




Drivers of SME customer relationship management: Perspectives from owners/managers

Factores que impulsan la gestión de las relaciones con los clientes de las pymes: perspectivas de los propietarios/directivos

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Abstract

The relationship between managerial perceptions of customer relationship management (CRM) and actual CRM practices within organizations remains unclear, particularly in the context of small and medium-sized enterprises (SMEs) operating in developing market economies. This study explores how SME owners and managers perceive CRM as it unfolds within their firms. It posits that the perceived value of relationship marketing, business systems, and stakeholder relationships are key antecedents of CRM in SMEs. A cross-sectional survey design was employed, using a self-administered questionnaire completed by 267 owners and managers of retail SMEs in South Africa. Structural equation modeling (SEM) using SmartPLS 4 was conducted to analyze the data. The findings indicate that, from the perspective of owners and managers, perceived relationship marketing value, stakeholder relationships, and business systems each have a significant effect on CRM. The study recommends that SMEs invest in stakeholder engagement and business systems that support CRM implementation, as these factors influence the effectiveness of CRM initiatives. Furthermore, the results underscore the importance of SME leaders' perceptions in shaping CRM strategy and practice within their organizations.

Keywords: customer relationship management; CRM; relationship marketing; business systems; stakeholder relationships; small and medium-sized enterprises

JEL Classification: M10; M30; M31

Resumen

La relación entre la percepción que tienen los directivos de la gestión de las relaciones con los clientes (CRM) y las prácticas reales de CRM dentro de las organizaciones sigue sin estar clara, especialmente en el contexto de las pequeñas y medianas empresas (pymes) que operan en economías de mercado en desarrollo. Este estudio analiza cómo perciben los propietarios y directivos de pymes la CRM tal y como se desarrolla en sus empresas. Plantea que el valor percibido del marketing relacional, los sistemas empresariales y las relaciones con las partes interesadas son antecedentes clave de la CRM en las pymes. Se empleó un diseño de encuesta transversal, utilizando un cuestionario autoadministrado que completaron 267 propietarios y gerentes de pymes minoristas en Sudáfrica. Se llevó a cabo un modelo de ecuaciones estructurales (SEM) utilizando SmartPLS 4 para analizar los datos. Los resultados indican que, desde la perspectiva de los propietarios y gerentes, el valor percibido del marketing relacional, las relaciones con las partes interesadas y los sistemas empresariales tienen un efecto significativo en el CRM. El estudio recomienda que las pymes inviertan en la participación de las partes interesadas y en sistemas empresariales que apoyen la implementación del CRM, ya que estos factores influyen en la eficacia de las iniciativas de CRM. Además, los resultados subrayan la importancia de las percepciones de los líderes de las pymes a la hora de configurar la estrategia y la práctica del CRM dentro de sus organizaciones.

Palabras clave: gestión de relaciones con los clientes; CRM; marketing relacional; sistemas empresariales; relaciones con las partes interesadas; pequeñas y medianas empresas

Clasificación JEL: M10; M30; M31

1. Introduction

Small and medium-sized enterprises (SMEs) are key contributors to income generation, employment creation, and economic development (Arellano-Rodríguez, 2024; Bekata & Kero, 2024; Madison et al., 2022). In developing economies, SMEs are often considered the foundation for generating new jobs and enhancing economic growth (Ali et al., 2020). However, small businesses frequently struggle to survive and are especially vulnerable to competition from larger counterparts (Gilboa et al., 2019). In these economies, SMEs commonly face a range of vulnerabilities, including resource constraints, limited managerial expertise and strategic thinking, weak market orientation, inadequate market-related skills, and restricted access to resources (Ali et al., 2020; Bekata & Kero, 2024). The challenges confronting SMEs are compounded by the current business environment, which is marked by rapid technological advancement, intense competition, and shifting customer preferences (Ahmed et al., 2020; Farida & Setiawan, 2022; Sesabo et al., 2023). In today's dynamic context—where consumer behavior and expectations change as rapidly as economic conditions—small firms must remain attuned to these shifts and adaptable in their strategies (Carrero, 2023).

In response to volatile customer preferences and an increasingly competitive environment, SMEs have begun investing in customer relationship management (CRM) (Galvão et al., 2018). CRM is a management approach focused on establishing, developing, and enhancing customer relationships to maximize profitability and customer value (Nilashi et al., 2023). It is based on the recognition that customers are both the starting point and the endpoint of the value chain (Guerola-Navarro et al., 2024), and emphasizes the systematic management of customer interactions. While larger enterprises often approach CRM through technology-driven systems, smaller firms tend to rely more on direct human interaction—an area where they excel in building long-lasting social and personal relationships with customers (Gilboa et al., 2019). SMEs typically emphasize relationship management (RM), a component of CRM that focuses on cultivating customer loyalty and fostering long-term engagement. It has been suggested that SMEs adopting relationship management practices are better positioned to differentiate themselves and achieve a competitive advantage over larger firms (Heiens et al., 2019). Accordingly, this study seeks to explore how SME owners and managers perceive CRM—as both a source of competitive advantage and a strategic tool for sustaining stakeholder relationships.

Although CRM research has expanded considerably, most studies have adopted a customer-centric lens (Abrokwah-Larbi, 2024), often overlooking the role of internal actors—particularly in the SME context. Despite the growing body of CRM literature, limited attention has been given to how organizational members, such as owners and managers, perceive the value and implementation of CRM within their firms (Plakoyiannaki, 2005). This oversight is significant, as the perceptions of these key actors influence CRM adoption, strategic execution, and customer engagement practices. Therefore, the main objective of this study is to investigate SME owners' and managers' perceptions of the role of relationship marketing value, business systems, and stakeholder relationships in shaping their firm's CRM approach. Understanding how these individuals perceive CRM is essential, as their views will inform the organization's strategic orientation, shape customer-facing behaviors, and determine whether the organizational environment supports or hinders CRM efforts.

