

**CRM TECHNOLOGIES AS A LEVERAGE OF
COMPETITIVENESS AND BUSINESS VALUE
CREATION IN EUROPEAN MARKETS:
A COMPARISON BETWEEN ITALY AND THE
NETHERLANDS**

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CRM technologies as a leverage of competitiveness and business value creation in European markets: a comparison between Italy and The Netherlands¹

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Abstract

The term CRM, Customer Relationship Management, is one of the most applied concept both in Marketing and IT literature and applications. CRM is most of the time used as a replacement of a misleading narrow term: Relationship Management (RM). Operations, Customer Service, Sales, human resources, credit controls are essential ingredients in the customer satisfaction blender. We can conclude that the definition of CRM is also its objective: the development and maintenance of mutually beneficial long-term relationships with strategically significant customers. All this focus on customers and their needs comes from a shift from a mass marketing approach, through market segmentation, to an individualised marketing. This one-to-one marketing strategy is connected also with a more and more delocalised access to the markets from the logistics and distribution partners that implicates much more real-time expectations of the customers. So the market started to move from a product oriented structure to a customer oriented one but, unfortunately not all the companies haven't adapted their organization to the new requests of the new "customer centric era".

Key words: Knowledge management, Customer Relationship Management, Marketing, User innovation; Open source software; Community; Projects' performance.

JEL Classification: L86; D83

1 - Introduction

In this paper we have analysed the development steps in the status of the CRM in 2 European markets: Italy and the Netherlands. These 2 countries were chosen because they represent a complete panorama of the European situation: Italy, in the south of Europe is very good example of High Context country with less advanced business high tech solutions and the Netherlands, in the north of Europe, where the situation is almost at the opposite side, Low Context.

From the literature (Hall, "Beyond Culture", 1996) we already know that Low Context countries use a more codified strategy to share, apply and use information and Knowledge while, on the other hand, in High Context countries the personalization strategy is much more used (see the "Social/Cultural Context" paragraph).

Looking at the structure of a CRM application we can suppose it would perform much better if a Codification strategy is used: in a Low Context country the massive using of Explicit Knowledge permits to the whole company to store and share knowledge in a more codified way and, as Payne says (2001), the codified experience is the language of CRM.

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Looking at this we expected that in countries as Holland a mass application of CRM could be surely a big success, but, unfortunately, it wasn't. So our question is, how is possible that in a Low Context country where there are all the right elements for a well working application of CRM the result it was the same that the one we have in the High Context market?

2 – The Principal Actors in CRM

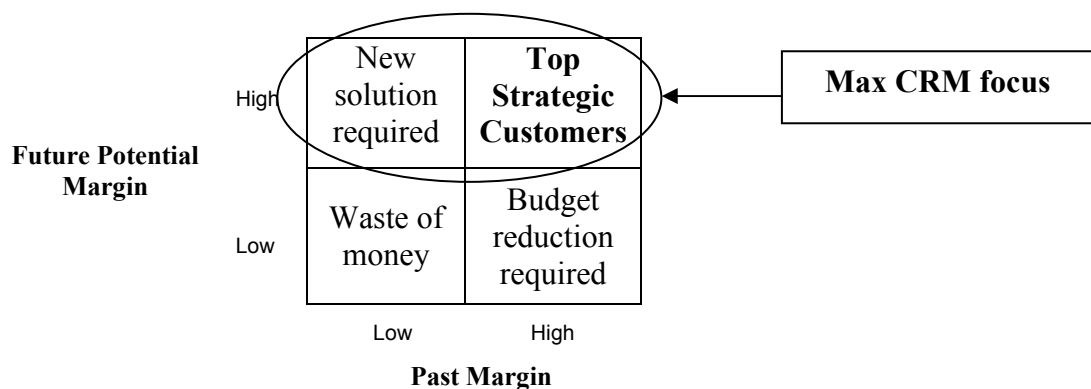
Before starting with the description of the methodology and the creation of the descriptive model to evaluate the possible percentage of success/failure in the acquisition, using and integration of a CRM platform it's necessary to define the 4 principal actors who play the fundamental actions in the definition of the different Strategies and Sub-Strategies in our Cognitive Maps analysis (see the next paragraph):

- 1) **Customers:** the most important factor in a CRM application;
- 2) **Suppliers:** all those who provide input to a company's value chain;
- 3) **Employees:** managers, front office, back office and all the other workers;
- 4) **Partnerships:** creation of additional value for the customers;

2.1 – Customers

To be successful, CRM has to be focused on strategic and significant markets and clearly not all customers are equally important for a company. Following the Pareto principle we know that 80% of the profit of a company is generated by 20% of the customers. So the first important action to better perform a CRM application is to create some conditions to define when a customer is strategically significant.

Trying to perform this process in a successful and powerful way it's necessary to conduct a customer matrix analysis:



Customer Matrix Analysis: *Payne*: "Customer Relationship Management", Cranfield University, 2001

Customers with a High Future Potential Margin are the significant strategically customers and on this group of customers the management of the company has to strategize new and more powerful CRM solutions.

2.2 – Suppliers

This CRM actor is one most important part of the relationship-network that a company has to plan before creating a successful CRM strategy to offer a real additional value and services to their customers. In this category we have to include all the third parts that offer materials, components, technologies and consultancies to the business chain of the company.

A good CRM supplier can be determined to shift the contacts with customers from a short-term relationship to a long-term one.

Independently from the supplier strategy of the company, buy everything from one big vendor or apply a pure best of breed approach, the rule of the suppliers are determinant to make successful and profitable the using of CRM applications and more in general it's one of the key factors to shift from a product centric organization to a customer centric business.

