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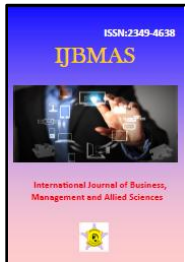
**ORGANIZATION READINESS AND ADOPTION OF CUSTOMER  
RELATIONSHIP MANAGEMENT (CRM) TECHNOLOGIES AMONG THE  
SMALL AND MEDIUM ENTERPRISES (SME) SEGMENT- A PROPOSED  
MODEL**

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**ABSTRACT**

Small Medium Enterprises (SMEs) are considered as major economic players and a potent source of national, regional and local economic growth. They play a vital role as they contribute significantly in terms of employment and income distribution in many countries. In order to be competitive the SME segment need to adopt technology for their sustenance. The researchers have examined various studies in adoption and based on extensive literature study recommended a new model which is under investigation. The major factor of organization readiness is being examined in this study which the researchers believe shall play a significant role in adoption of CRM technologies.

**Keywords:** Organization Readiness, Customer Relation Management, Top Management Support, IT Knowledge and Experience, Competitive Pressure

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**1. INTRODUCTION**

Small and Medium Enterprises (SMEs) are considered as major economic players and a potent source of national, regional and local economic growth (Taylor and Murphy 2004). They play a vital role as they contribute significantly in terms of employment and income distribution in many countries (Seyal et al 2000) Firms in various industries are adopting new technologies in order to stay ahead and outperform their competitors. The market today has more number of brands and services and customers' choice and buying option has increased. So there is an inherent need to meet the growing demands of customers. Intense competition, sluggish growth rate in certain sectors and technological development has forced firms to cut costs and enhance their effectiveness of their business operations. Here Customer Relationship Management has immense potential to improve business and market productivity.

Firms adopt innovative technologies in order to gain 'competitive advantages'. Thong (1999) explains that adopting computer-based innovative technologies could provide an opportunity for business to improve their efficiency and effectiveness and even to gain competitive advantage. Srinivasan et al (2002) state that e-business technologies such as CRM or ERP could be regarded as "radical technologies that have been transforming business models and processes, resulting in the disruption of old industries and the creation of new ones". Thus the CRM or ERP adoption which is said to be radical technologies helps firms gain competitive advantages and firms tend to be more

successful if they adopt a radical technology and align their business processes on the basis of such innovation (Utterback 1994, Srinivasan et al 2002). Without a thorough plan before the adoption of the new technology, an incomplete system specification could lead to failures in implementing enterprise systems such as CRM or ERP (Bowersox et al 1992). Seyal and Rahman (2003) noticed distinct characteristics imbedded in SMEs which consist of small management teams, strong owner influence, lack of staff in specialized areas such as information technology, multi-functional management, limited control over their business environment, limited market share, low employee turnover, a reluctance to take risks, and avoidance of sophisticated software or applications. Such characteristics lead SMEs to be very slow with respect to technology adoption and have more difficulties in taking advantage of benefits from the technologies than large enterprises (Grandon & Pearson, 2004). Confederation of Indian Industry (CII, 2010) study shows that the penetration of IT in Indian SMEs is quite low and attributed to reasons such as very few employees of a typical SMEs gain relevant expertise in IT during their education; most SME firms do not have a formal IT budgeting process and lack of customization of IT solutions. Few research studies have been conducted with respect to IT adoption by Indian SMEs in general (Sharma and Bhagwat, 2006; Todd and Javalgi, 2007; Thakkar et al., 2008). More researches related to factors influencing adoption of technology among the SMEs was conducted by many researchers outside India namely (Cragg & King 1983, Thong and Yap 1995, Premkumar and Roberts 1999, Mirchandani and Motwani 2001, Chwelos et al 2001, Chua and Hui 2001, Kendell et al 2001, Igarria et al 2001, Mehrtens et al 2001. Sathye and Beal 2001, Kaun and Chau 2001, Rashid and Qirim 2001, Moodley, 2002, Letwongsatien and Wongpinunwatana 2003, Seyal et al 2004, Ching and Ellis 2004, Grandon and Pearson 2004, Mike and Anthony 2004, Salleh and Rohde 2006, Gemino et al 2006, Kuada and Serles 2006, Boumediene et al 2007, Raymond and Bergeron 2008, Ramaseshan and Kiat 2008, Ongori and Migiro 2010, Voges and Pulakanam 2011, Alshawi 2010, Chuchuen and Chanvarasuth 2011).