This study makes three key contributions to the CRM literature. First, it examines the perceptions of SME owners and managers, providing deeper insight into the internal drivers of CRM effectiveness. This internal perspective challenges the dominant customer-centric paradigm and reframes CRM as an organizational capability shaped by strategic intent and relationship orientation. Second, the study introduces a novel conceptualization of CRM's constituent elements, highlighting the importance of both internal and external factors in CRM development. This holistic framework broadens existing CRM models, particularly within the SME context, where resource constraints demand integrated rather than siloed approaches. Finally, the study contributes empirical evidence from an emerging market. South Africa represents a particularly relevant case, given its dual status as both an emerging economy and one of the most industrialized nations in Africa (Ncanywa, 2024). While most quantitative CRM studies have focused on developed economies, emerging markets may exhibit distinct characteristics (AlQershi et al., 2020). Investigating CRM in South African SMEs thus provides valuable insights applicable to other developing economies with similar institutional and market dynamics. In this way, the study addresses both a regional research gap and contributes to the broader global discourse on CRM in emerging markets.

2. Literature review

2.1 Small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) are widely recognized as key drivers of economic progress (Gunjati & Adake, 2020; Yasiukovich & Haddara, 2021). They play a vital role in the economic and social development of the markets in which they operate, accounting for over 90% of all businesses in both developed and emerging economies (Mhlongo & Daya, 2023). In emerging markets, SMEs represent the majority of businesses, contribute up to 50% of gross domestic product (GDP), and employ approximately 70% to 85% of the workforce (Madison et al., 2022).

In South Africa, SMEs are considered the backbone of the economy, comprising more than 98% of all businesses and employing over 60% of the national workforce (Rajagopaul et al., 2020). According to Botha et al. (2021), SMEs have been championed as a key solution to the country's sluggish economic growth and persistently high unemployment rate.

Despite their pivotal role in the South African economy, SMEs continue to face numerous challenges that contribute to a high failure rate—estimated at between 60% and 80% within the first two years of operation (Mhlongo & Daya, 2023). In light of this vulnerability, further research is needed to identify strategies that can enhance SME resilience and sustainability. The present study argues that relationship management offers a valuable means for SMEs to strengthen operations and reduce the risk of failure. By investing in strong, trust-based relationships, SMEs may improve customer retention, differentiate themselves in the market, and build long-term viability.

2.2 Customer relationship management (CRM)

Customer relationship management (CRM) refers to the set of managerial processes that organizations apply to develop and retain customer relationships in business-to-consumer markets in order to achieve sustainable competitive advantage (Alghamdi, 2023; Hassan et al., 2019). CRM provides a framework for maintaining customer relationships (Arellano-Rodríguez, 2024) and encompasses the practices, strategies, tools, and technologies used by firms to analyze and manage customer interactions (Garg & Madan, 2024; Roberts-Lombard & Tait, 2018). CRM enables businesses to respond to the evolving preferences of their customers and to influence customer behavior accordingly (Garg & Madan, 2024). It focuses on increasing customer lifetime value through client retention, ultimately improving customer equity (Matsuoka, 2022). The benefits of CRM include improved customer retention, increased customer satisfaction, higher sales and profits, and enhanced customer loyalty through repeat business (Farmania et al., 2021; Hamida et al., 2023; Marozau et al., 2024).

Two main schools of thought can be identified in the literature on CRM (Nguyen & Waring, 2013; Ullah et al., 2020). The first conceptualizes CRM as a set of technology-driven solutions for sales, marketing, and customer management (Bekata & Kero, 2024; Kim, 2012). This perspective emphasizes the efficient flow of information between parties and focuses on cost reduction and operational efficiency (Nguyen & Waring, 2013). The second school of thought views CRM as a strategic activity through which organizations cultivate and sustain customer relationships (Gilboa et al., 2019; Sedalo et al., 2022). This view emphasizes customer attraction and retention (Nguyen & Waring, 2013). These two differing perspectives reflect the contested nature of CRM as a concept, with no universally accepted definition.

Aligned with these two schools of thought, researchers have explored CRM in SMEs across various contexts. Within the technology-driven perspective, some studies have focused on CRM systems and technological adoption (Chatterjee et al., 2022; Lecerf & Omrani, 2020; Marozau et al., 2024), while others have examined CRM's role in enhancing small business performance (Dalla Pozza et al., 2018; Nurfarida et al., 2023). From the relational perspective, researchers have studied CRM as a source of competitive advantage (Alghamdi, 2023; Bhat & Darzi, 2018). For instance, Al Karim et al. (2024) investigated the link between CRM and competitive advantage and found that customer loyalty mediates this relationship. Additional studies have focused on the use of social media in fostering CRM (Cao & Weerawardena, 2023; Hassan et al., 2019; Sedalo et al., 2022), while others have examined relational dimensions such as customer engagement and relationship management (Gilboa et al., 2019; Zegullaj et al., 2023).

The present study adopts the second school of thought, emphasizing the relational aspects of CRM. This approach centers on building and sustaining long-term customer relationships as a means of achieving competitive advantage in the SME context.

2.2.1 CRM in SMEs

To survive in a rapidly changing market, SMEs must prioritize their relationships not only with customers but also with suppliers, employees, and other stakeholders (AlQershi et al., 2020; Ebrahimi et al., 2019). The integration of CRM systems within SMEs has been recognized for its potential to enhance overall business performance (Nethanani et al., 2024). In emerging markets, SMEs typically derive their competitive advantage from the close, personal relationships they maintain with customers. CRM can support these firms in managing and nurturing customer relationships to achieve long-term value and customer loyalty (Alhawamdeh et al., 2024).

