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### The Influence of customer relationship management (CRM) Systems on the efficiency and effectiveness of Small and Medium Enterprises in Saudi Arabia

### La Influencia de los sistemas de gestión de relaciones con los clientes (CRM) en la eficiencia y efectividad de las Pequeñas y Medianas Empresas en Arabia Saudita

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## Abstract

This study aims to explore customer relationship management (CRM) systems in Small and Medium Enterprises (SMEs) in Saudi Arabia. More specifically, this study investigates CRM benefits, critical success factors (CSFs), and the impact of CRM on SMEs' performance. This study is based on a qualitative design; semi-structured interviews were employed to acquire the requisite data. The results reflect that all the investigated businesses are implementing CRM. Furthermore, certain success factors such as training employees, top management support, and change management have been determined to significantly impact the CRM system and increase achievement of the desired results. The study creates awareness of CRM and provides executives with insights into CRM practices, with the aim of enhancing the effectiveness of CRM and confirming its benefits and advantages for interested parties.

**Key words:** CRM; SMEs; Performance; Customers.

## Resumen

Este estudio tiene como objetivo explorar los sistemas de gestión de relaciones con los clientes (CRM) en pequeñas y medianas empresas (PYME) en Arabia Saudita. Más específicamente, este estudio investiga los beneficios de CRM, los factores críticos de éxito (CSF) y el impacto de CRM en el desempeño de las PYMES. Este estudio se basa en un diseño cualitativo; Se emplearon entrevistas semiestructuradas para adquirir los datos necesarios. Los resultados reflejan que todos los negocios investigados están implementando CRM. Además, se ha determinado que ciertos factores de éxito, como la capacitación de los empleados, el apoyo de la alta dirección y la gestión del cambio, tienen un impacto significativo en el sistema CRM y aumentan el logro de los resultados deseados. El estudio crea conciencia sobre CRM y proporciona a los ejecutivos información sobre las prácticas de CRM, con el objetivo de mejorar la eficacia de CRM y confirmar sus beneficios y ventajas para las partes interesadas.

**Palabras claves:** CRM, PYMES, Actuación, Clientes.

## Introduction

The swift evolution of social technology within today's intensely competitive business environment has substantially transformed the e-business landscape. In light of this notable expansion, companies, particularly small and medium-sized enterprises (SMEs), are required to enhance customer engagement and retain their existing clientele to ensure business sustainability (Hassan et al., 2019). Today, SMEs play a vital role in the economies of all countries through their contribution to national economic growth and employment. SMEs are a very important sector in the Saudi economy, as they contribute 30% of the Saudi GDP. In order to improve the services delivered to customers and thereby maintain that loyalty, businesses need to possess adequate knowledge of the nature of these customers. This is the essence of customer relationship management (CRM) (Soltani & Navimipour, 2016). In essence, the term 'customer relationship management' refers to a range of technologies and processes adopted and used in organizations for the extension, motivation, retention, recognition, and provision of services to consumers (Soltani & Navimipour, 2016).

In SMEs, CRM systems have become critical due to their ability to increase profits, enhance customer loyalty, increase customer satisfaction and improve customer retention. The rapid development of CRM applications has resulted in more SMEs trying to implement CRM to survive and compete in the global market. CRM helps SMEs to improve the customer experience through efficient customer services and digital marketing, improve direct customer interactions (Hassan et al., 2019). The relationship between CRM and customers is important for a growing business. CRM manages the interactions with future and current consumers by allowing any company, regardless of its size, to gather and analyse information and data about customer history (Hassan et al., 2019).

CRM can play an essential role in understanding customers' preferences and patterns, facilitating successful business strategies. For SMEs, interactions with customers are frequent, and it is important for them to be able to respond efficiently

to the customers' needs. Achieving customer satisfaction is one of the most challenging tasks in today's competitive world of electronic businesses. These businesses are trying to deploy CRM to improve the connections between the company and its customers, and achieve customer satisfaction (Shvydenko, 2011). In this research study, two ends of the CRM model are highlighted, customer satisfaction and performance. This will be valuable for new entrepreneurs who are ready to step into the CRM business. Our selection focused on these elements because they comprise a broad implementation approach to CRM. Although there is a lot of literature on this topic, little focuses on the impact of CRM on SMEs. The proposed research will attempt to bridge this gap by providing a detailed understanding of CRM and its role in increasing the efficiency and effectiveness of SMEs in Saudi Arabia. Therefore, this research aims to answer this research question:

How does the implementation of customer relationship management (CRM) systems influence the efficiency and effectiveness of small and medium enterprises (SMEs) in Saudi Arabia? .This research will contribute to bridge the current gap in the literature of the use of CRM systems in Saudi SMEs. Moreover, the study could help SMEs develop new strategies to enhance customer satisfaction through CRM systems. The findings could contribute to the development of implementation strategies of CRM systems designed to the needs of Saudi SMEs. The study's findings can contribute as a guide on the importance of CRM for entrepreneur.

