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2F. A Case Study on Key Success Factors in Delivering e-CRM Solutions

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Abstract

Over the past 10 years, a number of studies have pointed out that many e-CRM projects fail to deliver the expected benefits. In the business-to-business e-CRM market, many customers have faced issues with technology implementation, management of organizational change, and/or e-CRM effectiveness. However, none of these studies mentioned PeopleSoft. In fact, PeopleSoft's e-CRM has been a best-of-breed solution. The purpose of this case study is to explain the determinants of the success of PeopleSoft's e-CRM. This study was carried out in PeopleSoft's Canadian subsidiary in 2004 (before the acquisition by Oracle). The findings reveal the superiority of PeopleSoft on the financial, marketing, and technological dimensions. In fact, the sustainable competitive advantage of PeopleSoft's e-CRM lies in what is called a value-based business model. This unique business model is based on a 100% Internet architecture, a pricing model customized according to the value delivered to the customer (not the number of users), and the sharing of e-CRM risk with customers. This case study describes a striking reality: PeopleSoft's CRM vision is the key success factor. Other e-CRM vendors, including Siebel, lack a vision for selling their e-CRM technology.

Keywords

e-CRM, successful, implementation, software, PeopleSoft

1. Introduction

In high-technology industries, and IT in particular, it would seem easy to copy a benefit intrinsic to a product. The leader or innovator always benefits from the advantage of being the first entrant, as Siebel benefited for some time by creating the CRM concept, or as SAP did with ERP, but it does not take long for competitors to claw back a share of this growing market by proposing analogous, or even better, solutions. What has been notable in the CRM market, however, is the emergence, then dominance, of PeopleSoft, which had been known as the leader in human-resources applications. In just a few years, PeopleSoft managed to dethrone Siebel and to succeed where all its competitors had failed: pioneering modular CRM applications and installing them in their customers' premises. The projects succeeded because PeopleSoft was able to negotiate zero risk for the customer throughout the process of delivering a CRM solution. An examination of its strategic positioning also reveals a judicious choice of strategic field, corporate strategy, and marketing strategies, as well as excellent project-risk management. The pillars of PeopleSoft's success are its solution that is customizable according to the customer's needs and profile; its superior, 100% Internet-based technological architecture; its invoicing model based on value added and not on number of users; the involvement of PeopleSoft resources with the CRM-implementation teams; implementation tests in the lab; and the development of an ROI model for the customer. Unlike its competitors, PeopleSoft was able to define, from the start, a unique strategic system composed of organizational skills rather than individual know-how and of proprietary

resources and technologies that are not transferable through human or technological mobility. It not only caught up to Siebel, but was able to position itself as a pioneer in customer satisfaction.

This article will attempt to explain why PeopleSoft succeeded where its competitors failed. More specifically, I will answer questions such as, What is PeopleSoft's strategic positioning? What are its organizational specificities? How is its business model different from those of its competitors? Finally, I will point to avenues for further research on sources of success in the CRM market.

2. Conceptual framework

The conceptual framework chosen for conducting a strategic analysis of the CRM market and PeopleSoft in this market is that of Allaire and Firsirotu (2002), who offer complete models for internal and external strategic diagnosis of a firm, as well as market and organizational strategies flowing from this diagnosis. These models present the specificity of performing a systemic and multifactorial strategic analysis of the firm and its strategy. The framework is based on solid conceptual foundations that come from a number of areas of study, such as research on market and competition dynamics, the dynamics of costs and their impacts, corporate psychological and organizational dynamics, different organizational structures, and organizational strategies for radical change.

According to Allaire and Firsirotu, the strategic analysis includes an external diagnosis that defines the range of strategic options. These options must be assessed in the light of an internal diagnosis of the firm's resources, skills, and values, and of their potential to create economic value. The strategy adopted by the firm is composed of a marketing strategy and an organizational strategy. The marketing strategy involves, among other things, the choice of products and services, markets, technologies, and skills that define the scope of the strategic field – that is, the current corporate mission and the firm's potential. It must be the outcome of a solid assessment of the dynamics of the relevant costs and markets.

The organizational strategy of the firm refers to the structural and cultural arrangements that the marketing strategy requires, as well as the nature of changes in the systems, structure, resources, skills, values, and ways of doing business that must occur to successfully carry out the marketing strategy. The steps needed to institute the appropriate architecture for the organization comprise the content of the strategy. The term "architecture" groups together a number of dimensions of the organization's operations: its form, leadership modes, values and culture, resources, skills, and management systems. This architecture must be effective – that is, the components must combine to execute the strategy; it must also establish a strong coherence between the different internal components of the organization.