## 2. RESEARCH PURPOSE

Small enterprises in India are over 3 million in number producing over 8,000 items assume special significance for their role as a creator of large-scale employment opportunities apart from contributing considerably to industrial production (50 per cent), exports (42 per cent) and regional development. The Indian SMEs must embrace technology by upgrading in their business operations to sustain and enhance their competitiveness to face the onslaught of products from multinational enterprises. The key to survival for many SMEs is the ability to exploit new technology such as CRM to improve productivity and cost efficiency, and generate new sales. There is little research into the small and medium-sized enterprises pertaining to the adoption of CRM technology in India and based on the leads of reviewed literatures, research problem of this study was identified. Confederation of Indian Industry (CII, 2010) study shows that the penetration of IT in Indian SMEs is quite low and attributed to reasons such as very few employees of a typical SMEs gain relevant expertise in IT during their education; most SME firms do not have a formal IT budgeting process and lack of customization of IT solutions. The research model to be tested is formulated with a purpose to study the Organization Readiness in adopting CRM technologies to run their business.

## 3. PROPOSED MODEL AND HYPOTHESES DEVELOPMENT

**3.1 Organization Readiness:** Organisational readiness is defined as “the availability of the needed organizational resources for adoption” (Iacovou et al 1995). It refers to the firm’s level of (1) hardware resources, (2) software resources, and (3) financial resources available for EC adoption (Gemino et al 2006). This factor is considered important in adoption because SMEs typically lacks the technical and financial resources necessary for EC and other IT investments. Mehrtens et al (2001) found that SMEs with high levels of IT are more likely to adopt the Internet.

Chwelos et al (2001) found that IT sophistication affected the firm’s ability to adopt EDI. Information systems sophistication assesses whether a firm is technologically ready to undertake the adoption of an IS innovation; while financial resources express an organization’s capital available for

IS investment. In this study the organization readiness factor is taken as a moderating variable. The two factors – IT knowledge and experience and top management support is identified to influence the organization's readiness. This factor have found relevant in researches (Poon and Swatman 1999, Beatty et al 2001, Thong 2001).

**H1: The greater the organization readiness factor, the more likely to influence the adoption of CRM.**

**3.2 IT knowledge and experience:** Firms that do not have much IT knowledge and experience may be unaware of new technologies or may not be willing to take a risk to adopt them. Dholakia and Kshetri (2002) suggest that technologies already existing in an organization influence the future adoption of a new technology.

They argue that the incremental cost and knowledge required to adopt the Internet, for example, will be much smaller if a firm already owns a computer and a telephone. However, other research studies have shown that prior IT knowledge and experience influence the adoption of new technologies (Kuan and Chau 2001, Fink 1998). Therefore the hypothesis was framed to test IT knowledge and experience which is one of the factors responsible for organizational readiness.

**H2: The greater the IT knowledge and experience is the more likely to influence organization readiness factor.**

**3.3 Top Management support:** Jeyaraj et al (2006) found that top management support be important factors that influences the adoption of Information Systems' innovations. Top management can kindle change by communicating and reinforcing values through an articulated vision for the organization (Thong 1999). Further studies have found top management support to be critical for creating a supportive climate for the adoption of new technologies (e.g. Premkumar and Roberts 1999, Grover and Goslar 1993). In SMEs, the decision-maker is more likely to be in the top management team and their support is vital for the adoption to take place.

**H3: The greater the top management support for CRM adoption, the most likely to influence organization readiness.**

**3.4 Competitive pressure:** It is inferred from various research work that that competition increases the probability of innovation adoption (Utterback 1974, Kimberly and Evanisko 1981, Link and Bozeman 1991). It is tough rivalry that pushes businesses to be innovative (Porter, 1990). The empirical studies showed that more intense competition is associated with higher adoption rates (Globerman 1975, Levin et al 1987). Competitive pressure has been identified by Jeyaraj et al (2006) as one of the best predictors of organizational adoption of innovations. Competitions in the adopter's industry are by and large perceived to positively influence the adoption of innovations (Gatignon and Robertson 1989). Premkumar and Ramamurthy (1995) observed that it has become a strategic need to have these new technologies to compete in the market place. Hence, it is possible to frame a hypothesis to test the competitive pressure

