adopt CRM easier......In order to be competitive, companies do not want to target customers wrongly and they know that the individual needs of customers are very important, therefore, they develop CRM." (C2)

Low engagement adopter:

> *"Since the leader in this industry like Standard Chartered Bank has setup CRM for keeping customers, we would also like to follow in order to see if we can maintain our customers.... We think about CRM because we find that it is very difficult to operate because of the strong competition of this industry."* (C8)

Both high engagement and low engagement adppters are also concerned about this factor when they consider adopting CRM. However, the construct seems to differentiate between high engagement and low engagement adopters. It is because the intensity of competition is a lot higher in their industries, according to the interviewees from the organisations with high levels of engagement with CRM than those from organisations with basic low levels of engagement with CRM.

The responses from the above interviews are consistent with the findings in the literature review for this thesis discussed in Chapter 3, as Boone (2001) showed that the intensity of competition affects the incentives to innovate when he analysed the effects of intensity of product market competition on R&D incentives. This is consistent with the views of the participants that they need to adopt CRM so as to stay competitive and to gain profits.

Therefore, the following hypothesis is to be tested:

> *H12: The more intense the firm's competitive environment, the higher the levels of engagement with CRM.*

ix. Desire for customer intimacy

There is some literature which discusses the relationship between customer intimacy and CRM adoption, as mentioned in the literature review chapter. However, not many papers explicitly investigated the driving role of the wish to create customer intimacy in CRM adoption. The desire for customer intimacy focuses on keeping a close relationship with customers, thus it is totally different from any aspect associated with the relative advantage because relative advantage is the degree to which an innovation is perceived as better than the idea it supersedes according to the literature. It usually refers to the degree of relative advantage measured in economic term such as profits and satisfaction. Relative advantage relates to the customers perception of the innovation while desire for customer intimacy is essentially an aspect of organisational strategy.

The relationship between desire of customer intimacy and level of CRM adoption is strongly supported by the practices of several organisations included in the interviews. Companies decided to adopt CRM as they think CRM can help to enhance intimacy with customers. Their views are reflected in the following statements:

High engagement adopters:

> *"When the customers have a stronger relationship with our organization, they will decide to come to our company whenever they want to go to a hotel. With CRM, we can be more active in building relationships with customers by sending updated information or promotions to them."*
> *(C1)*

"We think that knowing customers' wants becomes the basic marketing needs." (C5)

"...Our management wants to keep a close relationship with the customers and know that they are valuable to the company. They want them to enjoy some benefits which ordinary customers cannot enjoy." (C6)

Low engagement adopter:

"We want to satisfy the customers by adopting CRM so that customers feel that we know their wants." (C8)

The results indicate that customer intimacy seems to differentiate between high engagement and low engagement adopters. The quotes are different because high engagement adopters (C1, C5, C6) value the customer intimacy more than the low engagement adopter (8). During the interviews, it was seen that the high engagement adopters are very proud of their close relationship with the customers. Because of their desire in keeping close relationship with customers, their engagement level with CRM is high. Comparing the desire of customer intimacy, the low engagement adopters in the selected sample is relatively lower.

The information gained from the respondents reaffirms the findings in the literature review, that CRM can create a higher degree of existing intimacy with customers (Jackson, 2002). As mentioned in chapter 2, companies believe that their customers value intimacy. The situation was found to be

more significant for high engagement adopters than low engagement adopters. Building on this argument, the following is hypothesised:

H13: The levels of engagement with CRM is higher if companies desire to create stronger customer intimacy.

x. Information Utilisation

It has been discussed before that information can be utilised in a firm to identify its customers with CRM and firms can make its customer-base more loyal by collecting, processing/analysing and applying customer profile and transaction data to create an in-depth understanding of customer needs and provide fair value to all customers. Practitioners in Hong Kong seem to have same opinions and therefore information utilisation is believed to be a mediator between CRM adoption and its consequences. The following are ideas about information/data processing as reported by managers during interviews:

"A CIS system was used to process the information in the company. The MIS team of our corporation developed and maintained the system." (C1)

The participant applied the CIS system as Park and Kim (2003) mentioned in the literature review. This shows that there is a significant connection between the literature and actual practitioners' practice.

"Data analysis is very important to segment the customers…. We outsource the data mining and data analysis work to a consulting company." (C5)

Berry and Linoff in 1997 mentioned that the implementation of CRM initiatives have become increasingly important due to recent developments in technology, particularly in data storage capabilities, data warehousing applications, segmentation technology and *data mining techniques.* This literature review is supported by the response from the practitioners when they confirm that information processing and utilisation is very important to CRM adoption.