However, despite the clear benefits, SMEs often face difficulties in adopting CRM systems due to limited resources. This challenge is especially pronounced in emerging markets, where firms frequently contend with high levels of market volatility and where relationship marketing plays a critical role in maintaining competitiveness (Rebiazina et al., 2024).

Although CRM has the potential to significantly benefit SMEs, research on the adoption and implementation of CRM strategies in emerging market contexts remains limited (Garatsa & Dlamini, 2021). The present study therefore aims to contribute to this ongoing discussion by examining CRM from the perspective of SME owners and managers in South Africa.

2.3 Components of CRM

An analysis of existing research on customer relationship management (CRM) reveals that the concept has been interpreted and operationalized in varying ways by different scholars. For example, Binsaeed et al. (2023) identified innovation performance, customer engagement, and CRM capabilities as core components of CRM. Similarly, Ali et al. (2020) considered entrepreneurial orientation, market orientation, and total quality management to be integral elements of CRM. In another context, Giannakis-Bompolis and Boutsouki (2014), in their study of CRM in the Greek retail banking sector, found that customer overall satisfaction, customer engagement, affective commitment, and organizational social media presence were key components.

As summarized in Table 1 below, recent literature suggests that the components of CRM vary depending on each organization's goals, strategic priorities, and operational context. This variation reflects the flexibility of CRM as a framework that can be tailored to different industries, organizational sizes, and market environments.

Table 1. Customer relationship management studies in SMEs

Authors	Subject	Components of CRM	Study Method	Main Findings
Nurfarida et al. (2023)	Social customer relationship management and business performance.	Social customer relationship management, innovative capability, business performance.	Survey of 296 SME owners/managers in the café/restaurant sector in Indonesia.	Social CRM positively affects SME performance and competitive advantage.
Al Karim et al. (2024)	The nexus between CRM and competitive advantage.	Customer knowledge, customer orientation, customer loyalty, technology capability.	Survey of 326 customers of commercial banks in Bangladesh.	Customer orientation (CO) and technology capability (TC) have a significant positive impact on competitive advantage.
Alghamdi (2023)	Relationship between social CRM adoption and competitive advantage.	Relative advantage, big data analytics, compatibility, coercive pressure, normative pressure, top management support, infrastructure.	Survey of 128 IT and marketing professionals/faculty in Saudi Arabia.	SCRM adoption is primarily influenced by technological, organizational, and environmental factors.
Chatterjee et al. (2022)	Social CRM factors and business benefits.	Technological competence, trust in SCRM, environmental characteristics, leadership support, organizational environment.	Survey of 308 participants from 96 SMEs in India.	Technological competence, environmental characteristics, and organizational environment positively impact SCRM use.
Herman et al. (2021)	E-CRM and company performance: The role of product innovation.	E-CRM capability, product innovativeness, customer knowledge-sharing capacity.	Survey of 150 SME owners and managers in Indonesia.	E-CRM capability and customer knowledge sharing significantly affect product innovativeness.
AlQershi et al. (2020)	Innovative CRM and SME performance.	Key customer focus, CRM organization, CRM knowledge management, technology-based CRM.	Survey of 284 manufacturing SMEs in Yemen.	Key customer focus, CRM knowledge management, and technology-based CRM significantly affect CRM performance.
Marolt et al. (2020)	Exploring SCRM in SMEs.	Relative advantage, compatibility, top management support, technology readiness, external pressure.	Survey of 119 SME owners/managers in Slovenia.	Technological, environmental, and organizational factors significantly influence SCRM adoption.

Source: Developed by the researchers based on a review of the literature

A review of the studies presented in Table 1 indicates that CRM research in SMEs has been diverse, focusing on several key areas. Dominant themes include CRM adoption, customer satisfaction, and performance improvement. The findings also reveal that CRM has been conceptualized differently across studies, with each scholar adapting the definition to suit the specific organizational or industry context under investigation. In line with this, the current study adopts owner/manager-perceived value, business systems, and stakeholder relationships as the core components of CRM.

2.4 Relationship marketing

Relationship marketing is a CRM strategy that encompasses all activities aimed at establishing, maintaining, and developing successful relational exchanges (Salam & Hoque, 2019). Through ongoing communication and interaction, relationship marketing facilitates the creation of collaborative relationships between an organization and its stakeholders (Herman et al., 2021). The benefits of relationship marketing include lower marketing costs, increased customer loyalty, improved profitability, and greater organizational stability (Sedalo et al., 2022).

According to Salam and Hoque (2019), relationship marketing is particularly important for SMEs, as it can support both customer acquisition and retention. The structural characteristics of SMEs often make them especially well suited to relationship marketing. For example, SMEs typically operate with less organizational bureaucracy than larger firms, allowing them to respond more quickly to customer needs and thereby strengthen customer relationships (Heiens et al., 2019). CRM enables the implementation of relationship marketing strategies within the organization and helps deliver the long-term benefits of relational approaches.

2.5 Hypothesis development

This study is grounded in the Resource-Based View (RBV), which posits that firms achieve sustainable competitive advantage through internal resources—physical, financial, and human—that are valuable, rare, inimitable, and non-substitutable (Ferreira & Ferreira, 2025). The RBV emphasizes the importance of organizational resources and competencies as critical drivers of success and competitive positioning (Chiarelli, 2021; Malhotra et al., 2025; Perdana & Prasasti, 2023).

Building on this theoretical foundation, the current study proposes that the perceived value of relationship marketing, business systems, and stakeholder relationships are strategic intangible assets that support effective customer relationship management (CRM). Specifically, it suggests that the owner/manager's perception of the value of relationship marketing, the systems required to support those relationships, and the quality of stakeholder relationships together constitute the key components of CRM in SMEs operating in the retail sector of an emerging market.

The study further argues that the successful implementation of CRM depends on the alignment of people, processes, and technology (Wynn et al., 2016). In particular, it emphasizes the central role of top management's perceptions in shaping an organization's strategic orientation toward CRM and determining the extent and effectiveness of its implementation.