### **Overview of SMEs in the Kingdom of Saudi Arabia**

SMEs in Saudi Arabia contribute around 30% of the country's GDP. Today, SMEs are recognized as key drivers in mitigating unemployment and poverty, and in stimulating economic growth. In Saudi Arabia, the number of SMEs has reached 892,000, an increase of 26% compared to the fourth quarter of 2021. SMEs can be defined as businesses with assets, revenues, or a number of employees below a certain threshold, as illustrated in Table 1. Each country has its own definition of what constitutes an SME. In the Kingdom of Saudi Arabia (KSA), SMEs are categorized

into three categories based on the number of employees and revenues, which are Micro, small, and medium businesses ([www.monshaat.gov.sa/](http://www.monshaat.gov.sa/))

Table 1. SME definition in the KSA

Enterprise size	Definitions
Micro business	A business with 1–5 full-time employees or revenue in the range of zero to 3 million Saudi riyal.
Small business	A business with 6–49 full-time employees or revenue in the range of 3 to 40 million Saudi riyal.
Medium business	A business with 50–249 full-time employees or revenue in the range of 40 to 200 million Saudi riyal.

The Small and Medium Enterprises General Authority (SMEGA) in the Kingdom of Saudi Arabia (KSA) is actively engaged in a comprehensive review of regulations, with a focus on dismantling barriers, enhancing access to finance, and fostering the marketing of ideas and products by young entrepreneurs and innovators. This initiative is part of a broader strategy to empower small businesses in their export and marketing endeavors, particularly through e-marketing assistance and collaboration with pertinent international entities. The Saudi government, under the aegis of the National Transformation Program and aligned with the Kingdom's Vision 2030, is dedicating significant attention to the SME sector. This focus is part of a larger effort to diversify the nation's income sources, highlighting the critical role the SME sector is anticipated to play in bolstering the national economy ([www.monshaat.gov.sa/](http://www.monshaat.gov.sa/) )

### Theoretical Background and Related Literature

This section begins by reviewing papers related to CRM and its impact on organizations, especially SMEs.

*Overview of CRM:* CRM is a system that helps organizations to effectively manage their relationships with their customers. Essentially, CRM aims to position customers at the center of the organization. In order to understand this concept, several key aspects need to be explained. As Trivedi (2016) states CRM is a term that denotes a set of guidelines, practices, and principles that guide and direct communication and interaction with customers. It is a strategy aimed at building and nurturing relationships that yield benefits for the organization and customers. Farooqi and Dhusia (2011) argue that the growing interest in CRM is largely attributable to the growing power of customers as a decisive factor influencing an organization's ability to make a profit. Tiwana in (2000) defines CRM as a management process that nurtures relationships with existing customers and selectively acquires new ones to boost customer loyalty and profitability. Swift (2001) views CRM as an organizational approach aimed at enhancing customer acquisition, retention, loyalty, and profitability through effective communication strategies that understand and influence customer behaviour. From a strategic angle, Taylor & Hunter (2002) perceive CRM as an integrated framework, organizational strategy, or process designed to deliver services tailored to customer demands, fostering sustained, long-term relationships and catering to evolving customer needs. CRM has garnered considerable interest among marketers and organizations, especially in the current competitive landscape characterized by a plethora of service providers, rising costs, and increasingly discerning customers. In this context, it is crucial for organizations to emphasize customer loyalty and retention. For SMEs, this entails employing information and processes that improve customer service, thereby establishing enduring, meaningful, and profitable customer relationships. The preceding discussion provides a brief overview of CRM and its general features. From this discussion, we see that CRM is an important innovation in how organizations undertake communication and interaction with customers. It is also a major shift away from traditional one-way communication methods that may fail to capture customers' sentiments and opinions. Thus, CRM is a promising approach for building an improved understanding of customers' needs and expectations.

## **Significance of CRM systems in organizations**

The importance of CRM systems in organizations is an emerging and growing area of research. The literature has witnessed increasing interest in unveiling the positive effects that CRM implementation may yield for an organization. Investigating these research findings is of value to the present study because they present a brief background of the state, value, and effectiveness of CRM implementation in organizations. One of the studies that highlights the value of CRM in contemporary organizations is the study by Šebjan (2014). According to this study, the effective implementation of CRM involves the capture, analysis, and dissemination of information both with and about customers, with the purpose of delivering services in a timely manner. Well-designed and implemented CRM systems provide a comprehensive view of the organization's customer interaction. CRM systems may aid in inferring implicit information that is not directly found in the gathered information, if implemented with appropriate methodologies. Mokha and Kumar (2020) discuss the significant role of E-CRM (electronic CRM), an innovation in CRM implementations. According to the study, E-CRM enables instant communication and interaction while providing additional convenience. Thus, the value of CRM stems from its capability to exploit interactions and relationships with customers in order to improve the quality and delivery of services and products. CRM is based on the belief that customer relationships represent a highly valuable resource for improving organizational performance and effectiveness. However, the success of CRM adoption and implementation relies on the strategies and plans devised for that purpose.

## **Impact of CRM system on an organization**

CRM is an innovative approach for establishing and maintaining communication with customers. In order to understand the value of this approach, it is important to discuss its possible impact on an organization. This may highlight the advantages of CRM compared to other traditional approaches to handling and managing communication in an organization. Many studies have discussed the impact of CRM on an organization. According to Soliman (2011), effective CRM is associated with