The conjuncture of this architecture with the firm's internal reality and the strategic field constitutes the firm's strategic system, a very important concept introduced by Allaire and Firsirotu. As figure 1 shows, this strategic system reflects the firm's specific choices of skills, know-how, resources, and technologies, which are supported by the organization that it implements. The strategic system is thus the result of complex organizational arrangements and shrewd choices about economic parameters such as positioning, corporate strategies, and marketing strategies.

Thus, in order to understand why PeopleSoft's strategic system performs well, an in-depth analysis must be done of the factors that form the strategic system (strategic field and

organizational architecture). In addition, all the relationships within which this system is inscribed, such as organizational capacity and economic choices, must be understood.

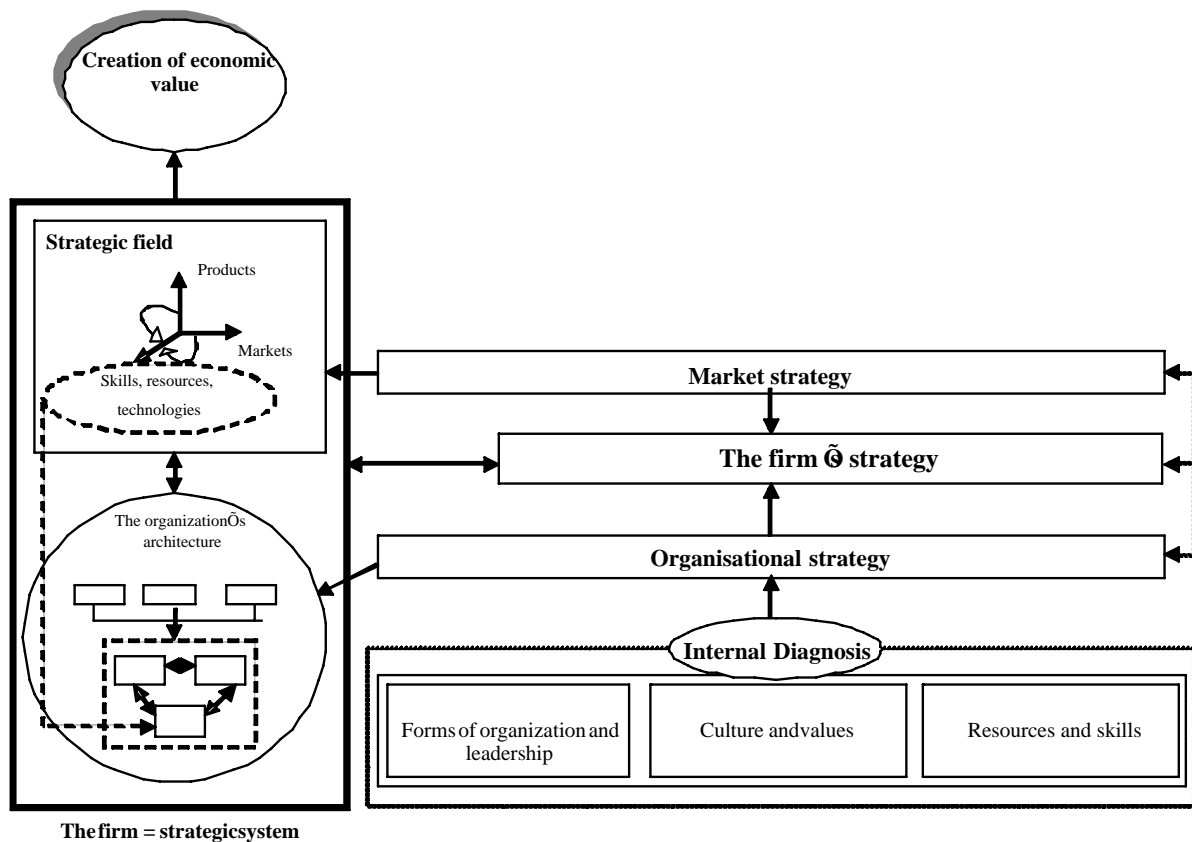


Figure 1: Chart of strategic processes
(Source: Allaire & Firsirotu, 2002)

3. Methodological framework

The decision to base the analysis on primary data (interviews and internal documents) and secondary data (specialized journals) arises from the need to comprehend the internal reality of PeopleSoft through key statements given by PeopleSoft resources (10 interviews with sales and human-resources managers and with senior and junior consultants) and to compare these data with objective external assessments. The in-depth analysis could not be done without interviews with PeopleSoft members, and yet the analysis was at risk of being biased if it used only a single source of information. The approach in this paper is, in part, explanatory, as it privileges the triangularization of information sources for greater validity of results.