2.5.1 Perceived value of relationship marketing

Top management support is a critical factor in the successful implementation of CRM (Alghamdi, 2023; Wynn et al., 2016). According to Plakoyiannaki (2005), top management's perceptions of CRM influence not only the overall success of CRM within the organization but also the extent of resources allocated to it and the commitment to adopting and implementing CRM initiatives.

In this study, we argue that when owners and managers hold a positive perception of the value of relationship marketing, they are more likely to support CRM efforts. Empirical evidence supports this view. For instance, Cruz-Jesus et al. (2019), using the Technology-Organization-Environment (TOE) framework, found that top management support significantly influences CRM evaluation and adoption stages. Similarly, Nguyen and Waring (2013) found that CRM implementation in SMEs is shaped by management's perceptions of its value and relevance.

Based on this discussion, the following hypothesis is proposed:

H1: *The perceived value of relationship marketing has a significant positive impact on a firm's CRM initiatives.*

2.5.2 Business systems

CRM processes have been shown to positively influence organizational effectiveness and enhance marketing capabilities (Garg & Madan, 2024). In modern business environments, CRM is increasingly viewed as an integrated set of business processes that enable the seamless coordination of various organizational functions to foster long-term, meaningful, and profitable customer relationships (Al Karim et al., 2024).

However, CRM processes are not always optimal. In some cases, they may be rigid or underdeveloped—for example, when customers experience dissatisfaction due to ineffective complaint management systems (Zaby & Wilde, 2018). To address such shortcomings, several studies have examined CRM business systems in SMEs. Zaby and Wilde (2018), for instance, explored the role of intelligent business systems in improving CRM processes. They found that enhancing systems such as complaint management requires intelligent, adaptive processes to support more effective customer relationship outcomes. Similarly, Pohludka and Štverková (2019) identified robust CRM systems as foundational to successful business management in SMEs.

Based on these findings, the following hypothesis is proposed:

H2: *Business systems in place for managing customer relationships have a significant positive impact on a firm's CRM initiatives.*

2.5.3 Stakeholder relationships

An organization acts as a hub for relationships among its key stakeholders, with the primary aim of increasing organizational value (Jalali et al., 2020). An effective CRM system enhances customer satisfaction, loyalty, and profitability by initiating and sustaining meaningful relationships with customers and by fostering productive interactions with various stakeholders (Baashar et al., 2020).

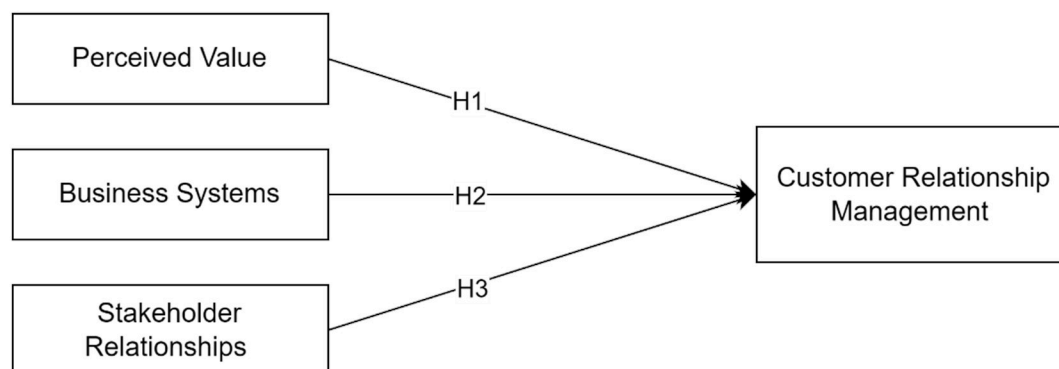
For example, social entrepreneurs often engage with employees, customers, and the broader community through relational ties established via CRM, thereby generating valuable social resources for the organization or entrepreneur (Eng et al., 2020). Several studies have examined the importance of stakeholder relationships in the context of CRM. AlQershi et al. (2020), for instance, investigated the moderating role of relational capital—defined as an organization's ability to interact with stakeholders and the knowledge embedded within these relationships—and concluded that SMEs must strengthen both CRM and relational capital to succeed in dynamic market environments.

In light of these findings, the present study proposes the following hypothesis:

H3: *Stakeholder relationships have a significant positive impact on a firm's CRM initiatives.*

Based on the preceding discussion, the study proposes the conceptual model shown in Figure 1.

Figure 1. Proposed conceptual model



This model examines the potential effects of the perceived value of relationship marketing, stakeholder relationships, and business systems on customer relationship management (CRM). The study posits that the owner/manager's perceived value of strong customer relationships, the systems implemented to manage those relationships, and the firm's approach to stakeholder engagement will significantly influence the effectiveness of the organization's CRM initiatives.

3. Methodology

3.1 Data collection and sample characteristics

This study employed a survey approach to gather quantitative data. The survey was conducted among a representative sample of SME owners and managers operating in the retail sector in South Africa. A structured questionnaire was distributed in person by field workers to 300 potential respondents. The target population consisted of SME owners/managers, with individual managers serving as the units of analysis. Cross-sectional data were collected for the purposes of this study.

To qualify for participation, respondents were required to meet two criteria: (1) they had to be between the ages of 18 and 65, and (2) they had to be either the owner or manager of the retail SME from which the data were being collected. Owners and managers were selected as the target population because the study focused on managerial perceptions, and it was assumed that these individuals possessed sufficient experience and knowledge to provide meaningful and accurate responses.

Before beginning the questionnaire, each potential respondent was asked to read the consent form printed on the front page and indicate their willingness to participate in the study. After data collection, all responses were screened for errors and missing values. A total of 267 valid questionnaires were retained for analysis, representing a 92% response rate.