improved performance in marketing. The study of Khedkar (2015) indicates that sound CRM practices raise the levels of loyalty and satisfaction among customers. Salah and Abou-Shouk (2019) confirm this conclusion by showing that CRM is significantly and positively correlated with the levels of loyalty and satisfaction among customers. Similarly, Reicher and Szeghegyi (2015) indicate that one of the most important impacts and goals of implementing CRM is the strengthening of loyalty among customers. These findings are in line with those obtained by Hassan (2015), which show that CRM is an effective solution for promoting customer satisfaction and loyalty. The study attributes these findings to the significant role of CRM in growing an organization's market share, raising levels of productivity, raising workers' morale levels, and capturing information on customers' characteristics, needs, and requirements for satisfaction. Therefore, researchers recommend that organizations pay attention to the social aspect of CRM, alongside empowerment, as a strategy for promoting and raising the levels of satisfaction among customers. The preceding discussion highlights several impacts of CRM that are generally indicated by relevant studies. First and foremost, studies show that CRM is significantly and positively associated with customer satisfaction. This finding is not surprising, as CRM is strongly oriented toward improving communication, and customers would naturally value close communication that caters to their needs. Studies also refer to customer loyalty as a direct impact of effective CRM implementation. This would be expected due to the natural tendency among customers to remain loyal to organizations with which they are satisfied. In light of the previously discussed study, it can be stated that the sense of empowerment provided by CRM systems is a primary factor that promotes satisfaction and loyalty among customers.

### **Factors that influence the implementation of CRM systems**

A major topic related to CRM that has gained increased attention in the literature concerns the factors that influence a firm's capability to implement CRM effectively. The discussion of this topic is important and relevant to the present study, because these factors can influence the success of CRM adoption and the effectiveness of



its implementation. According to Lawson-Body (2011), the factors influencing the adoption and implementation of CRM systems include contextual factors (peer influence, customer relations, pressures from the environment, and competitive pressures); organizational and technical factors (IT training, infrastructure, implementation complexity, and maintenance plans); social and organizational factors (knowledge management, change management, organization's size, human resource management, and management support); and individual factors (the ability to use acquired computer skills, dispositions, computer experience, resistance to change, acceptance of technology and computer anxiety). The targeted context of the study was a sample of 420 Palestinian SMEs. According to the findings, the successful implementation of CRM is reliant upon a variety of internal and external factors. Thus, achieving the effective implementation of CRM is a challenging goal that requires the adoption of suitable strategies and plans.

### **Challenges of implementing CRM in organizations**

Due to the potential benefits of CRM practices, many organizations are willing or even required to implement them. However, achieving effective implementation might be a challenging goal. In fact, several challenges are likely to arise in the context of CRM implementation. Many of these challenges have been discussed in the recent relevant literature. The study attributes this issue to the focus on the use of CRM systems as merely a tool for storing customers' data. Prabhu and Ravindran (2021) provided a more detailed investigation of the obstacles affecting the implementation of CRM, with the targeted context being the hotel sector in Coimbatore, India. The obstacles highlighted by the study include the insufficiency of funding for supporting CRM practices, poor communication on CRM issues, poor cultural readiness to adopt CRM, the inadequacy of technological resources and infrastructure, and a lack of seriousness among management regarding the implementation of CRM systems. Another issue that negatively impacts the implementation of CRM is privacy. According to Monem (2011), it is important to pay attention to privacy because a typical CRM system uses several applications that deal with private information, including those used for customer-centric marketing,

customer intelligence, and operational applications. From the preceding discussion, it is evident that a variety of interlinked challenges may hinder the effective implementation of CRM systems. This makes successful CRM implementation a goal that might be difficult to achieve. In order to cope with the aforementioned challenges, an organization must devise proactive plans and strategies for taking the necessary measures to ensure that CRM is implemented in accordance with the goals of meeting customers' needs and expectations.

### **Rising trends in CRM implementation**

CRM is not of a uniform or static nature. This is largely attributable to the shifting and changing nature of contemporary business environments. Moreover, the development of CRM has been closely associated with advancements in related technologies. Therefore, the author believes that it is of value to explore the rising trends in the implementation of CRM systems, as indicated by recent studies. Several studies focused on the role that certain newer technologies may play in improving the implementation of CRM. One such technology is electronic CRM, which is commonly referred to as E-CRM. Kampani and Jhamb (2020) conducted a comprehensive literature focusing on the role of E-CRM implementation in the management of relationships with customers. The study shows that E-CRM is an important development in the evolution of CRM practices. It has allowed for the transformation of service delivery processes into the digital domain, thereby enabling customers to engage in different processes and interactions regardless of their location. Organizations are increasingly adopting E-CRM into their work systems to attract more customers. In the light of recent developments, the authors expect the technologies underlying E-CRM to further advance and enhance, thereby leading to the development of more convenient implementations for customers. The study of Rashwan et al. (2019) investigated the effect of E-CRM on electronic loyalty (E-loyalty) among the customers of commercial banks in Egypt. The study sample comprised 370 customers, with data being collected via questionnaires. The main finding of the study is that E-CRM is significantly and positively associated with higher levels of E-loyalty. Certain aspects of E-CRM, such as expected security

measures, were found to be especially significant in that relationship, in addition to its role in disseminating positive word of mouth about the banking institution. Another emerging trend in CRM is the adoption of social CRM. According to Cheng and Shiu [26], social CRM is an approach by which social media is integrated with CRM in such a way as to improve communications and customer relations. Moreover, social CRM allows networks to be exploited as a unique source of information, thereby promoting innovation. These conclusions corroborate those obtained by Cheng and Shiu (2019). This study investigated the role played by social CRM in improving and strengthening the effect of social media-based involvement of customers in the level of an organization's innovation. The sample of the study comprised 317 SMEs operating in Taiwan. The findings of the study show that the use of social CRM systems is significantly and positively associated with social media-based customer engagement having a stronger effect on innovation in an organization. These findings show the value of social CRM as a factor mediating the communication and interaction between an organization and its customers. Another study that discussed the factors influencing the success of CRM implementations, particularly social CRM and E-CRM, is the study of Harrigan and Miles (2014). The targeted context of this study was SMEs located in London, United Kingdom. According to this study, the factors that influence CRM implementation include the existence of relevant online communities, support for social media, capturing information, use of information, nature of orientation toward relationships with customers, availability of social media data, and maintaining communication with customers. The preceding discussion shows that recent developments in CRM implementation are reliant upon increased integration of technology into the performance of functions and processes. It is noted that CRM has sought to harness the wide capabilities offered by emerging information and communication technologies. Therefore, it would be expected that further developments and innovations will be witnessed in CRM in the upcoming years.