2.3 – Employees

Looking at all the researches about, the employee satisfaction drives customer satisfaction and in a more and more open market where customers can choose among a bigger and bigger number of suppliers the rule of customer satisfaction becomes determined to create the real treasure of a customer centric business: customer retention.

In the “New Marketing Era” (Paul Postma, McGraw-Hill, 1999) the focus of all the companies which are approaching a CRM core business strategy is shifting from a customer acquisition to customer retention and this last concept is the last link of the Service Profit Chain that starts from employees satisfaction.

To reach this high level of satisfaction among the employees is necessary first of all a rigorous system to measure and track the customer employee attitudes and then from this a better and better managing of employees inside the business processes of the company (using benefits for example).

The research methodology developed by faculty at the Harvard Business School has shown that the Service Profit Chain is one of the key factor to boost the revenue of a company.

In a “word of mouth” marketing the concept of customer loyalty, that's the first step to arrive at a real customer retention, is very high correlated with employee attitudes and satisfaction.

2.4 – Partnership

We can see in a lot of different situations, starting from the virtual communities, passing through the e-market place to arrive to some of the most important joint-venture as for example Microsoft and Intel or the big collaboration agreements among some of the biggest airlines companies in the world (British Airways and Iberia or Air France and the Dutch KLM) the more and more importance of the partnership strategies in a more and more service competitive market.

The principal benefits of these huge collaborations are contained in the concepts of cost sharing, technologies acquisition and the most important for the CRM strategy: customer knowledge which permits to the companies included in the partnerships to deliver additional values to the customers and in this way enhancing the level of customer satisfaction and customer retention.

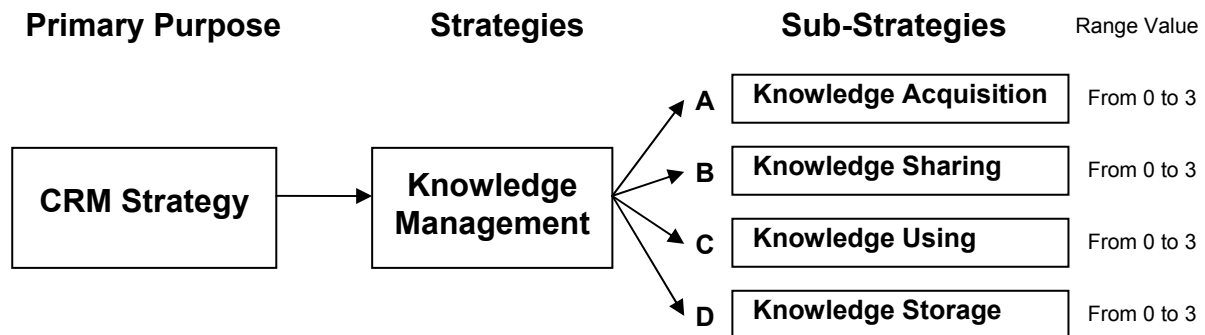
3 – The Methodology

Looking at the literature and taking a first look on the national reports about the situation of the CRM development both in Italy and in The Netherlands it was decided to apply a qualitative approach with 15 deep interviews per market. The qualitative approach was considered more appropriated for our situation because the perception of the CRM is very different manager by manager and market by market. This suite is famous for its possibility to be as customised as the company management wants and in this first approach it is very hard and useless to apply a “standard” approach (as for example a mass-customized survey) to define this domain and the chances of failure and success. The advantage of the deep interviews is hidden in the possibility of a complete adaptation on the CRM perception of each manager or consultant who works on this domain.

From the first results of the interviews the “Cognitive Maps” method was applied. With this qualitative statistical approach it’s possible to define per each item inside the CRM domain a value-scale where each theoretical element quoted and defined by the interviews could be weighted

The Cognitive Map analysis represents a new statistical method where the analyst has to define 3 different elements: the primary purpose, the secondary purpose and the different strategies applied to reach each purpose (Codara, Le Mappe Cognitive, 1998). As a primary purpose it was defined the development of a CRM strategy and a CRM system, as a secondary purpose the Customer Satisfaction and the Customer Retention and, as strategies, the different elements that, looking at the literature, compose the primary purpose. Every company should have a personal Cognitive Map for its personal case but to have a clearer picture of the market a general Cognitive Map has been defined. The general map defined in the next pages could be applied in each CRM approach independently which market and which business we are talking about.