According to Yin (1994), the methodology of the case study offers a means of testing existing theories, while providing a probable analytic generalization. Koza and Lewin (1999) state that longitudinal case studies afford unique opportunities to make both empirical and theoretical interpretations of contemporary phenomena. Case studies are based mainly on qualitative data that are interesting for several reasons. They enable a phenomenon to be presented with respect for its chronological course, accurately establishing cause-and-effect relationships; when they are well chosen, they lead to new integrations and new concepts (Huberman & Miles, 1994).

This study is therefore based on primary and secondary qualitative data from four main sources:

- Interviews conducted with PeopleSoft Canada consultants
- Reports by firms specializing in CRM (CAP Gemini Ernst and Young, AMR Research, Meta Group, Gartner Dataquest)
- Press articles: opinions, analyses, and descriptions by financial and economics journalists and analysts; publications were selected on the basis of their quality or their specialization in technological issues (MIT Sloan Management, Harvard Business Review, JDnet, American Banker, Info Québec,)
- Press reviews available on the sites of CRM publishers: PeopleSoft, SAP, etc.

4. Results

4.1 Corporate strategy and marketing strategy

In its everyday operations, PeopleSoft, like all large corporations, tends to deploy several marketing strategies adapted to the evolution of the various product markets that it serves. The strength of PeopleSoft in fact flows from its assets and resources developed internally (HR, for example) or acquired (such as CRM), which execute a wide range of integrated and coordinated marketing strategies.

PeopleSoft's global corporate strategy is a strategy of a range of products and markets. In fact, PeopleSoft has an international presence on four continents and serves its different markets with business-solutions product lines that are both deep and diversified, as explained in figure 2. Flowing from this corporate strategy, a number of marketing strategies are devised, depending on the market phase targeted, its characteristics, and the players in the field.

4.2 Strategy of market creation and domination

In 1987, the market for human-resources applications was a new one with great potential. During this fairly short period, PeopleSoft had the necessary vision and competitive vigour to build a strategic system based on innovation, flexibility, and relational marketing. Its strategy of creating a market through technological innovation enabled it to develop exemplary growth and to dominate the North American market, and then to aim for other markets. The founders developed the essential skills, capacities, values, and know-how within their organization. By accelerating the pace of innovation, creating a "cool" culture that encouraged work, and extending their product lines, they both protected their market and expanded geographically into others.

In a comparative study of CRM software publishers' pricing structures,¹ Marc Lemesle (2002) showed that PeopleSoft has a pricing structure that is different from its competitors'. Oracle uses two distinct licensing policies, depending on the configurations deployed by its clients: a rate by "user-named multi-server" and a rate by processor. The principle used by Siebel is a rate per "named user" and not by workstation, which means that any PC within the company can be connected without differentiation. The number of servers on which the applications are installed is not taken into account and is directly reflected in the price of the per-user licences. For instance, the Sales, Services, and Marketing applications are invoiced at 3,000 Euros each; the Partner Manager solution, 3,600 Euros; and the ERM (Employee Relationship Management) module, 450 Euros. SAP's fee-structure principle uses two parameters: the number of named users and the number of engines installed on the servers, which will depend

¹ http://solutions.journaldunet.com/0111/011121_licencepeoplesoft.shtml

on the type of module that the client is using. Adding to the complexity in the cost calculations (Lemesle, 2002) is that among the named users, SAP distinguishes between “occasional” and “professional” users (the latter having regular access to an application).