**H4: Higher the competitive pressure faced by business, the more likely that the SMEs shall adopt CRM.**

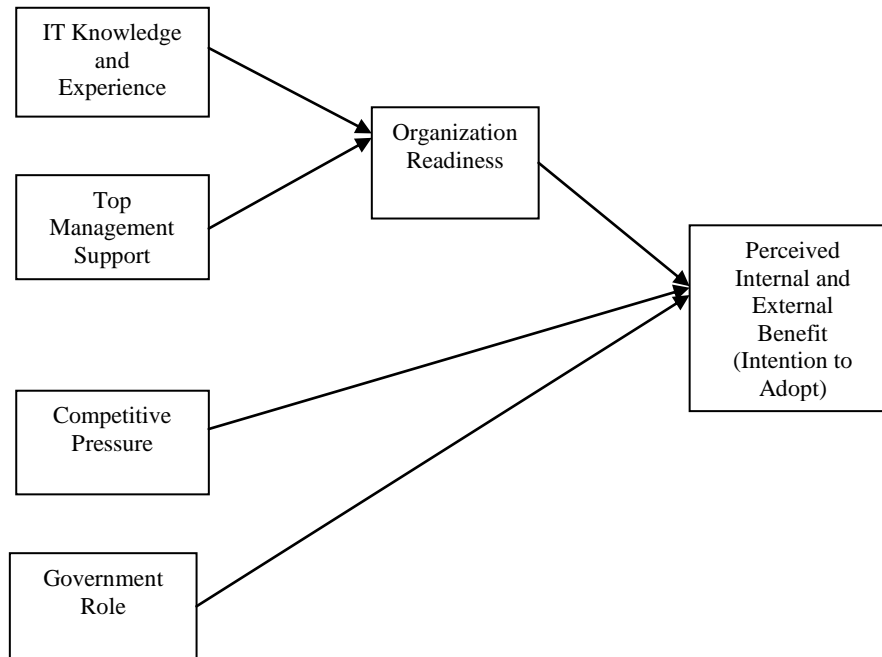
**3.5 Government Role:** Government plays an important role as users and inducers of IT practices (Kim 2001, Chan and AL-Hawamdeh 2002, Tigre 2003). Crow (1988) observed that as government financing or influence increases, sales of the affected products subsequently increase. Mowery and Rosenberg (1979) suggest that government policies that enhance or appear to enhance the ability of the firm to compete in the marketplace have a strong positive influence on technology development strategy at the corporate level. Therefore, it is possible to hypothesize that a positive relationship exists between government support and the intention to adopt CRM and hence the hypothesis is postulated. Therefore based on strong literature support from previous research studies the hypotheses were framed.

**H4: Higher the support rendered by the Government, the more likely the SMEs will adopt CRM.**

**3.6 Perceived internal and external benefit factor- Intend to Adopt:** Cragg and King (1993) observed that relative advantage was a primary cause for encouraging further IT growth. Iacovou et al (1995)

suggested that relative advantage was expressed by perceived benefits and found a positive relationship between perceived benefits of adoption of innovation like EDI. Chwelos et al (2001) found a positive correlation between perceived benefits and intent to adopt EDI. Mehrtens et al (2001) found that relative advantage was a predictor of Internet adoption in SMEs. Harrison et al (1997) observed that attitude towards adoption (i.e., positive or negative anticipated consequences of adoption) strongly influenced a small business executive's decision to adopt an IT to help their firm compete. Teo and Tan (1998), Walczuch et al (2000) concluded that strategic and informational benefits, specifically related to customers, have a positive influence on the adoption of electronic commerce. The perceived internal and external benefit factor is the indicator for intent to adopt. The Model proposed below is based on extensive literature survey discussed above.

#### Proposed Model



#### 4. Discussion & Conclusion

The researchers have attempted to build a model that may provide a solution to examine the organization readiness to adopt to CRM technologies with reference to SME segment. The Model suggested for carrying out research in a new model and not an extension of existing models however the variables are derived from existing adoption studies. The predicative model has four factors identified from various previous adoption studies with organization readiness as a moderating variable and perceived internal and external factor as intend to adopt factor. The researchers believe that the model and study results shall throw light on adoption of technology among the SMEs segment and encourage more researches with Indian SMEs adoption of technology which is an unexplored area.

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