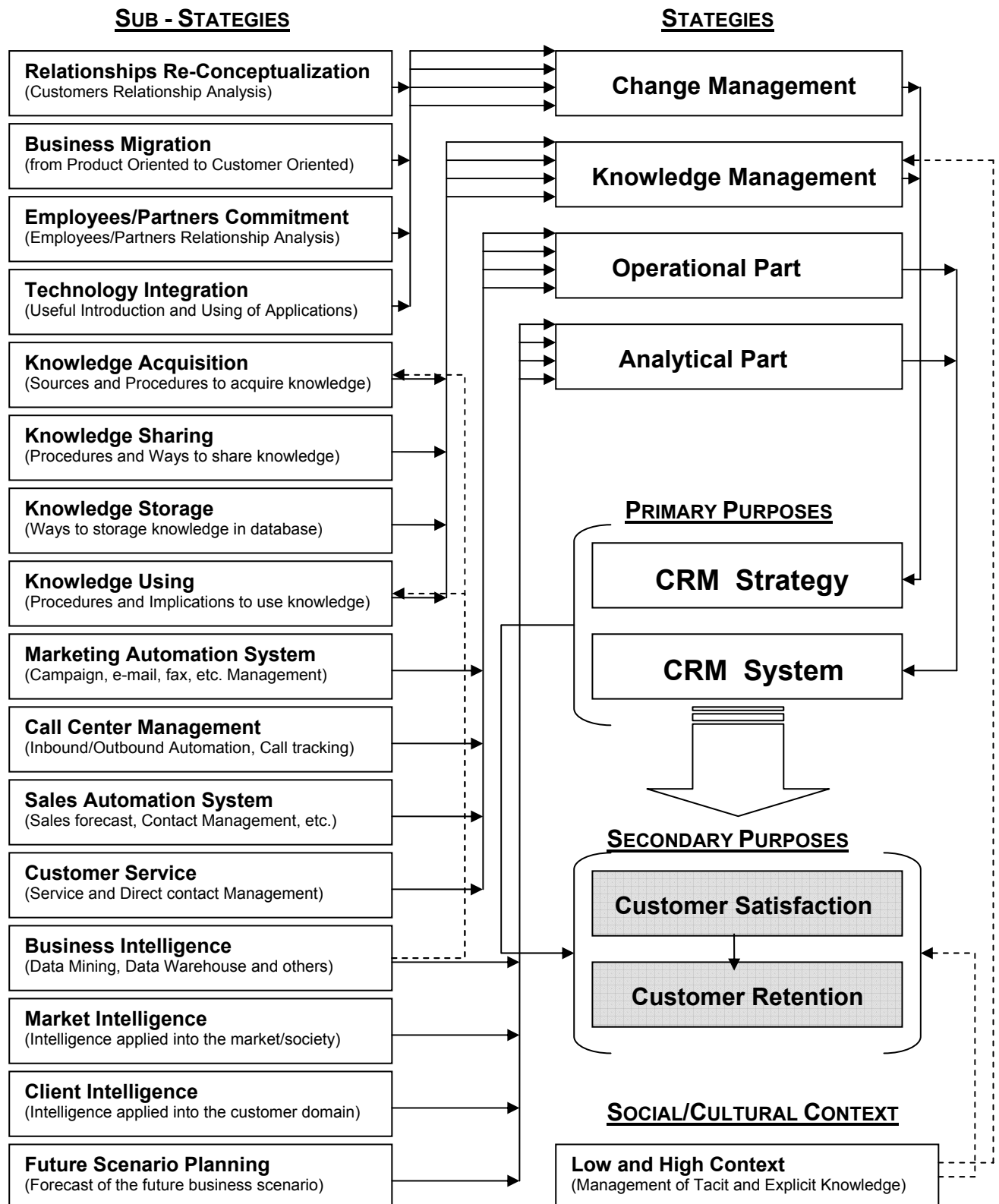
Each primary purpose will be divided in 2 different strategies and inside each strategy it was defined 4 different sub-strategies that had been valuated with a range value between 0 and 3 defined with a qualitative analysis (see the scheme below):



Every Sub-Strategies will be weighted with personal interviews to decide which is the value of the development and using (between 0 and 3) of each one of the Strategies we are talking about. The total of the Sub-Strategies (A+B+C+D) will be divided by 12 to have a normalised value (range between 0 and 1) for the adoption of the “Knowledge Management” Strategy in this case. This process will be used for the both primary purposes (CRM Strategy and CRM System) and as a consequence for each Strategy and Sub-Strategy.

Following this pattern it’s possible to have a normalized value of the Primary Purposes in all the companies we want to consider. These values will be inserted in the descriptive model that we will quote later to have a final percentage of the possible success in the using of CRM moving both in different markets and in different cultural aspects.

3.1 – Cognitive Map Scheme



The path of the scheme is to start from the Sub-Strategies to arrive at the Secondary Purpose, or in other words how to manage the different (Sub-) Strategies to boost the Customer Retention.

3.2 – Cognitive Map Model

Using the Cognitive Map Scheme and weighting the different Sub-Strategies it becomes possible, after the definition of a simple descriptive model, to calculate an indicative percentage of the possibilities of success or failure of a CRM application suite.

Interviewing some managers and opinion leaders both in The Netherlands and in Italy it was found that the perception of the different explicative variables in the model was quite different. Trying to be more precise in what we are saying it has to be said that in Italy the perception of the value of the correlation between the CRM Strategy and the CRM system is quite different from the same concept analysed in The Netherlands nowadays. What we are trying to say is that the concepts of CRM Strategy and System that there were in the Netherlands 2/3 years ago are very closed to the same concepts we have in Italy nowadays.

Trying to explain this dynamic situation with a model we could say that in Italy (now) and the in The Netherlands (3 years ago) the perception of the possibility of success or failure of a CRM suite could be represented with this descriptive relationship of explicative variables:

$$P = \left(\frac{X + Y}{2} \right) * Z$$

Where:

P = Possible Percentage of Success or Failure of a CRM application

X = CRM Strategy development

Y = CRM System development

Z = Social/Cultural Context definition

Every variable is defined with a (0;1) range where if the value is very close to 1 it means that the development of that process (Strategy or System) is very high while, on the contrary if it's very closed to 0 the development of the same process is very very low.

A different speech has to be said for the last variable (Z), the Context definition one. In this case in fact, it was decided (with the qualitative analysis discussed above) to give the value 1 in the case of a theoretical perfect “Low Context” and 0 in the case of a theoretical perfect “High Context” one.

Of course in the middle we have all the different value-graduations defined by the different using of the mix Tacit/Explicit knowledge and as a consequence of the application of a codification strategy instead of a personalization one.