## **The current state of implementing CRM in Saudi Arabia**

Business sectors in Saudi Arabia are in a constant state of development in alignment with the latest trends in the business world. Therefore, the implementation of CRM in Saudi Arabia has received increasing attention in the literature. Relevant research has focused on several areas of interest, including the impact of implementing CRM and the factors that influence its implementation. The study of Khan et al. (2016) explored the potential challenges hindering the effective implementation of CRM in Saudi Arabia, particularly in service sector firms. One of these challenges is the absence of support from senior management. This occurs because many managers are unconvinced of the value of CRM systems. Additionally, it may be difficult to tailor CRM systems to customers' convenience, thereby leading to the need for prolonged periods to achieve customer acceptance. However, an implementation that is not based on clear plans may lead to several issues, including designs that are frustrating and confusing to customers, as well as having issues that affect functionality.

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The study of Al-Rashed (2018) investigated the success factors of implementing CRM in Saudi Arabia. This study focused specifically on the telecommunication sector and it investigated the role of three potential success factors for CRM implementation: CRM vision, technology, and knowledge management. The findings of the study show that all these factors are correlated with the successful and effective implementation of CRM systems. Another study that examined the impact of CRM adoption on Saudi organizations is that by Al-Hazmi (2021), who investigated the impact of implementing CRM on the ability to retain customers. The targeted context was tourism organizations located and operating in Al-Kharj Governorate, Saudi Arabia. This descriptive study targeted a sample of 200 employees working in hotels in the investigated area. The findings of the study show that CRM is an effective approach for generating added value for customers and strengthening trust between the organization and customers. The current state of CRM in the KSA has started receiving attention from researchers, but there is still a research gap in this topic. There is a need for studies that address this gap,

especially related to implementing CRM in SMEs. The present study aims to contribute in that regard and to arrive at findings that will provide insights into the implementation of CRM in SMEs in the KSA.

## Methodology

In this section we will present the methodology followed in this study, which consists of three main phases: data collection, data pre-processing, and analytical framework. Figure 1 shows the methodology processes.

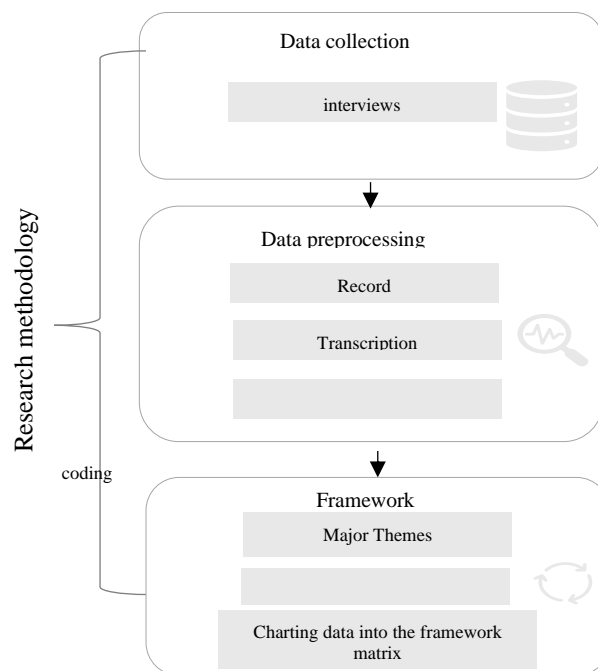


Figure 1. Methodology

The purpose of this study is to find the impact of applying CRM systems in SMEs in Saudi Arabia. Qualitative methodologies are suitable for acquiring comprehensive and in-depth understanding and information. Moreover, semi-structured interviews were performed with nine CRM experts to determine the impact of CRM systems on SMEs' performance. The interviews were recorded and subsequently transcribed, followed by an analysis conducted through content analysis methodology. In research that involves semi-structured interviews and content analysis, the sample size is frequently justified by interviewing individuals until data saturation is attained

(Hollstein, 2021). In this study, nine were sufficient, and one participant was excluded because they did not fit the SME requirements, as the company's revenues exceeded 200 million riyals and it had a large number of employees and other branches outside the KSA. The interviewees had a CRM background and they worked in SMEs in Saudi Arabia, as illustrated in Table 2. Regardless of their positions, they were all involved in either supervising or managing the CRM system in their organization.

Table 2. Interviewees demographic information

Organization Type	Interviews No.	Interviewees Position	Experience
Real estate	1	CRM & Data analysis Specialist	1-5 years
Retail	2	CRM & SEO Specialist	1-5 years
Finance/ insurance	3	CRM Consultant	10-15 years
Manufacturing	4	CRM supervisor	1-5 years
Manufacturing	5	Marketing and sales specialist	1-5 years
Food retail	6	Growth marketing lead	1-5 years
Retail	7	CRM Specialist	1-5 years
Automobile service	8	Co- Founder	6-10 years
Retail	9	CEO	6-10 year

Owing to its adaptability in facilitating the analysis of themes within qualitative data, thematic analysis was employed for examining the transcribed interviews in this study. This analysis involves a multi-step process, which was meticulously followed in the research. Initially, the researcher reviewed the transcripts to pinpoint codes. Subsequently, codes that were similar or interconnected were clustered into categories. The next phase involved scrutinizing these categories to discern themes and subthemes. The final step entailed an in-depth analysis of the gathered data and

identified themes, leading to the derivation of results. Microsoft Word was utilized throughout these stages.