The final sample included 91 males (33%) and 176 females (66%). In terms of age, the largest group of respondents ($n = 80$; 29%) were between 25 and 29 years old, followed by those aged 30–34 ($n = 71$; 25.7%), 35–39 ($n = 44$; 15.9%), 40 and above ($n = 43$; 15.6%), and 18–24 ($n = 37$; 13.4%). The relatively low number of participants in the youngest age group was expected, given the study's focus on managerial roles.

The sample was ethnically diverse, comprising 163 African respondents (69.1%), 50 mixed race (18.1%), 32 Indian (11.6%), 23 White (8.3%), and 6 Asian (2.2%). Regarding respondents' positions within their businesses, 124 identified as owners (44.9%), 87 as managers (31.5%), and 57 as both owners and managers (20.7%).

With respect to tenure, most participants reported having been in their current role for 1–5 years ($n = 122$; 44.2%), followed by 6–10 years ($n = 109$; 39.5%), 11–25 years ($n = 32$; 11.6%), and over 25 years ($n = 6$; 2.2%). These demographic characteristics indicate that the respondents possess substantial experience within the SME sector and are well positioned to provide reliable insights for the purposes of this study.

3.2 Research instrument

The questionnaire used in this study was custom-designed to suit the specific characteristics of the target population. As no existing scales were found that adequately captured the variables of interest within the SME context, the researchers developed the items based on insights drawn from relevant literature (AlQershi et al., 2020; Plakoyiannaki, 2005; Pohludka & Štverková, 2019; Zaby & Wilde, 2018). In particular, items were formulated to assess owners' and managers' perceptions of the value of customer relationship management (CRM) within their organizations.

Given the exploratory nature of the study, a broad range of variables was included in the questionnaire to ensure that the constructs under investigation were comprehensively measured. All items were assessed using a five-point Likert scale, where 1 indicated *strongly disagree* and 5 indicated *strongly agree*.

CRM was measured using 15 items and was treated as a reflective construct, with indicators representing various manifestations of the customer orientation of owners and managers.

Perceived value was measured using 7 items, also as a reflective construct, representing the owners'/managers' perceptions of the value of customer relationships.

Business systems were measured using 10 items and treated as a formative construct, composed of attributes such as customer tracking systems, pricing systems, and system accessibility.

Stakeholder relationships were measured using 11 items and treated as a formative construct, composed of attributes including customer feedback mechanisms, satisfaction monitoring, and customer-focused business practices.

Table 2. Constructs, items, and sources used in the study

Construct	Item	Description	Literature Consulted
Customer Relationship Management	CRM1	When I have good relationships with my customers, they are more likely to return to my business.	Nguyen & Waring, 2013; Plakoyiannaki, 2005; Pohludka & Štverková, 2019; Zaby & Wilde, 2018
	CRM2	When I have good relationships with my customers, they prefer my business over others.	
	CRM3	Having good customer relationships leads to new customers being referred to my business.	
	CRM4	My strong customer relationships help my business remain successful even when competitors enter the market.	
	CRM5	My customers talk positively about my business when we have good relationships.	
	CRM6	When I focus on maintaining customer relationships, profits in my business tend to improve.	
	CRM7	When I build good relationships with customers, I don't need to worry about losing them.	
	CRM8	When I maintain strong customer relationships, customers are more forgiving when service is not perfect.	
	CRM9	When I build strong customer relationships, pricing becomes less of a concern for my customers.	
	CRM10	My relationships with customers are more important than internal staff dynamics in shaping customer satisfaction.	
	CRM11	When I have good customer relationships, my business gains a positive reputation through word of mouth.	
	CRM12	When I maintain strong relationships, customer complaints reduce significantly.	
	CRM13	When I know my customers well, it becomes easier to restore relationships after a problem.	
	CRM14	When my business was new, building customer relationships was easier.	
	CRM15	When I invest in customer relationships, I see long-term value for my business despite potential costs.	
Perceived Value	PV1	When I have good relationships with my customers, they show more interest in the products I sell.	Nguyen & Waring, 2013; Plakoyiannaki, 2005; Pohludka &

Table 2. Constructs, items, and sources used in the study

Construct	Item	Description	Literature Consulted
	PV2	When I have good relationships with my customers, they remember my store more easily.	Štverková, 2019; Zaby & Wilde, 2018
	PV3	When I have good relationships with my customers, my store becomes more noticeable to people passing by.	
	PV4	When I have good relationships with my customers, they think more positively about my business.	
	PV5	When I build good relationships with my customers, they become more willing to buy from me.	
	PV6	When I maintain good customer relationships, they trust that my products are of good quality.	
	PV7	When I have strong relationships with customers, they are more accepting of occasional product flaws.	
Business Systems	BS1	We have a system that allows us to track our sales effectively.	Nguyen & Waring, 2013; Plakoyiannaki, 2005; Pohludka & Štverková, 2019; Zaby & Wilde, 2018
	BS2	We are effective at monitoring and managing customer information.	
	BS3	We track competitive developments in the market.	
	BS4	We have an effective system for setting prices.	
	BS5	We have an effective system for managing pricing.	
	BS6	We have positive supplier relationships.	
	BS7	We have an effective system to manage and evaluate marketing communications.	
	BS8	Our advertising activities are clear, targeted, and effective.	
	BS9	Our business location helps us attract and retain customers.	
	BS10	Our business is easily accessible and visible to customers.	
Stakeholder Relationships	SR1	I believe our way of doing business is customer-friendly.	Nguyen & Waring, 2013; Plakoyiannaki, 2005; Pohludka & Štverková, 2019; Zaby & Wilde, 2018
	SR2	I believe our business procedures are friendly towards customers.	
	SR3	I believe our business regularly asks customers for feedback and comments.	
	SR4	I believe our business takes time to analyze feedback and comments from customers.	
	SR5	I believe our business makes an effort to respond to feedback and comments from customers.	
	SR6	I believe our customers are satisfied with our business.	
	SR7	I believe our business takes steps to measure customer satisfaction.	
	SR8	I believe our business tries to find out why customers leave.	
	SR9	I believe we use feedback from customers who leave to improve our service.	
	SR10	I believe offering low or good prices helps keep customers loyal.	
	SR11	I believe our customers see our service as better than average.	