"…CRM is a means of generating additional revenue from your existing client database. …CRM therefore is about slicing and dicing your database into segments and clusters. We were able to find 12 clusters in CX's case after processing the customer data. For example, the managing director or business owner; high flying foreigner; students." *(C3)*

"…information of customers can be stored and analysed more systematically nowadays by applying a barcode in the membership card.." *(C6)*

"With CRM, we can analyze the background of the customers together with their requirements more effectively." *(C8)*

The segmentation process is emphasised by the other participants and this implies the importance of processing of customer information and data mining in CRM for getting relevant information in order to devise a customer relationship strategy.

Therefore, that the following hypothesis is offered:

H14: The better the information utilisation, the stronger the effects of CRM adoption on customer satisfaction, customer retention, employees' job satisfaction, organisational commitment and business performance.

In the literature about innovation related adoption, some other constructs have been proposed as moderators. In 2006, Lee and Xia conducted a meta-analysis studies of organizational innovation and suggested six important moderators within the relevant literature. They are 1)type of innovation (product, process innovation) 2)industry sector 3)type of organisation (non-for–profit, for-profit) 4) stage of adoption (initiation, adoption, adaptation, acceptance, routinization, infusion) 5)firm size (overall size, departmental size) and 6) type of size measure (assets, transaction volumes, work-force). As the scope of this research only focuses on the adoption of CRM in business organizations in services sector, therefore, it is very clear that type of innovation, industry sector, type of organization and stage of adoption are not too relevant in this study. Firm size especially work force has been suggested as a possible factor of CRM adoption in the previous discussion, as a result, the author would treat firm size as antecedents rather than moderators. It has been observed that researchers such as Parthasarathy and Sohi (1997) and Rivers and Dart (1999) drew a positive association between firm size and adoption of ICT. Large organisations are more willing to adopt ICT than are smaller firms (Weerahandi and Moitra, 1995). It seems reasonable in a financial point of view that larger firms can better afford the costs of acquisition and mistakes. On the whole, as no further suggestion about mediators and moderators in

the literature about CRM and during in-depth interviews, therefore, it is believed that possible factors related to CRM adoption are included in the proposed framework.

Up to now, logical questions about the drivers of CRM adoption have been setup based on the literature and the findings of the qualitative research. In addition, few of the hypotheses were setup for testing due to the lack of similar information in the literature. The next section will then focus on the relationship between CRM and marketing performance.

4.6.4 Consequences of CRM adoption

According to the interview participants, a CRM programme is usually carried out together with other marketing activities such as advertising and direct mailings at the same time in an organisation. As a result, sometimes it may be difficult to single out the effect or consequences of CRM adoption. During the interviews, it was found that companies in Hong Kong will still try their best to measure the impact of CRM adoption. Not surprisingly, many managers interviewed noted that CRM adoption enhances the performance of an organisation. Insights obtained from the exploratory interviews pertain to the consequences relating to customers, employees and business performance.

a. Customers

Several managers described the following positive effects about the customer aspect of CRM:

"Increase in <u>customers' return frequency</u> and referral letters as well as decrease in complaints indicated the effectiveness of CRM." (C1)

"The <u>regular customer satisfaction survey</u> about overall relationship with the bank allows us to measure the effect as well as to benchmark from competitors." (C2)

"We send sales information or newsletter only to the active customers in order to minimise the wastage. The <u>response rate</u> is around 12% to 15% which is quite high." (C6)

b. Employees

The other set of consequences that emerged from the interviews relates to the effects on employees. Two of the managers interviewed described the following:

"Through the CRM programme, frontline staff feel that they can have <u>more tools to communicate</u> with the customers, so that they can promote more to the customers and achieve more commission." (C4)

"<u>Job satisfaction of employees increased</u> as more customers returned. The frontline staff can also earn more as they are paid with commission." (C5)

c. Business performance

The typical response to the question about consequences was a list of favourable business performance indicators such as return on investment, sales volume, market share and sales growth. The findings are summarised below:

High engagement adopters:

"...revenue from VIP is measured every half year and whole year. We think that when the percentage of sales from VIP members is higher, our CRM is doing better." (C5)

"We think our VIP customers are very important, their revenue is 50% of our total sales in a year." (C6)

"50% of our sales are from the customers in our database." (C4)

"Our company likes to focus on the controllable and measurable effects more...Cost effectiveness and cost justification is very important in assessing whether CRM should be implemented. Sales regarding the CIS database were measured separately in order to measure the effectiveness of the CRM programme. Return on investment and profit and loss are important measures for our company to assess whether CRM is effective." (C1)