## Results

In today's competitive market, customers are of utmost importance to many organizations. CRM software plays an important role in improving SMEs' performance. Moreover, CRM systems can be utilized in different ways and provide numerous benefits to businesses. In this section we present the four main dimensions of benefits provided by the CRM system, according to the study participants, as shown in Figure 2.

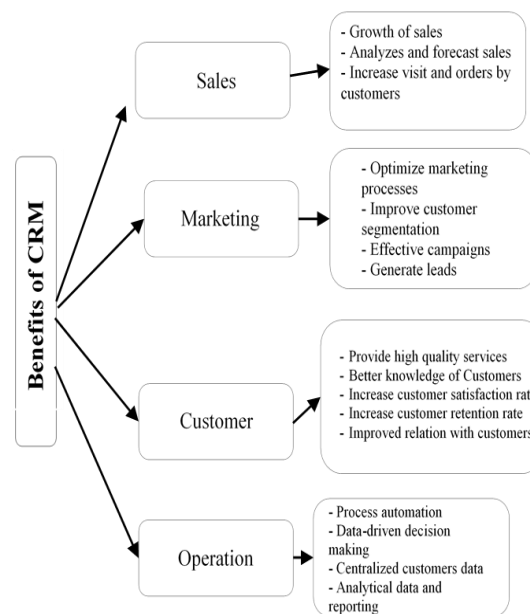


Figure 2. The benefits of CRM systems

**Sales:** The use of CRM systems in SMEs can help to improve and streamline the sales process and analyze sales data. A MoA CRM system can be one of the most effective management tools as it allows SMEs to have all their customers' information and data in one place. With well-managed customer data, automated sales processes, forecast accuracy, and a good overview of sales statistics, CRM

systems have become an invaluable tool that can increase SMEs' sales and productivity.

Most of the interviewees stated that CRM software could help the organization to manage the sales process and increase the sales rate by more than 80%. CRM software focuses on identifying prospects and understanding the customer's lifestyle. Moreover, it helps SMEs to streamline sales processes and simplify how customer information is collected, stored, and displayed so that it can be used to increase productivity and sales. "One of the most important benefits of applying a CRM system is the automation of all processes which help us to provide better customer service, collect customer data and understand customer needs," interviewee #1.

The participants reported that CRM system can help SMEs to observe a prospective customer's purchasing history and data. The data are turned into information that can be used to improve the customer experience, provide a high-quality service and create more targeted marketing, which will help to improve the company's revenues and sales.

The interviewees also reported that with any business operations, CRM software has the potential to assist SMEs in evaluating their historical performance and formulating strategic plans for future sales. This is achievable through the use of automated sales reports, which highlight critical trends and provide insights into anticipated future sales outcomes. Moreover, CRM software will help to provide the sales team with full information in one place, enabling them to track leads, prospects, and customers over time. Also, the sales manager can use this data to identify patterns and see which sales processes could be improved. CRM helps to ensure that customer needs are met by allowing organizations to gain more insight into their behavior and modify their operations accordingly. The more you know about customers, the more their needs will be met, and the more sales will grow. "Of course, the system helped us greatly in knowing more about the customer in terms of the customer's purchasing history, customer activation, and customer's needs," interviewee #6.



**Marketing:** CRM systems allow SMEs to consolidate all customer-related information in a single repository, thereby ensuring easy access for agents to vital data like purchase history and customer interactions. This facilitates near-instantaneous responses to customer inquiries, leading to increased customer satisfaction and enhanced customer relationships. Today, a CRM system manages all the company's interactions with customers and potential customers. Moreover, a CRM system gives SMEs full control over their marketing efforts while making them easier to accomplish. More importantly, it will give the business a clear idea of how to optimize its campaigns. Marketing is one of the most important tools for increasing an organization's sales. CRM software can help to automate marketing efforts by sending new emails to potential leads to convert them into customers. "Today, any customer who registers through the platform receives an email and a text message automatically via CRM, whether it is a welcome message, a discount code, or even offers on specific products," interviewee #6.

Most of the interviewees stated that in order to have an effective marketing campaign, businesses need to have a full understanding of their potential and existing customers' needs and then create a marketing campaign that addresses those needs. CRM systems can help SMEs, especially the marketing team, to collect and analyze the customer's data to build more effective marketing campaigns. They can help SMEs to use the customer information to create targeted marketing campaigns, and track the results of each campaign by using a variety of criteria such as purchases, email open rates and new subscribers.

Most of the participants noted that with the information that the CRM system is capable of collecting and storing, the marketing team can segment leads and customers into different categories based on various criteria such as how long they spent on the website, products they liked, purchase activity and more. Today, marketing has become one of the most essential tools for increasing an organization's sales. CRM systems can automate marketing efforts by sending emails to the company's potential leads to convert them into loyal customers. CRMs possess multichannel marketing functionality, which enables a business to conduct

simultaneous marketing campaigns across different sales channels and touchpoints, for example, regular mail, email, mobile, social media, web, etc. “Of course, the system helped us to know our customers and the sales achieved by them. I mean, if there is a customer who always buys from us, this customer becomes part of the loyalty program, and the system helps to offer him discounts or special offers; however, if there is a customer who hasn’t bought for a long time, the system sends notifications to alert the marketing team to offer the customer a discount and win their loyalty back,” interviewee #3.