Source: Developed by the researchers based on literature consulted

4. Data analysis

Structural equation modeling (SEM) was conducted to examine the relationships between the latent variables: customer relationship management (CRM), stakeholder relationships, business systems, and perceived value. The model was estimated using SmartPLS version 4. Partial least squares structural equation modeling (PLS-SEM) was chosen because it is well suited to smaller sample sizes. PLS was used to estimate both the measurement model and the structural model.

4.1 Measurement model validation

To assess the reliability of the measurement model, Cronbach's alpha (CA) and composite reliability (CR) were used. Cronbach's alpha values for all constructs ranged from 0.656 (perceived value) to 0.860 (stakeholder relationships). Except for perceived value, all alpha values exceeded the commonly accepted threshold of 0.70 for construct reliability (Hair et al., 2019), thereby confirming the reliability of most constructs.

Composite reliability, which also measures internal consistency, was examined as an additional indicator. Composite reliability values ranged from 0.810 (perceived value) to 0.880 (stakeholder relationships), all exceeding the recommended minimum threshold of 0.70 (Hair et al., 2019). These values confirm that the constructs are internally consistent and reliable.

Discriminant validity was evaluated using the average variance extracted (AVE). An AVE of at least 0.50 is typically recommended; however, according to Fornell and Larcker (1981), an AVE above 0.40 may still be acceptable if the composite reliability exceeds 0.60. The AVE values for this study were 0.462 for CRM, 0.589 for perceived value, 0.483 for business systems, and 0.484 for stakeholder relationships. Although three of the AVE values were below 0.50, they remain acceptable under the criteria outlined by Fornell and Larcker (1981) and supported by Suprpto et al. (2020), given that all corresponding CR values exceed 0.60. These results therefore confirm the model's convergent validity.

Factor loadings were also examined. Given the exploratory nature of the study and the fact that the items were newly developed by the researchers, a minimum threshold of 0.50 was deemed acceptable (Arellano-

Rodríguez, 2024). Factor loadings for all constructs ranged from 0.519 to 0.838. Items with loadings below 0.50 were removed from the final model. All remaining factor loadings had *p*-values less than 0.05, indicating statistical significance.

Table 3 presents the factor loadings, Cronbach's alpha, composite reliability, and AVE values for each construct.

Table 3. Factor loadings, reliability, and validity measures

Variables	Factor Loading	<i>t</i> -Statistic	<i>p</i> -Value	CA	CR	AVE
CRM				0.831	0.871	0.462
CRM6	0.704	19.796	0.000			
CRM7	0.776	25.796	0.000			
CRM8	0.638	13.892	0.000			
CRM9	0.519	9.553	0.000			
CRM10	0.701	16.394	0.000			
CRM12	0.766	27.430	0.000			
CRM13	0.719	18.743	0.000			
CRM15	0.570	10.762	0.000			
Perceived Value				0.656	0.810	0.589
PV1	0.715	10.156	0.000			
PV4	0.875	28.064	0.000			
PV6	0.706	8.450	0.000			
Business Systems				0.835	0.866	0.483
BS1	0.620	4.934	0.000			
BS2	0.651	5.431	0.000			
BS3	0.775	9.438	0.000			
BS4	0.776	9.439	0.000			
BS5	0.757	9.155	0.000			
BS7	0.715	10.204	0.000			
BS10	0.534	6.183	0.000			
Stakeholder Relationships				0.860	0.880	0.484
SR3	0.641	10.365	0.000			
SR4	0.701	13.396	0.000			
SR5	0.716	13.183	0.000			
SR6	0.527	7.355	0.000			
SR7	0.658	12.559	0.000			
SR8	0.838	34.922	0.000			
SR9	0.829	25.015	0.000			
SR11	0.602	7.845	0.000			

Note. CA = Cronbach's alpha; CR = Composite reliability; AVE = Average variance extracted

Having confirmed the reliability and convergent validity of the measurement model, the Fornell and Larcker (1981) criterion was applied to assess discriminant validity. Evaluating discriminant validity is essential in research involving latent variables, as it helps prevent issues of multicollinearity. According to this criterion, discriminant validity is established when the square root of the average variance extracted (AVE) for a given construct is greater than its correlations with all other constructs (Maduku, 2024). The results of the discriminant validity analysis, presented in Table 4, indicate that for each construct, the square root of the AVE exceeds its correlations with the other constructs. This confirms the discriminant validity of the measurement model.

Table 4. Discriminant validity – Fornell-Larcker criterion

Construct	Business Systems	CRM	Perceived Value	Stakeholder Relationships
Business Systems	0.695			
CRM	0.236	0.680		
Perceived Value	0.028	0.271	0.768	
Stakeholder Relationships	0.223	0.429	0.149	0.696

Note. The diagonal values in bold represent the square root of the AVE. Discriminant validity is confirmed when these values are greater than the corresponding off-diagonal correlations

In addition to the Fornell-Larcker criterion, the Heterotrait-Monotrait Ratio (HTMT) was used to further assess discriminant validity. This method is particularly appropriate when partial least squares structural equation modeling is employed, as it addresses some of the limitations of the Fornell-Larcker approach (Henseler et al., 2015). HTMT values closer to 1 indicate a lack of discriminant validity, whereas values below the threshold of 0.85 are considered acceptable (Henseler et al., 2016; Roemer et al., 2021). A visual inspection of the results presented in Table 5 shows that none of the HTMT values approached 1, thereby confirming the discriminant validity of the constructs.