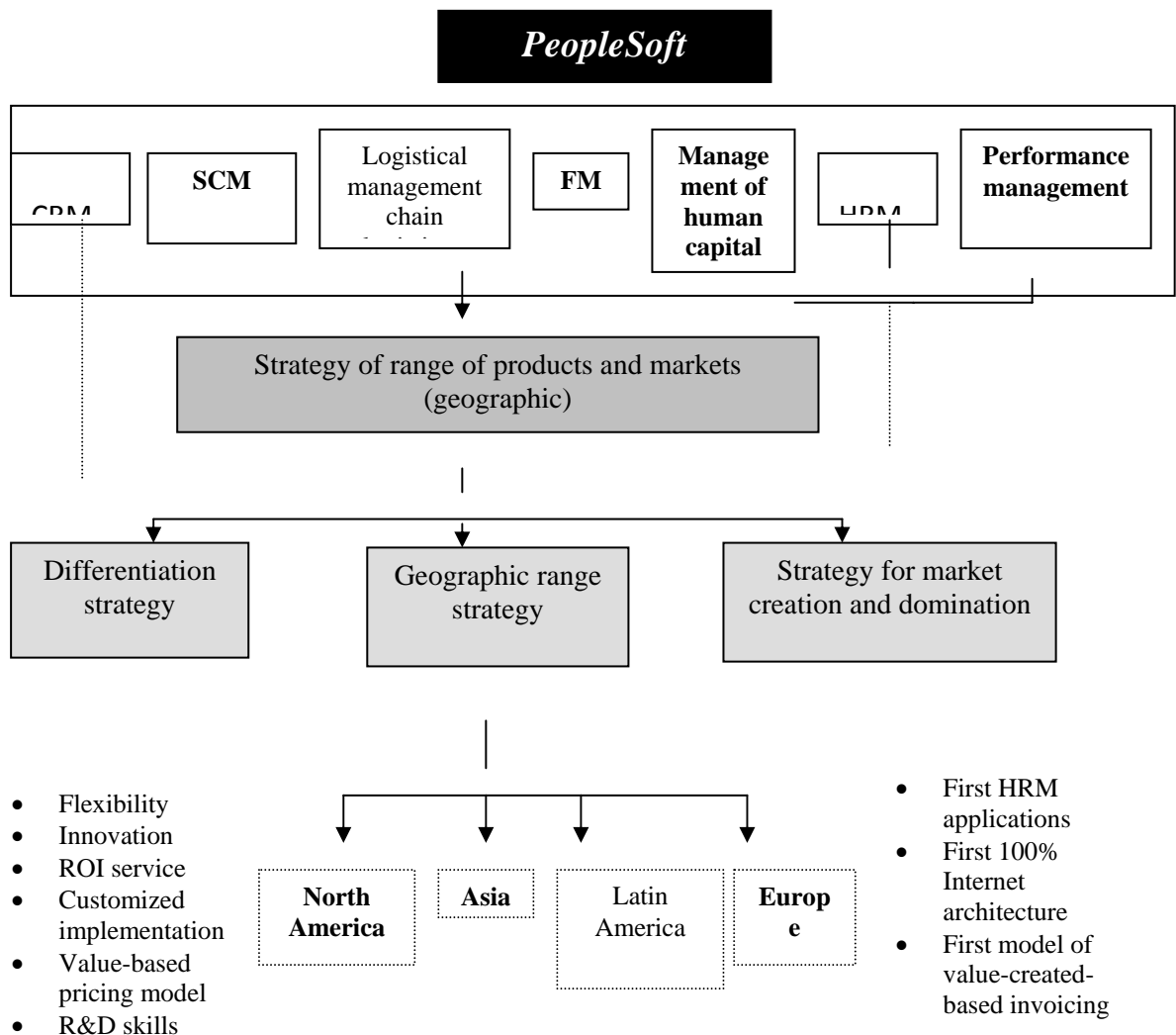


Figure 2: PeopleSoft’s marketing strategies

On the other hand, since 1998, with the evolution of the Internet and the company’s new corollary strategy, PeopleSoft has opted for a simplified rate model, based on its clients’ business volume. The price of the different operational modules is equivalent to 0.1% to 0.5% of the business volume of corporations or of the budgets managed when the customer is a public corporation acting on behalf of a third party. The number of users, internal or external, and servers is unlimited and not taken into account.

4.3 A differentiation strategy based on risk minimization

The difficulty of measuring the return on investment in CRM creates a sort of risk aversion among customers during the process of purchasing a solution. The uncertainty linked to both the success of the installation and the achievement of anticipated objectives makes the project risk indefinite, a factor that impedes the growth of the CRM market in general.