### **Customer service**

CRM in SMEs helps to improve the customer experience in many ways, such as having a 360-degree view of customers and potential client data, a clear view of a customers' journey, and a faster response time. Moreover, it allows SMEs to customize their business operations and practices to serve their customers in a better way, as well as build valuable relationships for long-term success. CRM system allows SMEs to manage all their customer contacts and store important information about them across all channels, whether this is the customers' interests, purchase history, or previous communications. It is important to have consistent and meaningful communication with customers to ensure satisfaction and build strong relationships. CRM systems give SMEs a huge insight into customer behavior, allowing the company to understand the customer's needs and gain more knowledge about their interests. This insight will enable an SME to customize messaging to appeal to individual needs, providing a foundation on which to build strong relationships and understanding. The interviewees highlighted that CRM systems are instrumental for SMEs in cultivating long-term customer relationships through the provision of personalized services. Moreover, a CRM system will give a company a better understanding of their clients, which will help the company to better meet their needs and requirements. Furthermore, CRM helps to target different customers, set alerts based on customer activities, enabling proactive engagement with contacts and the maintenance of ongoing relationships. “The system also helps

to build a database and history of customers, which helps to classify them and provide products based on their preferences,” interviewee #4.

Most of the interviewees stated that CRM systems could help them to increase customer satisfaction in many ways by providing access to a comprehensive customer history, encompassing everything from social media interactions to emails across diverse business channels. Additionally, these systems enable engagement with customers, allowing businesses to gauge their personas and expectations during the purchasing journey. Conversely, CRM systems aid businesses in gaining deeper insights into their customer base by recording data on clients' purchases, website browsing habits, and inquiries made through social media channels. This accumulation of data and information is instrumental for businesses to understand customer preferences and potential interest in additional products. Subsequently, companies can customize offers, products, or send targeted emails that align with customer preferences. Offering such personalized services not only enhances customer satisfaction but also fosters greater loyalty towards the company. “I think that the CRM system helped us to build a customer database, so we know the customers' behavior and what products they prefer, and even if they are a new customer or a customer who has previously purchased products from the company, as well as increasing the percentage of customers who are satisfied with the services provided to them,” interviewee #6.

The remaining participants noted that retaining a customer is more profitable than attracting a new customer. CRM systems can automate customers' data and offer capabilities such as sentiment analysis, automated ticketing, customer support automation, and tracking of user behavior. These features assist in identifying issues and facilitate prompt resolution of customer concerns. Furthermore, CRM systems can help the business to notice if the customer is likely to purchase a specific item, so they can send an email recommending it and automatically follow up to ensure they buy it. So, by using CRM systems, SMEs can retain customers' loyalty and satisfy their needs. "Our goal of adopting a customer relationship management

system is to increase the percentage of customer retention, and by using the system, the percentage of retention increased by more than 80%, interviewee #2.

**Operation:** CRM systems can help SMEs to streamline their operations and improve efficiency and productivity. With CRM systems, SMEs can understand customers' needs and requirements and draw inferences. Also, CRM helps them by providing insights that enable the company to design products and services that match customers' preferences. Moreover, CRM systems can provide records of customer interactions, whether from social media, emails, or phone calls, which could help the employees to obtain a clear picture of the sales and marketing, actual sales data, and up-to-date information on the customer journey. The majority of the interviewees stated that CRM systems help to provide a centralized database with all the required information about customers and this information is easily accessed by anyone in the organization. Moreover, the main function of a CRM system is to organize data and information in one place; it will then become easier for the sales team and top management to make the right decisions. "The customer relationship management system helped us collect customer data in one place, which helped increase the productivity of the work team and provide high-quality services," interviewee #8.

### **CSFs When Implementing CRM Systems**

Most SMEs perceive the CRM concept as strategies and technologies that help companies to understand their customers' needs and requirements and to build a strong relationship with customers. The critical success factors (CSFs) represent the essential parameters or factors required to ensure any organization's success. CSFs are used here to identify the key factors that SMEs should focus on to successfully implement CRM systems. There are two main dimensions of CSFs when implementing CRM systems – organizational and technological, as illustrated in Figure 3.