"Ratios like spending of customers from CIS database over total sales were measured to assess the effectiveness of CRM." (C1)

Low engagement adotper:

"*Trend of the churn rate was also measured.*" *(C7)*

No other aspect about performance was mentioned during the interviews besides the discussed three major categories. Therefore, they are believed to be the major consequences of CRM adoption. In addition, during the interviews, high engagement adopters could mention the significant improvement on the company performance after the adoption of CRM but low engagement adopters are still waiting for the results of CRM adoption. In order words, the levels of engagement with CRM would affect the degree of company performance.

As a result, the following hypotheses are offered:

H15: The levels of engagement with CRM leads to an increase in customer satisfaction and customer retention.
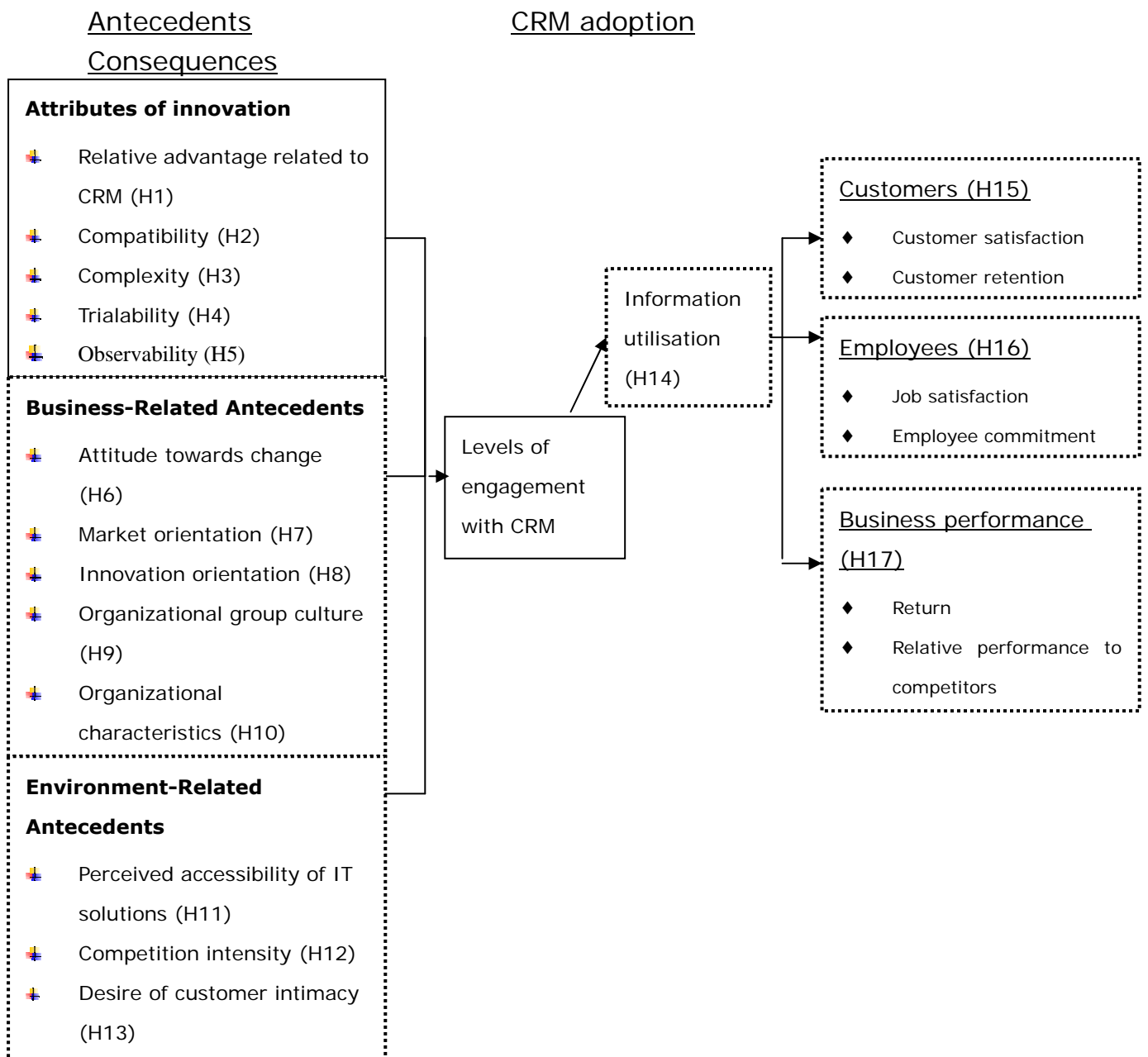
H16: The levels of engagement with CRM leads to stronger employees' job satisfaction and organisational commitment.