Let's make an example, after a qualitative deep interview with a Marketing Manager of a company we have defined that in his company the development of a CRM Strategy is 0.6 (it means that 60% of the theoretical perfect CRM strategy development is really developed) and the development of a CRM System is 0.8 (80% the theoretical perfect CRM system development is really developed) we will have: $P = [(0.6 + 0.8) / 2] * Z$ where Z will be determined with an analysis of the Social Context where the company works. To define this last value it has to be considered a sample of opinion leaders and psychologists to interview. This system is largely used in the Dutch Bank market where the different companies use a pool of “social experts” to define the Cultural Context where their companies works in.

So, coming back to our sample let's say that the value of Z is 0.4, so it's a society closer to a Low Context one or, in other words, there the Explicit Knowledge is more used than the Tacit one.

Finally if we multiply all the variables as shown in the model above we would have the possible percentage of Success or Failure of the CRM suite in that particular company that works in that particular market: $P = [(0.60 + 0.80) / 2] * 0.40 = 0.28$ (28% more or less).

This model has been defined looking at the modules which compose a typical CRM suite and at the Gartner Research where it's possible to find deep analysis of the correlation between the concept of Strategy and System (see Wendy, Thompson, *Gartner Research*, 2001). In addition to an academic approach (Bose, Sugumaran, *Knowledge and Process*, 2003) the model and the different variables have been defined with the help of the qualitative analysis of the deep interviews. As we quoted above the first model we presented at the previous page could be considered a good representation of the Italian situation and of the Dutch market a couple of years ago.

In the Northern part of Europe, since last year, that model has been re-conceptualized looking at the percentage of failure in CRM applications (70%, source *Gartner Research*) and analysing these percentage with the development of the different Strategies and Sub-Strategies in the different Context and markets. Talking about this new point of view with a sample of 10 CRM experts (researchers, managers and program developers) I've tried to redefine, step by step the model seen above. Using the same Strategies and Sub-Strategies, the purpose of the research was to rebuild the connections/relations among the different variables.

Few years ago the majority of the companies thought that to acquire, to use and to integrate a CRM suite with their own business the most important thing was the choosing of the right CRM system components: the right tools to manage a call center or a contacts tracking or, as a matter of fact, the right modules to develop a campaign management or to automate the job-contribution of the Sales Force. Following this point of view, the CRM system started to be considered as the first and the basic step to start with a CRM business application. Only when the whole CRM system was well developed the companies really started to think about a CRM Strategy. In this way, the model we wrote above it's well describing the situation because the connection between the System and the Strategy is an additive relation: even if one of the two (most of the times the CRM Strategy) is 0 a CRM suite could work in the business of a company. Unfortunately this issue is completely wrong!

Looking at the article of Wendy and Thomson about the 10 Trends in CRM for 2001 and at some Dutch researches about this domain it's possible to see how it's stressed the concept-value of the right connection between the development of the CRM System and the CRM Strategy. "The 2 aspects have to be considered and weighted together" (Ernest & Young, 2000), it's not possible to think that a CRM platform could be applied to a company business only developing a good system and without considering the Strategy at all. And the same is for the opposite approach: focus only on the Strategy; even if it happens very very few times.

Re-conceptualising these relations it is possible to define a new model that fit much better the Northern European CRM philosophy. The CRM variables (Strategies, Sub-Strategies, Primary Purpose and Secondary one) are still the same, the real big difference is the connections between the CRM Strategy and the CRM System that is no more an additive sign but it becomes a multiplicative sign. Let's see the structure of this new model:

$$P = X * Y * Z$$

Where:

P = Possible Percentage of Success or Failure of a CRM application

X = CRM Strategy development
Y = CRM System development
Z = Social/Cultural Context definition

The definition of the single variables is exactly the same of the additive model but the difference is that in this multiplicative one if a CRM Strategy is very very low developed the P-variable (Possible Percentage of Success or Failure of a CRM application) is very very low even if in that company the CRM System is almost perfectly developed.

A part of this the weight of the Social/Cultural Context remains exactly the same, even in a multiplicative model the percentage of Success of a CRM Platform is higher if the market is based on the using of Explicit knowledge and if the process of sharing/using knowledge is based on a well defined codification strategy.

Looking at this new multiplicative model and applying the same value at the variables we used for the additive one it's possible to see how the possible percentage of success of a CRM platform falls down from 28% to 19,2% ($0,8 \times 0,6 \times 0,4$). In the multiplicative model the real key factor for a possible success of a CRM application is the total integration both of the suite into the process and of the processes among themselves.

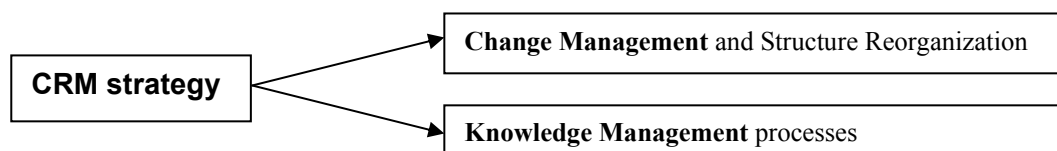
To better understand these concepts let's see the following paragraphs to define the 3 key factors that condition the possibility of success or failure of a CRM business philosophy and application: Starting from CRM Strategy and System to arrive at the exogenous variable: the Social Context.

4 – The 3 key-variables

4.1 – CRM Strategy

As we mentioned above, when we talk about CRM it's necessary to make a distinction between CRM strategy and CRM system. As a introduction to the suite in itself it's necessary to consider and to discuss about what has to be planned and deep analysed: the CRM Strategy.