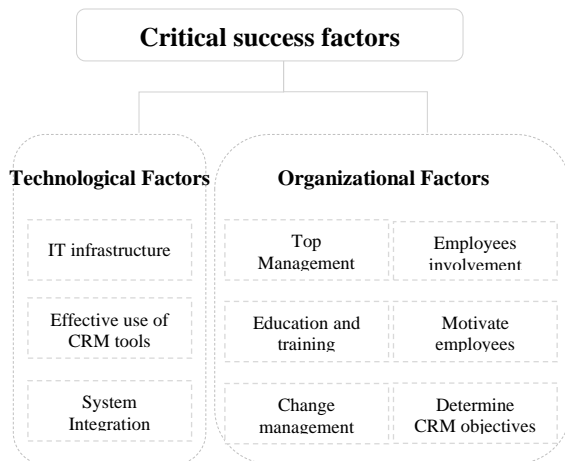


Figure 3. The CSF of CRM system

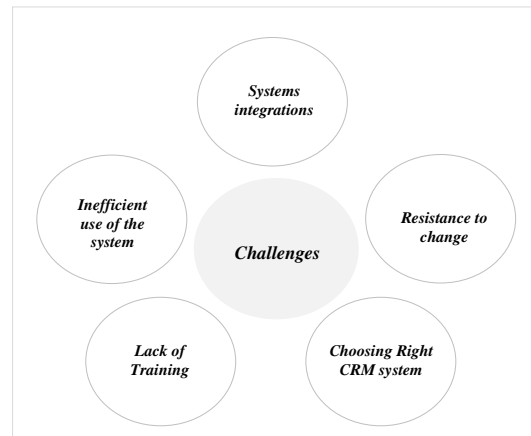


Figure 4. The Challenges of CRM system

**Organizational factors:** This section presents the organizational factors affecting CRM success in SMEs. It is essential to identify CSFs as this allows SMEs to focus on building their system to meet these factors. To the best of our knowledge, in every study examining success factors, top management support (TMS) for CRM implementation has been consistently recognized as a vital element that guarantees the successful deployment of CRM systems. The majority of the interviewees stated that TMS is one of the most important CSFs for CRM system success. Top management involvement in any project can simultaneously positively and negatively impact project success. Furthermore, the combination of TMS and commitment, along with the allocation of requisite resources and budget, positively impacts the success of CRM system implementation.

Change management emerges as a critical determinant in the success of CRM system implementation. The introduction of new systems often meets with significant resistance from employees, who may fear the impact on their work routines. In such situations, a change management program becomes essential to assist employees in comprehending and adapting to operational changes. For effective CRM deployment, it is imperative to educate and train employees about the CRM system and any alterations to their day-to-day activities. The success of a CRM system hinges on employee involvement at all stages of its implementation. Users must not

only recognize the advantages of the system but also acquire the necessary technical skills. This understanding and expertise are crucial in minimizing resistance to the new technology and the accompanying changes. Extensive education and training programs are therefore important during the implementation of a CRM system. However, if the company ignores the users' training and involvement throughout the CRM system project, its implementation might fail. The rest of the participants stated that to implement a successful CRM system, SMEs need to set clearly defined and measurable business goals, which are then pursued by the organization. Also, they emphasized the importance of articulating the organization's vision with clarity and defining the CRM system's objectives in a clear, measurable, and comprehensible manner. The significance of a well-defined project plan, encompassing a broad vision that aligns with the organization's goals, is crucial for the successful implementation of the CRM system. "In order to ensure the success of the customer relationship management system, a clear goal must be defined when adopting the system, whether it is increasing sales, increasing the customer retention rate, etc. However, if the company doesn't have a goal from the system, it will be difficult to measure success or failure," interviewee #9.

**Technological factors:** This section presents the technological factors that affect the success of CRM systems in SMEs. Technological factors refer to elements concerning the availability, existence and development of technology. In today's market, most SMEs rely on network infrastructure for every element of their everyday operations. Despite this, many organizations fail to recognize the critical need for a stable, secure, and reliable IT infrastructure.

The interviewees defined the IT infrastructure as one of the most critical factors for CRM success. IT infrastructure is a technology that helps businesses to build and run the applications that underpin its business. However, CRM is effective software that helps the company to manage customer information and interactions to meet customers' needs and build strong relationships. A CRM system would help SMEs to access information on one centralized platform, increase productivity, and improve the company's performance. Most SMEs implement CRM systems to streamline

their business process, provide high-quality customer services, and explore new business opportunities. Using a CRM system can improve a company's efficiency, save time and increase productivity. However, employees play an important role in the success of CRM systems, and it can be difficult to convince employees to use CRM systems. So, in order to use CRM effectively, businesses need to train and motivate their employees to use the system.

The majority of the interviewees described CRM as a strategic approach utilized by businesses to manage and analyze interactions with prospective, existing, and former customers. They emphasized that integrating CRM systems with external applications can enhance business alignment and increase the system's effectiveness. Additionally, effective CRM integration can aid SMEs in consolidating inter-departmental communication, reducing the time and resources expended on data collection, and boosting productivity. This is achieved by training employees to extend the capabilities of current applications, thereby eliminating the need to switch between multiple systems. "From my point of view, for the success of the customer relationship management system, there must be a strong infrastructure and a full integration with current systems," interviewee #8.

### **Challenges of CRM System**

A CRM system is designed to help SMEs manage their interactions with customers and increase sales, making it easy for the sales team to reach out to customers or to tailor targeted interactions based on each customer's preferences. In today's market, CRM systems have become essential for many businesses, especially those with many customers and departments. However, this study identified many challenges to CRM adoption, implementation, and integration that can affect SMEs' performance or make the software difficult to use, as shown in Figure 4.

**Resistance to change:** Employees play an essential role in the success of adopting new systems; one of the most challenging aspects of adopting a CRM system in SMEs is to convince the employees to use it. Employees who are accustomed to the traditional system frequently resist new systems. It would help the company

overcome this resistance if it explained to the employees why CRM is necessary for the organization and its unique benefits. “From my point of view, one of the biggest challenges when adopting any new system is the resistance to change, whether from employees or even from top management,” interviewee #2.