However, the problem of the customer's perception of high risk has been absorbed by PeopleSoft through its strategy of minimizing the risk by sharing it with the customer. The more successful a publisher is with delivery of its solutions, the more its customers will be predisposed to opt for this publisher and the more it will be able to differentiate itself. From the time it was founded, PeopleSoft opted for a strategy of differentiation that has gained it an excellent reputation. Since success breeds success, a virtuous circle is created. This positive-reinforcement loop enables PeopleSoft to benefit from a success multiplier effect. That is, PeopleSoft profits from the effects of managerial, symbolic, and technological differentiation. The technological differentiation results from the superiority of its products and the advantages of time savings and market share that it has gained from the innovations that it has developed. However, having the best technology is not enough to succeed in a market such as high technology; one must also meet customers' expectations in terms of rapidity of execution, flexibility, ease of use, and customer support. This is where managerial differentiation takes on its full import. PeopleSoft's values of flexibility, customer service, personalized approach, and relational marketing, which flow from its human-resources culture, have enabled it to distinguish itself from its competitors. Finally, the symbolic differentiation concerns the image capital built and acquired following the successes of its solutions and its CRM vision.

PeopleSoft has been able to reduce customers' cognitive dissonance before and after the process of purchasing a solution by minimizing the project risk, on the one hand, and by transferring a large part of this risk to itself, on the other hand. In effect, if PeopleSoft has become a market leader and benefits from the best customer perceptions, it is because it has dealt better with the risk factor by sharing it with its clients. This sharing is conveyed by the measures shown in table 1.

PeopleSoft has succeeded where its competitors have failed – that is, with delivery of a CRM project with the added value anticipated by the client at the start. These projects have succeeded because PeopleSoft was able to negotiate zero risk throughout the process of delivering a CRM solution. An examination of its strategic positioning has also shown a judicious choice of strategic field, corporate strategy, and marketing strategy, as well as excellent project-risk management.

Its solution, customizable to the customer's needs and profile, its superior technological architecture (100% Internet), its invoicing model based on added value and not on number of users, the involvement of its resources with the CRM installation teams, the test installation in laboratory, and the development of the ROI model for the customer are the pillars of PeopleSoft's success, and it has the highest level of customer satisfaction. Therefore, I shall analyze PeopleSoft's organizational capacity and what has been necessary to support its strategic choices.

4.4 Diagnosis of PeopleSoft's social and psychological dynamic

In order to grasp the specific reasons for the success of PeopleSoft's CRM solutions, it is essential to examine how the PeopleSoft organization works. To do this, I shall analyze the organization's key components, through Allaire and Firsirotu's (2002) conceptual model. This multifactorial model enables observation of the different organizational components independently of one another. In fact, the reason that a number of theses and research projects are based on the Allaire and Firsirotu (2002) model is that this model provides for a comprehension and analysis of all strategic change by uncovering its sources.

I will use this model to look at the societal context and characteristics, the history of PeopleSoft, and the contingencies that influenced the evolution of the organization; then I will evaluate the present and future contexts; finally, I will analyze three internal aspects: culture, structure, and individuals (see figure 3). For the purpose of this paper, the focus will be on the internal aspects; while the external aspects are common to all competitors (society, contingencies, and contexts), the internal aspects are specific to PeopleSoft

Objective measurements	Before purchase	During installation	After purchase
Risk minimization	Customized approach, depending on customer specificities and not product specificities ROI assessment in view of the customer's objectives 100% Internet architecture	Invoicing model according to value contributed to customer Implementation test in the laboratory before installation at the customer Certified installation methodology	ROI assessment after installation
Risk sharing	CRM vision with the client: lifetime contract Higher transaction costs linked to the strategy of development of non-standardized solutions	Involvement of PeopleSoft resources throughout the process Flexible price structure according to the client's size and sector and not the number of users	Lifetime sharing of additional revenues

Table 1: PeopleSoft's risk-minimization and -sharing measures

4.4.1 History

PeopleSoft was founded by Dave Duffield and Ken Morris in 1987. The company tackled client/server applications and redefined the traditional approaches that existed on the market. The applications drew their strength from the fact that they were adapted to the rapidity of changes in the business environment and supported by high-quality customer service. Very quickly, PeopleSoft innovated, creating highly developed HR management systems. In 1988, it held more than 50% of the market for HR applications and was considered a leader by independent firms. Up to 1999, PeopleSoft was content to harvest the fruits of its success without investing in research and development. And so, in 2000, PeopleSoft found itself with an ageing technology and realized that it had not invested in the largest slice of the pie: consulting services, the revenues and margins on which were higher than those on licence sales. Starting in 2000, PeopleSoft began to invest massively in research and development under new CEO Craig Conway, and the share of consulting services in its business volume began to climb. PeopleSoft surged once again thanks also to the valuable acquisition of Vantive, which enabled it to instantly grab a share of the market in the CRM industry.