Few pages above we defined the CRM Strategy as a domain where it's possible to fit 2 main aspects in the development of a CRM suite application: the Change Management (of the company point of view about the business and the relationships with the different actors of the market) and the Knowledge Management (of the 4 processes connected with the concepts of acquiring, using, sharing and storing Knowledge and data) (see A. Pétrissans, CRM, 1999).



A.Bona and G.Herschel (and many other authors in Gartner Research), in their analysis of the Knowledge Management processes that are connected with the using and the development of the Customer Relationship Management, wrote that the company focus and the budget dedicated to the strategic part of a CRM application is less than 30% of the budget thought for the development of the CRM system and its integration with the technology already existed.

4.1.1 – Change Management

Looking at the qualitative analysis made by the deep interviews with CRM experts in The Netherlands and then in Italy it's immediate to see that in both markets the real key factor is inside the re-conceptualization of the relationships with customers first of all and then with partners and with the competitors.

One of the most important question that a company has to wonder before starting with the acquisition of a CRM suite and also before starting with the migration from a Product Oriented business to a Customer Oriented one is “which kind of relationships do we want to build with our clients? Do we want to consider them as neighbours or as friends or as customers or what else?”.

Only when a company has understood which is the real clients' relationships that they want with the actors of the markets in general and with their customers in particular they can start to think about the CRM domain or other Automatic Relational Software solutions.

This first strategic process is better known as **Relationships Re-Conceptualization** and is quoted in the Cognitive Map as the first Sub-Strategies connected with the development with the CRM Strategy.

After this very important step a company has to start thinking about the migration we mentioned few rows above: a Product Oriented Business could never work with a CRM philosophy. For this reason “before considering the acquisition of a CRM platform it's necessary to re-organise the company business in a Customer Oriented way” (G.Herschel, 2000). This second Sub-Strategy is mentioned as **Business Migration**.

The obvious third part of the Strategic process in acquiring a CRM suite is **Employees/Partners Commitment**, or in other words, to commit as much as possible both the employees (with the managing of benefits and similar solutions) and the partners of the firm. If the company workers accept and use with favour the introduction of this new way to make business the success of the CRM integration would be much higher than a company where CRM is consider an enemy or an internal competitor. So, when a company is thinking about the business actors commitment, one of the most important issue is: “Are our employees ready to take this step and to work with this applications and, in particular, to make working a reorganisation like that?”.

So, when a company has planned everything as mentioned above it can start with the last part of the CRM strategy: customise and integrate a normal CRM suite following exactly the requests and ideas of the different departments. This part of the strategy is definitely the last step: only after the creation of a customer oriented structure you can “dress” your company with the right CRM suite.

This last step is better known as **Technology Integration**.

These 4 main Sub-Strategies are at the base of a CRM adoption, only when these 4 steps are at least well projected (even if they are not yet perfectly developed) it's time to think about the CRM system and all its technical solutions.

4.1.2 – Knowledge Management

CRM is a simple acronym that indicates a way to manage knowledge about customer trying to perform better results and to boost the revenue of the company.

A CRM project can be successfully applied to a business only if a company is customer oriented. In the shift from a product oriented company to a customer oriented one the real key factor is the different using of the knowledge about customers.

This knowledge is composed by 4 main concepts:

- Knowledge Acquisition,
- Knowledge Sharing,
- Knowledge Storage,
- And, last but not least, Knowledge Using.

These 4 concepts have to be considered as the 4 fathers of a CRM project and only if a company has developed a good strategy to manage these 4 knowledge aspects a CRM philosophy can be successfully applied. So, as a matter of fact, we can consider Knowledge Management as the most suitable science to the Customer Relationship Management domain.

The first Sub-Strategy that has to be considered is the **Knowledge Acquisition**. This part of the Knowledge Management process it's maybe, out of the 4 ones, the most correlated with the technology of a CRM application. Companies acquire more than 95% of their customer data by 5 channels: web sites, call centers, regular mails/papers, e-mail and shops (Ernest & Young source). Both in Italy and in the Netherlands these channels are well developed.

So, after the acquisition there is maybe the most "problematic" Sub-Strategy in the Knowledge Management domain: the **Knowledge Sharing**.

In the Italian context, the way to pass knowledge from the market to the company follows in most of the cases a personalization strategy because of the massive using of tacit knowledge in the business processes and this path naturally creates a problem of Knowledge Sharing based on the more and more strategic rule of the "person to person" approach. To have a "people to document" way of sharing knowledge about customers inside and outside companies the Italian market (and, more in general, the southern European countries) has to force the heart of its social context shifting from a high-context communication to a low-context one (see the Social/Cultural Context paragraph). This shift would be required to apply more easily a codification strategy that is the first strategic step to develop successfully a CRM platform.

In the Dutch Market, instead, we found an almost opposite situation: they think CRM can facilitate to make your own show in the business and for this reason Knowledge Sharing is, not always but quite often, an automatic process among employees, managers and sale workers.

This Dutch situation is not a social unexpected miracle but it's the result of a clear prevention strategy. In the Netherlands, in fact, knowing that the Knowledge Sharing could be a problem (even if it will never be a limit as big as in Italy) they suggested, as an early solution, to make the commitment of the employees so high that the all the workers, from the call-center to the top management, started to put the interest of the group above their individual interest.

After acquiring and sharing the information first and the knowledge in a second time it's quite crucial the right adoption of the third Sub-Strategy: the **Knowledge Storing**.

All the data that come from the communicative channels with the customers have to be stored in the companies databases. This process starts to create some problems to the management because it's the first step since when the data has arrived inside the company that it's required a strategy in the evaluation of this data. For the majority of managers in the Dutch market the Intelligence of a CRM project starts just from this step. An accurate storage gives to the databases better quality data and with better quality data is much easier to define a unique customer profile.