**Lack of Training:** One of the widely encountered challenges during CRM implementation is company-wide training. The company must involve all the employees in implementing the new system from the early stages. A CRM system is a complex tool, and the employees need to be trained well on how to use it. If the training is not done properly, the company could lose information about their clients, make inefficient use of the system, and fail in customer support, which would impact the company's overall performance. “I think that one of the biggest challenges that may reduce the effectiveness of the customer relationship management system is the lack of training for employees and the reliance on a Focal Point to transfer knowledge, and often it is not transferred in the required manner, which affects the performance of employees,” interviewee #5.

**a. System integration :** Integrating CRM software with the business's existing technology infrastructure is one of the main challenges faced by SMEs. Most of the processes in the companies are taken care of by other software packages. The problem appears because all these systems are not connected to each other, and data flow between them is absent. These gaps will not only be harmful in terms of productivity, but they can also hamper user adoption, as criticism will occur at a broader level, affecting the company's performance, and this can cause a massive challenge to SMEs. “The integration of the customer relationship management system with the current systems was and still is one of the biggest challenges that the company faces due to the failure to reflect the data correctly and this greatly affects the employees and the company's performance,” interviewee #4.

**b. Choosing the right CRM system:** Selecting the optimal CRM system presents one of the most significant challenges due to the wide array of CRM software available, each varying in price and scalability to meet a company's requirements. SMEs particularly encounter difficulties in choosing the appropriate



solution and integrating it effectively into their existing technological infrastructure. Companies must assess their needs and the areas that most need CRM support and consider whether the system's functionality meets the company's current and future CRM needs. "I believe that choosing the right customer relationship management system that suits the company's requirements and goals is one of the most challenging today, due to the great diversity of customer relationship management systems," interviewee #3.

**c. *Inefficient use of CRM system:*** Most SMEs adopt CRM software due to its ability to transform their sales workflow and accelerate productivity, which is why many organizations have a CRM tool. However, the ineffective use of CRM systems can lead to mismanaging customer relationships, failure to capture important data, and a loss of potential customers, having unfavorable consequences on business performance.

***Current State of CRM System in SMEs:*** CRM systems have become one of the most important tools for many organizations. In today's competitive market, SMEs face multiple challenges, such as gaining more customers, improving sales cycles, and providing high-quality products and services at competitive market rates. Most interviewees identified that CRM systems allow companies to automate processes and ensure that all interactions with customers and prospective clients happen smoothly and efficiently across the customer journey. However, other participants stated that CRM is software that helps organizations to engage, acquire and retain customers. In contrast, other interviewees said that CRM could help businesses to streamline processes, build customer relationships, improve customer services, increase profitability, and increase sales. According to the interviewees, the businesses that adopt CRM software are tailoring their sales efforts and customer services to the needs of their customers.

## Discussion

This study was conducted in an attempt to examine the effect of CRM systems on SMEs' performance. Based on the above results, it is clear that CRM systems play a major role in improving an organization's performance (Mohammed & Rashid, 2012) . The domain of CRM systems in SMEs in Saudi Arabia is still immature, although significant changes have taken place in the last decade. SMEs should try to gain competitive advantages by providing high-quality services and understanding the market and customers' needs by adopting a CRM system. In the current business landscape, organizations prioritizing customer-centricity routinely engage in marketing research to thoroughly understand consumer needs prior to the development of products or services. Moreover, contemporary customers possess an unprecedented level of empowerment. They engage in meticulous research of products or services, perform comprehensive brand comparisons, and ultimately choose options that offer them the highest perceived value. As a result, CRM systems tend to help organizations to understand customers' needs and to provide high-quality services (Parasuraman et al., 1991)

For effective CRM implementation in a business, it is imperative to realign and restructure organizational processes and frameworks. It necessitates the involvement of all staff members in the CRM initiative, with the change being strategically planned. An illustrative approach might involve establishing dedicated teams responsible for managing CRM practices, ensuring efficient inter-departmental coordination to provide uniform value to customers. These teams could comprise representatives from various departments, each member dedicated to optimizing customer service (Kasemsap,2015) Generally, the findings reveal that in order to successfully organize the entire company around CRM, SMEs need to carefully consider organizational structure, commit organizational resources, and adeptly handle human resource management to solidify the organization's dedication to sustainability. Leveraging advanced technology for stakeholder communication is a critical strategy to enhance organizational efficiency and decrease operational expenses, key factors in promoting business sustainability

(Rahman et al., 2023). SMEs can harness information technology to automate customer interactions, thereby gathering vital data for informed decision-making. In light of these findings, it is advisable for CRM experts in SMEs to employ CRM systems for effective customer relationship management and to address increasing competition.

## Conclusion

In conclusion, this research provided an overall understanding of the impact of the CRM systems on SMEs in Saudi Arabia. Nine CRM specialties from different SMEs participated in this study by answering interview questions. The findings show that CRM systems hugely impact SMEs' performance by increasing sales, customer satisfaction, customer retention rates and understanding of the market and customers' requirements. The study also examined some of the CSFs of CRM systems in SMEs, and two main dimensions emerged: technological factors (IT infrastructure, system integration) and organizational factors (TMS, employee training, and involvement). These might affect the success or failure of a CRM system. The study's generalizability is constrained by its relatively small participant pool and its exclusive focus on Saudi Arabia. To bolster the validity and applicability of these findings, future research should consider employing larger and more diverse samples, encompassing varied geographical regions. Additionally, while this qualitative analysis offers valuable insights into CRM systems' impact, it does not fully quantify their influence on performance metrics. Therefore, subsequent studies might benefit from adopting a mixed-methods approach, integrating both qualitative and quantitative analyses, to provide a more holistic understanding of CRM systems' effectiveness in various business contexts.

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