PeopleSoft made other key acquisitions that enabled it to consolidate its position and arm itself with specific skills. For instance, the strategically complementary purchase of JD Edwards in 2003 enabled PeopleSoft to better situate its position to challenge on the CRM market. The complementarity between the two offers seemed almost perfect, since the two companies were not playing in the same markets at the time. PeopleSoft was specialized in services – notably with regard to human resources and customer relations – for large accounts and the government and institutional sectors. JD Edwards, for its part, was addressing the manufacturing and industrial sectors and the logistics chain – notably through its production module – and targeting SMEs.

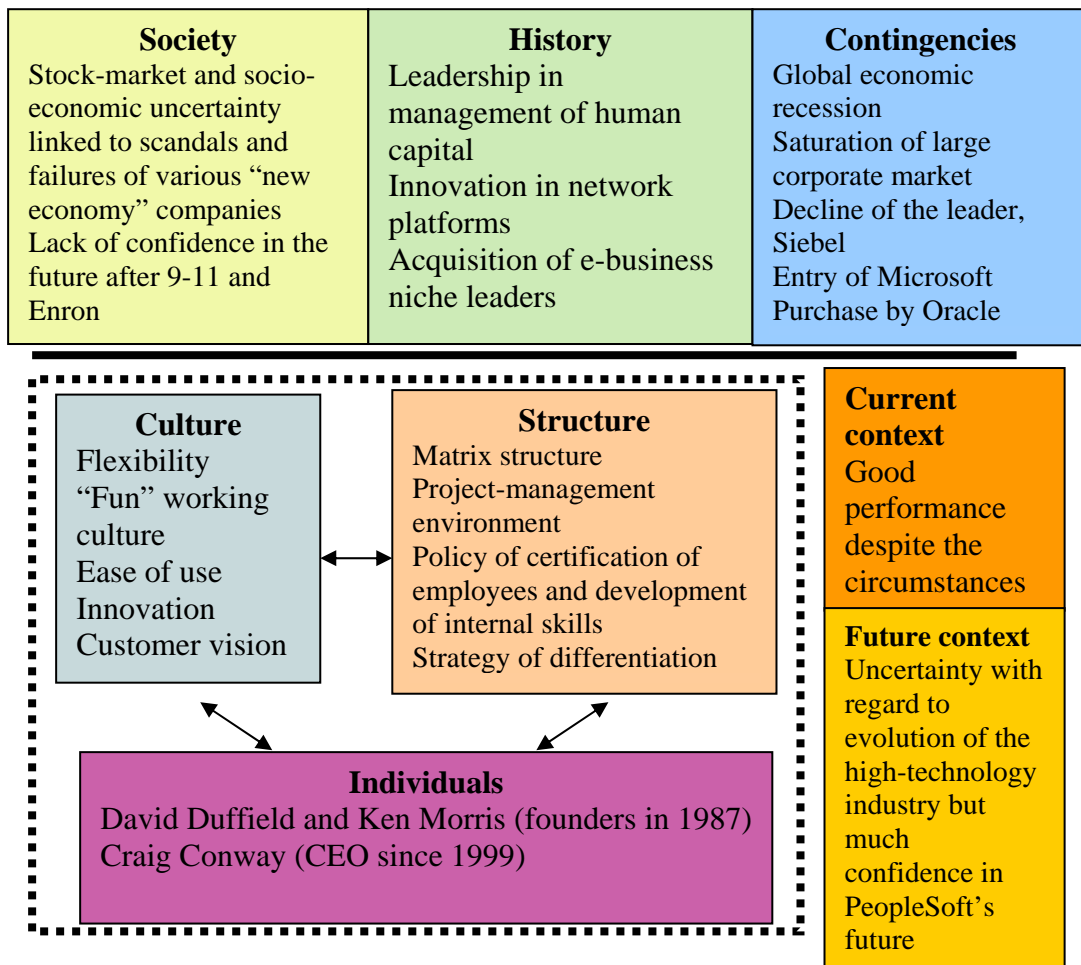


Figure 3: PeopleSoft’s social and psychological dynamic

4.4.2 *Individuals*

- Dave Duffield, founder and chairman of the board, and CEO again starting in October 2004

Dave Duffield, a visionary and an accomplished executive in the software industry, made a significant contribution to the evolution of the software market on both the operational and technical fronts for more than 10 years.