H17: The levels of engagement with CRM leads to better business performance.

The overall conceptual framework will be developed in the next section based on the hypotheses proposed in the above.

4.7 Conceptual framework

Figure 4.1 summarises the conceptual model developed by combining the literature review and the exploratory interviews. The model contributes to research by extending Rogers' (1962) framework on the diffusion of innovations. The antecedents in the model found from the literature were tested for relevance and refined based on detailed field interviews with practitioners. Specific hypotheses were then developed by pulling together the theoretical evidence and findings from interview data.

Antecedents   CRM adoption
Consequences

Attributes of innovation

- Relative advantage related to CRM (H1)
- Compatibility (H2)
- Complexity (H3)
- Trialability (H4)
- Observability (H5)

Business-Related Antecedents

- Attitude towards change (H6)
- Market orientation (H7)
- Innovation orientation (H8)
- Organizational group culture (H9)
- Organizational characteristics (H10)

Environment-Related Antecedents

- Perceived accessibility of IT solutions (H11)
- Competition intensity (H12)
- Desire of customer intimacy (H13)

Information utilisation (H14)

Levels of engagement with CRM

Customers (H15)

- Customer satisfaction
- Customer retention

Employees (H16)

- Job satisfaction
- Employee commitment

Business performance (H17)

- Return
- Relative performance to competitors

Boxes with dotted lines are the extension to Rogers' (1962) diffusion of innovation model.

Table 4.2 summarises the hypotheses that are going to be tested in the empirical stage.

Table 4.2 – Summary of hypotheses

Number	Hypotheses
H1	*The greater the level of relative advantage associated with CRM, the higher the levels of engagement with CRM.*
H2	*The greater the compatibility associated with CRM, the higher the levels of engagement with CRM.*
H3	*The lower the complexity associated with CRM, the higher the levels of engagement with CRM.*
H4	*The easier trialability associated with CRM, the higher the levels of engagement with CRM.*
H5	*The greater observability associated with CRM, the higher the levels of engagement with CRM.*
H6	*The levels of engagement with CRM is higher if the managers' attitude towards change is more positive.*
H7	*The levels of engagement with CRM is higher if the market orientation of the organisation is higher.*
H8	*The levels of engagement with CRM is higher if the innovation orientation of the organisation is higher.*
H9	*The levels of engagement with CRM is higher if the group culture of the organisation is stronger.*
H10	*The adapters' characteristics (company size and year of establishment) affect the levels of engagement with CRM.*
H11	*The perceived accessibility of CRM related IT solutions, the higher the levels of engagement with CRM*
H12	*The more intense the firm's competitive environment, the higher the levels of engagement with CRM.*
H13	*The levels of engagement with CRM is higher if companies desire to create stronger customer intimacy.*
H14	*The better the information utilisation, the stronger the effects of CRM adoption on customer satisfaction, customer retention, employees' job satisfaction, organisational commitment and business performance.*

Number	Hypotheses
H15	*The levels of engagement with CRM leads to an increase in customer satisfaction and customer retention.*
H16	*The levels of engagement with CRM leads to stronger employees' job satisfaction and organisational commitment.*
H17	*The levels of engagement with CRM leads to better business performance.*

4.8 Conclusion

The aim of this chapter was again to use the interviews from the qualitative study to determine from the *a priori* factors gathered through literature review, which were thought appropriate in understanding the adoption of CRM and its impact. In-depth interviews were conducted after evaluating the different methods of qualitative study. Eight practitioners working in marketing or CRM areas in Hong Kong were interviewed. Interviews were transformed into detailed transcripts and analysed using the methods suggested by Miles and Huberman (1994) by comparing the data against the theory as well as comparing the data in one case with the data in other cases.

The interview results showed that the opinions of participants in the in-depth interviews were quite consistent with the views found in the literature. The participants came from organisations which were classified as high engagement and low engagement adopters. By analysing the transcripts, 17 hypotheses were developed and a conceptual framework was finally developed which to be tested in the quantitative study.

In order to gather information of larger samples for testing and generalisation, quantitative research will be used as the next stage. In the next chapter, a review of the research philosophy of this research will be presented. The construct selection will be summarised and a description of the proposed sample selection process will be discussed.