Table 5. Discriminant validity - Heterotrait-Monotrait (HTMT) Ratio

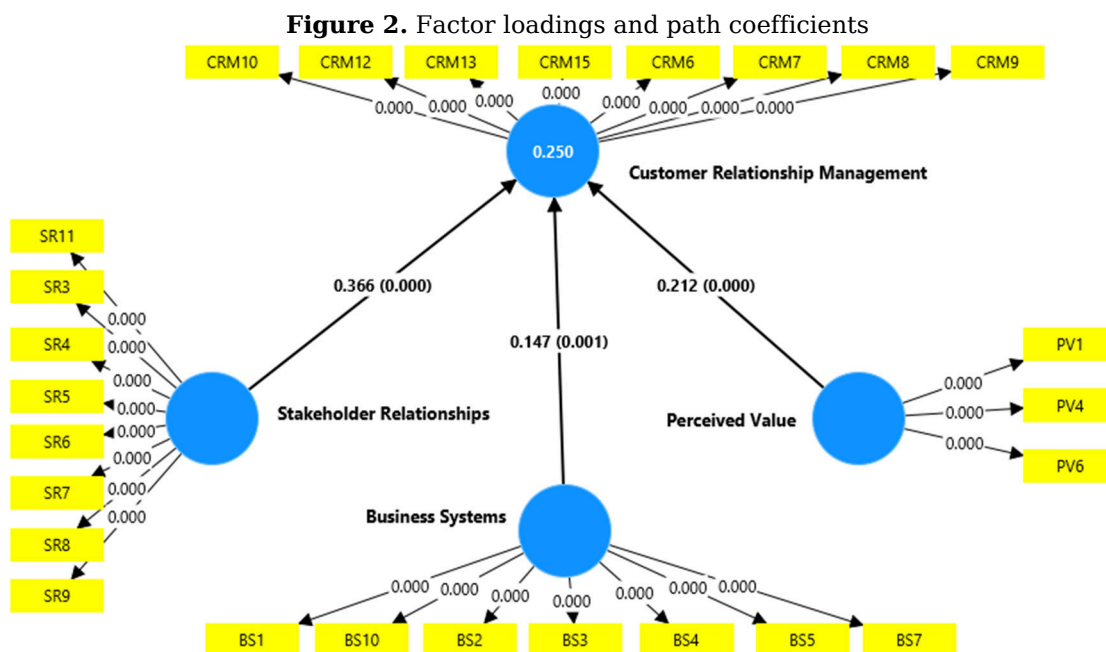
Heterotrait-Monotrait Ratio	Business Systems	CRM	Perceived Value	Stakeholder Relationships
Business Systems	-			
CRM	0.261	-		
Perceived Value	0.189	0.354	-	
Stakeholder Relationships	0.240	0.392	0.196	-

Note. HTMT values below 0.85 indicate acceptable discriminant validity (Henseler et al., 2015)

4.2 Assessment of the structural model

The hypothesized relationships presented in Figure 1 were tested using structural equation modeling. To assess the structural model, path coefficients, *t*-values, and the coefficient of determination (R^2) were examined. Figure 2 presents the results of the structural model, which tested the relationships among the study's latent constructs.

Path coefficients were evaluated as indicators of the strength and direction of the relationships between independent (predictor) and dependent (outcome) variables. Specifically, they quantify the extent to which one variable affects another within the model.



An examination of the path coefficients revealed that all three hypothesized relationships were statistically significant. The results provided support for Hypotheses 1, 2, and 3. Specifically, perceived value had a significant positive effect on CRM ($H1: \beta = 0.212, t = 4.755, p = .000$), as did business systems ($H2: \beta = 0.147, t = 3.445, p = .001$) and stakeholder relationships ($H3: \beta = 0.366, t = 8.212, p = .000$). These findings indicate that perceived value, business systems, and stakeholder relationships each have a statistically significant effect on CRM. The path coefficients are presented in Table 6 below.

In addition to the path coefficients, the coefficient of determination (R^2) was assessed to evaluate the explanatory power of the model. R^2 indicates the proportion of variance in the dependent variable that is explained by the independent variables, with values ranging from 0 to 1. In this model, the R^2 value for CRM was 0.250, suggesting that 25% of the variance in CRM is explained by perceived value, business systems, and stakeholder relationships. This relatively modest explanatory power indicates that additional variables relevant to CRM were not included in the model. Future research should consider incorporating other constructs to

enhance the model's robustness and explanatory capacity.

Table 6. Path coefficients and adjusted R-squared values

Path	Coefficient	Standard Deviation	t-Statistic	p-Value
Perceived Value → CRM	0.212	0.045	4.755	.000***
Business Systems → CRM	0.147	0.043	3.445	.001**
Stakeholder Relationships → CRM	0.366	0.045	8.212	.000***
Adjusted R ² for CRM	Statistic	Standard Deviation	t-Statistic	p-Value
	0.250	0.036	6.967	.000***

Note. * $p < .001$, $p < .01$. CRM = Customer Relationship Management

5. Discussion

The primary objective of this study was to investigate SME owners' and managers' perceptions of the role played by the perceived value of relationship marketing, business systems, and stakeholder relationships in shaping a company's customer relationship management (CRM). In today's context of intensifying global competition, rapid technological change, and shifting customer preferences, organizations are increasingly focusing on customer-centric strategies (Carrero, 2023; Hamida et al., 2023). Whereas businesses once emphasized transactional interactions, the focus has shifted toward building long-term customer relationships (Nilashi et al., 2023). CRM has emerged as a key enabler of such strategies, drawing significant scholarly and practitioner interest in the factors that influence its effective implementation (Farmania et al., 2021; Marozau et al., 2024; Sedalo et al., 2022).