Duffield was the driving force behind PeopleSoft’s corporate vision, product offer, marketing management, and service commitment. He also inspired its unique corporate culture by promulgating key values articulated around individuals, customers, innovation, quality, integrity, pleasure, and profitability.

Before founding PeopleSoft, Duffield set up two software companies. He returned to the presidency of PeopleSoft in October 2004 for three months in order to close the deal for Oracle to purchase the company.

- Craig A. Conway, president until October 2004

Craig A. Conway was the second president of PeopleSoft, resigning in October 2004. He was named one of the 25 best managers of 2001 by the magazine *BusinessWeek* and one of the 10 most influential people in the high-technology industry by the magazine *Computer Business Review*. Under Conway's leadership, Forbes.com listed PeopleSoft among the five super-performing companies in 2001.

Conway joined PeopleSoft in May 1999 and orchestrated one of the most drastic turnarounds in the technology industry. His boldest strategic move was the development of PeopleSoft's Pure Internet Architecture™, which is the basis for a unique series of pure Internet applications. Conway reviewed PeopleSoft's internal procedures, significantly reducing costs and restructuring operations. He also brought in his more mercenary Oracle culture and tried to clear away the "party" atmosphere that had reigned in the organization: the three-times-a-week bagels were done away with, jeans and sandals were banned, and internal management was restructured.

A new team of managers was brought in and the objective of increased profits was achieved through control of expenses and healthier cost management. The strategy for attacking the market also changed to a model combining development, acquisitions, and partnerships.

As CEO, Conway decided to focus on the company's traditional centre of gravity. Thus, the strategy was to strengthen the human resources product, since PeopleSoft was perceived as an HR firm and it was important that this internally strong image be maintained. Conway returned the focus to this asset by investing in e-learning. Before joining PeopleSoft, he had spent eight years at Oracle Corp. as senior vice-president for marketing, sales, and operations. He was criticized in 2004 for having opposed Oracle's take-over bid and was ousted in October 2004.

4.4.3 Culture

The PeopleSoft culture had always been quite unusual. In the aggressive and highly competitive high-technology market, the founders of PeopleSoft tried to introduce a very flexible and relaxed operational style. Therefore, PeopleSoft quickly became recognized as a "cool" company and a pleasant place to work.

A number of traditions and symbols were institutionalized to instil this sense of "fun at work." Among the company's rituals were bagels offered to employees three times a week and a dress code that included jeans. In addition, everyone became wealthy quite quickly. Until 1999, profit sharing was very lucrative for all employees, as PeopleSoft was enjoying continuous growth, and its value on the stock market reflected this.

In 2000, the situation began to change drastically, and under the influence of the new CEO, Craig Conway, whose Oracle culture was quite mercenary, certain symbols of PeopleSoft's relaxed culture were banished to redress the situation. Now, employees had to come to work in suits and ties and certain symbolic privileges were eliminated.

Nevertheless, a "self-serve" culture was privileged. All employees had their own PeopleSoft portal that enabled them to see their own payroll, take training online, manage their own expense accounts, and do their own planning. The absence of HR analysts in fact sustained the matrix structure that was adopted.

4.4.4 Structure

Starting in 2000, under Craig Conway's leadership, PeopleSoft's structure became an evolving matrix structure. This more flexible structure favoured the operation of the virtual teams that were created for each project. In effect, given the nature of the industry, the teams had to be autonomous and mobile. The official structure therefore had to allow for the emergence of a more concrete unofficial structure that varied as a function of the projects underway (see figure 4).

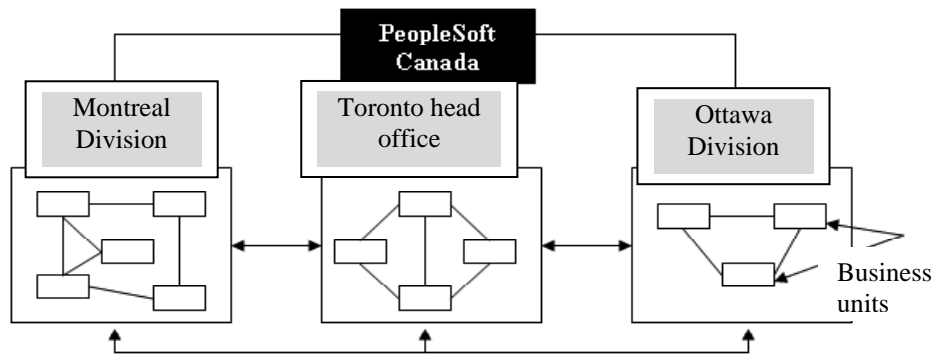


Figure 4: The multi-division form with connections between divisions (L form)