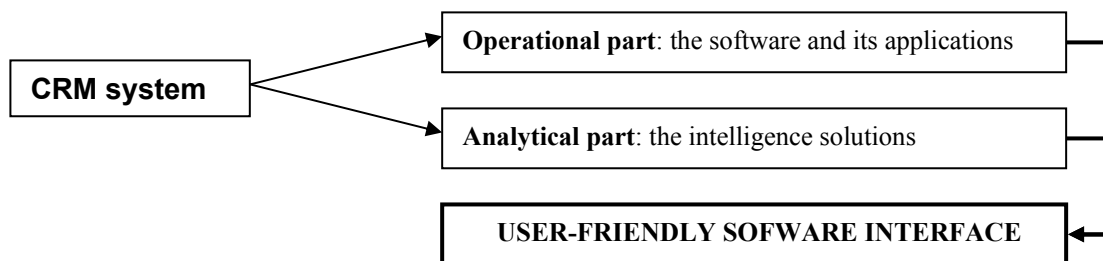
The last Sub-Strategy talking about the knowledge management domain is the **Knowledge using**. As for the Knowledge Sharing also this last aspect changes a lot moving from the north to the south of Europe. The real key factor that is hidden in this step is the different communication languages used by the different actors in the company business. "In the majority of the companies the different departments are using different languages to talk about the same item" (Ed Peelen, ICSB, Rotterdam). So, in several situations it's very difficult, first to share and second to use data when the IT department is speaking in a "computer based" language, the marketing department is speaking about customers' behaviours and sales department is talking about customers' stories and relations (Multifunctional Prospective Communication) (Alain Pétrissans, 1993).

Knowledge is power and if the companies are not able to put this power inside their CRM systems, instead of leaving it in the heads of some managers, they would be never able to create a real successful Customer Relationship Management project.

4.2 – CRM System

As described above, after a clear and complete CRM Strategy, developed in its 2 Strategies and 8 Sub-Strategies it's time to explain what is generally recognised as the real core part of the Customer Relationship Management: the CRM System.

A typical CRM suite can be divided in 2 different parts: an operational platform where there are the software modules and applications and an analytical one where it has to be putted all the intelligence solutions offered by the suite in itself.



4.2.1 – Operational Part

Talking about the Operational part of the system we can mention the CRM softwares and all the IT applications included in the suite that are responsible of the integration among databases and communication channels and, last but not least the very important software interface that, both in Italy and in the Netherlands, is the most developed part.

A complete CRM solution consists of the following components (www.syntelinc.com):

- **Marketing Automation System:** to manage the marketing campaign and to run e-mail and fax management
- **Product Configuration:** the CRM part dedicated to the business products;
- **Outbound Call Center:** call center and telemarketing automation software;
- **Sales Automation System:** to manage all the items about the Sales Force of the company (sales forecasts, contact management, etc.);
- **Inbound Call Center:** call tacking management;
- **Customer Service:** service and direct contact management;
- **Customer Analysis:** Customer Segmentation, Data Warehouse, Data Mining and ranking

These 7 parts that compose a CRM suite can be grouped in 4 categories by which CRM is completely defined (source IDC and Cap Gemini, 1999):

The first category is the “**Knowing Category**” where a company tries to understand its market and in particular its customers. In this category Customer Segmentation plays a crucial rule.

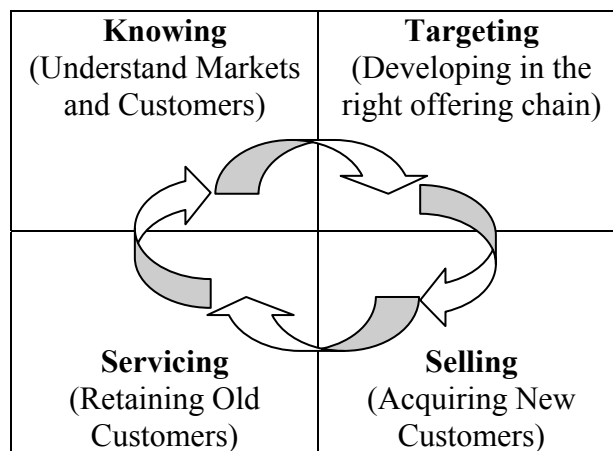
The knowledge about the Customers is obtained through Customer Analysis Systems as Customer Segmentation, Data Warehouse and Data Mining.

The second one is the “**Targeting Category**” where the business players try to develop the right offer to the right segmented customer group through the right channel.

The third one is the “**Selling Category**” where, through the optimised using of the Sales Force Automation Systems, the aim of the company business is to acquire new customers.

The fourth one is the “**Servicing Category**”. In this last one a company tries to gain and retain customer loyalty. Inside this category we can consider the call centers and the help desk services.

These 4 categories are connected as shown in the following scheme:



Ernest & Young, (2000), “CRM – Market trends: Customer Relationship Management” – E&Y publications.

Inside these 4 categories we can find all the different activities that characterised the three departments connected with the development of a CRM suite: Marketing, Sales & Service and Operations. With the application of a Customers Centric strategy these three different business worlds are being integrated through information technology as a CRM application suite.

So what CRM is really able to offer is to implement customer and market relationships throughout the organization and to realise the core purpose of a profitable business company: strategically significant customers who stay loyal to the company as long as possible or, in other words, the Customer Retention.

4.2.2 – Analytical Part

The Analytical part of the suite is very well developed, maybe not at the same step of the previous one but not so distant. In this part we consider the whole Business, Marketing and client Intelligence application that a CRM system is able to offer as a support in the process of customer analysis and scenario planning. Inside the big domain of what is called **Business Intelligence** we find 2 principal software applications: Data Warehouse and Data Mining (*Inmon, W.H., 1996*).