Despite the growing body of CRM research, there remains no scholarly consensus on the precise components that define CRM, especially in the SME context. Accordingly, this study tested constructs that have received limited attention in the literature. To address its objective, the study developed and tested three hypotheses, and the discussion of results is organized around these.

The findings supported Hypothesis 1, confirming a significant positive relationship between perceived value and CRM. This aligns with earlier studies that emphasize the influence of top management perceptions on CRM success (Cruz-Jesus et al., 2019; Nguyen & Waring, 2013; Plakoyiannaki, 2005). Hamida et al. (2023) also highlight the importance of senior leadership support in the form of commitment and resource allocation for effective CRM implementation. While CRM has been widely studied in SMEs (e.g., Binsaeed et al., 2023; Eng et al., 2020; Hassan et al., 2019; Marolt et al., 2020), the role of top management's perception has often been overlooked. This study contributes to the literature by demonstrating that a positive orientation toward relationship marketing among SME owners/managers is a significant driver of CRM success.

The study also found support for Hypothesis 2, which proposed that business systems positively influence CRM. Effective CRM implementation requires a strategic integration of people, processes, and technology (Hamida et al., 2023; Wynn et al., 2016). While large firms often rely on technology-driven CRM, SMEs tend to emphasize interpersonal interactions (Gilboa et al., 2019). Therefore, SMEs require appropriate business systems to manage customer relationships effectively. Although previous studies (e.g., Baashar et al., 2020; Chatterjee et al., 2022; Nilashi et al., 2023; Ullah et al., 2020) have focused on the technological aspects of CRM systems, this study broadens the scope by considering a wider range of business systems—including those for tracking sales, suppliers, and marketing communications. The results confirm that such systems significantly support CRM efforts in SMEs and extend existing research by highlighting their practical importance.

Hypothesis 3 proposed that stakeholder relationships positively impact CRM. As Westrenius and Barnes (2015) note, most stakeholder relationship research has focused on large corporations, creating a gap in the understanding of stakeholder dynamics within SMEs. This study addressed that gap by demonstrating that SME owners and managers recognize the importance of managing stakeholder relationships as part of their CRM strategy. These findings are consistent with those of AlQershhi et al. (2020), who showed that relational capital—defined as the firm's ability to engage with its stakeholders—plays a central role in CRM implementation. The results underscore that successful CRM initiatives must consider the broader network of stakeholders, not just customers. Neglecting relationships with internal stakeholders, such as employees, or external partners, such as suppliers, may undermine CRM effectiveness.

6. Conclusions

This study examined the influence of SME owners' and managers' perceptions of the value of relationship marketing, business systems, and stakeholder relationships on the implementation of customer relationship management (CRM). The findings confirmed that all three constructs—perceived value, business systems, and

stakeholder relationships—have a significant positive impact on CRM within the SME context. These results provide empirical support for the argument that SMEs adopting a customer-centric strategy, supported by effective systems and inclusive stakeholder engagement, are better equipped to implement CRM successfully. Collectively, the findings emphasize the importance of a holistic approach to CRM in SMEs—one that integrates leadership perspectives, internal systems, and external relationships.

The study did not investigate whether SME owners and managers assign different levels of importance to various stakeholder groups in the development of CRM programs. This may influence how CRM initiatives are designed, implemented, and received. Stakeholders who do not perceive themselves as integral to the CRM program may become disengaged or feel excluded. The study therefore recommends that when developing CRM strategies, organizations actively consider all key stakeholder groups and ensure that their interests are incorporated into the design and execution of the program.

This research contributes to the literature by highlighting the nuanced role of leadership perceptions and broader business systems in shaping CRM implementation. This is particularly relevant in the SME context, where relational factors often outweigh technological sophistication in determining CRM success.

7. Practical implications

The findings of this study offer several practical implications for SME owners, managers, and practitioners.

First, SME leaders should actively cultivate a customer-centric mindset within their organizations. Given that managerial perceptions and attitudes toward CRM significantly influence the firm's CRM strategies, fostering a positive and strategic orientation toward CRM at the leadership level is essential.

Second, although SMEs may lack the resources to invest in large-scale CRM technologies, they can still benefit by adopting tailored business systems to improve CRM efficiency and effectiveness. For example, implementing tools to track sales, customer interactions, and marketing communications can help establish foundational systems that support CRM processes and outcomes.

Finally, as stakeholder relationships were found to have the strongest impact on CRM, SMEs should adopt a stakeholder-oriented approach that extends beyond customers. Building and maintaining strong relationships with employees, suppliers, and other key stakeholders can create a supportive environment for CRM implementation. A holistic approach to stakeholder engagement is likely to enhance the success and sustainability of CRM initiatives within SMEs.

8. Limitations and further research

Several limitations of this study present opportunities for future research. First, the study focused exclusively on SMEs within the retail sector, which limits the generalizability of the findings to other industries. Future research could replicate this study across multiple sectors to determine whether the relationships identified here hold true in different industry contexts.

Second, due to the lack of scholarly consensus on the conceptualization of CRM, the study employed exploratory measures to investigate the constructs of interest. This approach may account for the relatively weak factor loadings and lower levels of significance observed in some results. Future studies are encouraged to adopt previously validated measurement scales from the literature to improve construct reliability and validity.

Third, the relatively low R^2 value suggests that additional variables, not included in this study, may also influence CRM implementation. Future research could expand the model to include other relevant factors—such as organizational culture, customer data management, or digital maturity—to enhance explanatory power.

Lastly, the cross-sectional design of this study limits its ability to capture changes in managerial perceptions or CRM practices over time. Longitudinal research designs could provide deeper insight into how CRM implementation evolves and how long-term engagement with stakeholders and systems influences CRM outcomes.

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Data Availability Statement

The research data for this study are not available for sharing

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