The first one works with all the aspects correlated with the 2 concepts of Knowledge Acquisition and Knowledge Storing. The second one, Data Mining, is the most sophisticated one and it's correlated with all the statistical tools used to analyse the big databases to define customer

profiles and consumer behaviours. The largest part of the CRM intelligence software lays on Data Mining tools (Gartner research, *A. Bona*).

After this first Sub-Strategy we can find 2 other intelligent applications that are considered important items in the analytical part: Market Intelligence and Client Intelligence.

The first one, the **Market Intelligence** Sub-Strategy has the purpose to find the hidden variables that lie in the outside market. With the endless growth of new data channels a company is covered by data about the market, the competitors, the potential targets and the environment but unfortunately the biggest part of these data are completely useless for the business and for the internal process. So the Market Intelligence department has to find the hidden patterns in the multitude of data that a company receives everyday from its communication channel.

Applying all these analysis for the clients we have the 3rd Analytical Part Sub-Strategy quoted in the Cognitive Map Scheme: the **Client Intelligence** one.

This analytical department is very useful to develop a good CRM philosophy because it's able to find what is possible to do to create the relationship that a company wants to build with their clients and, as important as this aspect, which are the hidden variables in the consumer behaviour and in the client perception of a company offer/brand/service and products.

Combining these 3 intelligent solutions each other it's possible to define the bases for the creation of the 4th and last Sub-Strategy connected with the Analytical Part of the CRM system: the **Future Scenario Planning** one.

In this last Sub-Strategy a company has to analyse the gap among the results of the different Intelligent applications and with the addition of the human experience using the CRM forecasting tools to define future possible scenarios of business and customers' relationships. In this last process we can find also some elements that could be considered part of the CRM Strategy (as for example the human experience and the integration among the different intelligence solutions). This is true but as Future Scenario Planning for the CRM System we consider only the Forecast Analysis tools to create the future possibilities of business.

4.3 – Social/Cultural Context

The business cultural approach of a company depends directly from the type of society where this company is working in. The Italian society is much more based on personal contacts and human discussions than the northern European countries. In Italy, for instance, it's very hard to automate certain kinds of customer level contacts and companies which stressed too much this automation made mistakes and they jeopardized their customers in the process. In the north of Europe people are more familiar with the automated channel to dialogue with the company and this more automated way gives to the companies 2 big helps:

- 1) an easier way to apply a totally "Codified Strategy" to the process (so important for a successful CRM project)
- 2) an easier Knowledge Acquisition (see the following paragraph about Knowledge)

So, as we mentioned above the main differences between the 2 considered markets are based on cultural aspects: different type of knowledge (tacit/explicit) used in different contexts (High/Low) with a different behind strategy (personalisation/codification). But the cultural aspects are source of differences and problems also inside the business processes of a single company in a precise market. In several cases a CRM project finds some obstacles to become successful not because of a wrong using of knowledge management but because the different department are using different language because they have different purposes in the developing of a customer centric application. This Multifunctional Prospective Communication (MPC) problem is an obstacle both in a High context market as the Italian one and in the Netherlands because it doesn't matter which type of knowledge or which strategy you are using (even if it has to be said that in a High context

communication this language problem is bigger just because most of the information is either in the physical context or internalized in the person, while very little is in the explicit transmitted part of the message). In a MPC there is a lack of alignment in the different market purpose: the IT department, for instance, need the knowledge included in the Sales Department but they talk about this knowledge using a different approach because its final goal is completely different.

The Cultural Aspect is one of the key factor in the creation and in the solution of problems not only in the Knowledge Management: one of the biggest challenge in the Change Management is to successfully shift a task/product oriented company in a customer oriented one and this big change is almost completely based on a cultural change (Payne, 2001). It's not a high-class software or a well developed IT solution that can change the approach to the market putting the customer in the middle of the companies' strategies. Talking about this aspects we found that in The Netherlands, or however in the countries that share information through a more codified strategy, the problem is smaller because this big shift can be helped, just because the information are more codified, by a good IT approach (see the Database and Making Intelligence paragraph). In the "personalization-strategy-countries" this shift appears more difficult and for sure slower than the rest of Europe but in both market, to realise a success customer oriented shift, companies need a clear strategy that starts from the head of the top management where the cultural aspects are very hard to be modified.

Another crucial cultural problem, in particular in the Italian market, is the lack of total control of the surrounding conditions. A CRM oriented company has to consider its continuous update CRM as the core application to manage the different relationships with its customers. The big problem is when they have to implement an old version of an obsolete module of their CRM: the top management decides to introduce the new version, they test it, they arrive at the "go-live" day that everything is well working but the largest part of the employees still support the old interface because they are more familiar to find data and solutions. In this way the company loses the total control of the surrounding conditions and in this situation CRM can fail neither because something is wrong in the application itself nor because of Knowledge Management but because of the laziness of employees and of the lack of control by the top management (Wolfs, Robeco Bank, Rotterdam).

So we can conclude that the largest part of the differences between Italy and Holland is the same that we have comparing the north and the south of Europe: the southern countries are based on personal relationship between company and customers while the northern countries base their customer-business in a strong procedure approach. These 2 different cultural approaches to the market are both working but in a "personal relationship business" the changes are much slower than on the other approach just because the knowledge is retained more in people experiences than in companies databases.

5 – Conclusions

In the introduction of this paper we wonder "how is possible that in a Low Context country where there are all the right elements for a well working application of CRM the result is the same that the one we have in the High Context market?". The answer to this question is hidden in the comparison between the 2 models, the additive one and the multiplicative one.

As mentioned above in each model we have considered the same 3 variables: CRM Strategy, CRM System and, last but not least, the Social/Cultural Contexts. The first 2 variables can be considered as endogen ones while the third, the Context has to be used as an exogenous variable. Comparing the 2 models and the connections among the 3 variables we can see the Context variable is linked with the others with multiplicative sign in both cases.

In the development of the CRM suite applications the managers of both markets think the market has had 2 big waves: the first one characterized by the only purpose to create huge database where with the simple application of data mining tools companies thought they could discover hidden variables in the customer behaviors, and this one fail in more or less 70% of the projects (source Gartner Research). The second wave, whereas, it's based on the intelligent integration among the 5 different communication channels (web sites, call centers, regular mails/papers, e-mail and shops) trying to have unique information about the customers from the source. In the second wave the CRM Strategy is much more developed than the first one and if the single tools are not so different from the first CRM platform version, it has to be said that the company intelligence (Marketing, Business and Client) is more supported thanks to the introduction of new specific modules.

Thanks to the qualitative analysis we found that in the Dutch market the evolution to the second more intelligent CRM wave is already here while in Italy this evolution is coming much slower. The first model, the additive one, can be considered the model of the "first CRM wave" where the Strategy and the System were considered independent one to the other and where the effect of the Social/Cultural Context was very high compared with the weight of the other 2 CRM variables. As mentioned above this additive model in the north of Europe has been re-conceptualized to arrive at the creation of a multiplicative one that, according with the qualitative interviews in both the markets (even if in Italy it's still a kind of experimental model approach), it is better working to explain the theoretical connection between the different Strategies/Sub-Strategies and the possibility of success or failure of a CRM project.

In this second model, differently than the first one, if the Strategies of a CRM Strategy or a CRM System are very closed to zero (according to the Cognitive Map analysis approach) the dependent P-variable (Possible Percentage of Success or Failure of a CRM application) falls down to a very low level. In the first model, the weight of these Strategies were much lower, in fact, if in a perfect Low Context market ($Z=1$) a company has developed a perfect CRM System ($X=1$) but an almost un-existing CRM Strategy (Y very close to 0) the value of P would have been bigger than 0,5 (in fact $P=[(1+0,1)*1]$).

If we consider the same situation in second model (or in other words in the "second CRM wave" where the Strategy and the System are much better integrated thanks to the introduction of a more sophisticated intelligence and a philosophy-strategy behind the purposes) we would have a value very close to 0,1. "But what does it mean that in the first case $P=0,5$ and in the second model it's so close to zero?" The answer to this question it's the average of the different answers we had from the CRM experts interviewed. First of all $P=0,5$ means that, in the light of the way that a company applies the different Sub-Strategies and in the light of the development of these Sub-Strategies in its business it could be supposed that that company has the 50% of percentage that its CRM project will be a real help for its processes or, in other words, a success. For 86,6% of the CRM experts interviewed (26 out of 30), looking at the different Sub-Strategies mentioned in the Cognitive Map, a good P value for the Possible Percentage of Success or Failure of a CRM application could be 0,6 and bigger.

Coming back to the analysis of the second model we can see how the 3 variables have the same importance (first all their weights are 1 and second they are connected by a multiplicative sign) but while the Context depends on the environment where the company works, the other 2 variables are directly connected with the company business choices. Looking at the 2 markets, both in Italy and in The Netherlands, one of these 2 variables, the CRM System, is very well developed in the majority of the analyzed cases (with our qualitative interviews the CRM experts say that the range of this variable can be fixed between 0,7 and 0,95 and it means that almost 80% of the companies are developing a good CRM System).

So, the weak variable in our descriptive analysis is the CRM Strategy and to go deeper in this item we have found that the weakest Sub-Strategies are the "Relationships Re-Conceptualization" and the "Employees/Partners Commitment". According to the managers interviewed the "Business Migration" and the "Technology Integration" Sub-Strategies are easier to

manage and to better perform than answering to questions as “which kind of relationships do we want to build with our clients? Do we want to consider them as neighbours or as friends or as customers or what else?” or to think about some kinds of “personal benefit” to better commit the actors of the CRM project, first of all the Employees and the Partners.

Looking at this analysis we can consider the question wondered in the introduction from another point of view: “Why did 70% of the projects fail?”.

Before answering it has to be said that in a lot of big companies several CRM projects started at the same time and of course not all of them could arrive at the end and could be really applied to the business. Some companies, in particular in the northern countries follow this way because it's hard to find from the beginning the best solution from the best supplier for all the different processes and departments. But coming back to the core question we can definitely say that a CRM suite is not only an IT or a marketing project but it's a new philosophy to make business. Of course, the Social and the Cultural Context where a company works can condition the business processes of the company in itself making easier or harder both the process of transformation of simple data into real knowledge and the process of sharing but it's not up to the Context if a CRM project fails. In the new digital era the High Context society are moving to a more Low Context ones, at least in the using of the mix Tacit/Explicit knowledge applied to the business world, so the value of the Z-variable of the model is becoming bigger and bigger. In this landscape the real key factor for the success of CRM are the management of the re-conceptualization of the relationships between company and customers and the commitment of the Employees and the Partners. In other words, independently from which is their contexts (Low or High of middle ways), the companies have to remember that a Customer Relationship Management platform is a solution to better manage the relationships among the 4 CRM actors mentioned above (Customers, Employers, Partners and Partnerships) and not a solution to use more Information Technologies or to improve the dimension of their databases.

6 – References

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