In L-form architecture, the divisions are necessarily interlinked to deliver a product or service at the best possible cost. Two distinct phenomena push a firm to adopt a more complex form of architecture, such as the L form. In its search for growth and economic efficiency, the firm takes on a wide range of products and markets. Yet, certain common assets and functions are required for all of these activities and are not fully maximized unless everyone is using them. Then, the firm must preserve the benefits of decentralization and autonomy of operations by grouping its activities in a certain number of geographically distinct regions.

Basically, the general structure follows a geographic logic. PeopleSoft has installations all over the world, and it has offices and branches in every country in which it operates. On the second level, PeopleSoft operates by business units aggregated by sector (financial, government, telecommunications company, etc.). On the third level, the structure works by pillars or product lines, with the teams divided according to specific skills: CRM, finance, supply, HR, and so on. The size of the market requires this type of structure. For example, for two different products, two PeopleSoft salespeople will go to see a single customer.

In early 2000, PeopleSoft made the decision to develop its services in order to position itself better to serve the constantly changing needs of its customers. This involved moving from a positioning of supplier of technical skills specific to PeopleSoft to that of a supplier of pioneering solutions for implementation, upgrading, and optimization of PeopleSoft products.

One of the greatest challenges, therefore, was a change in organizational culture to an environment of management by project. The structure was modified from a functional structure to a matrix structure to reflect the project-based environment, which brought many challenges at the level of allocation and management of human resources.

In order to facilitate this cultural change, mixed project-management groups were formed, involving both IT resources and resources from other fields. This combination helped with the

creation of units critical to developing enthusiasm about management by project and about launching the change in strategy.

Recruitment was based on a classic group of criteria, including a demonstrated skill in the application of tools, concepts, and processes in a project environment. By implementing a change in competencies, PeopleSoft wanted to highlight the value that it was bringing to its customers. In the IT industry, certain reports were published on project failures and successes. They included a number of projects that, once implemented, even on time and within the planned budgets, had failed to deliver the benefits anticipated at the start. PeopleSoft in fact distinguished itself by its human resources and their know-how, skills, and practices required through professional certifications.

5. Conclusion: The importance of organizational architecture as a support for the strategic architecture in the delivery of a CRM solution

PeopleSoft succeeded where its competitors failed – that is, it delivered CRM projects with the added value anticipated by the customers at the start. These projects succeeded because PeopleSoft negotiated zero risk throughout the process of delivery of a CRM solution. An examination of its strategic positioning shows a judicious choice of strategic field, corporate strategy, and market strategies, as well as excellent project-risk management.

PeopleSoft's solution, customizable according to the client's needs and profile, its superior 100% Internet technology, its invoicing model based on value added and not on number of users, the involvement of its resources with the CRM implementation teams, test implementation in the laboratory, and the development of an ROI model for the client are the pillars of its success, and PeopleSoft has the best customer-satisfaction level.

An analysis of PeopleSoft's organizational reality and business model leads to the following conclusions:

- *PeopleSoft successfully evolved from a company centred on the founding entrepreneur to a company with a homogeneous culture in which the leadership embodied the essential values of innovation, flexibility, and service, and structured around credible mandates and skilled agents.* With the change of CEO in 1999, an effective governance system was instituted that enabled PeopleSoft to ensure sustained growth thanks to judicious project choices, in spite of unfavourable economic contingencies. Thus, restructuring and cost optimization, reassignment of strategic units, encouragement of operational units to sustain high economic performance, management of the company's image, and the reorientation of development axes both around newly acquired key technologies and around the initial motivating skills enabled PeopleSoft to grow efficiently.
- *PeopleSoft was able to establish an optimal strategic configuration and to maintain it even as it made its product line more complex.* From the start, PeopleSoft chose a flexible competitive configuration; it improved its competitive positioning and its strategic units on the markets either by developing revolutionary technologies (e.g., 100% Internet architecture) or by making opportune acquisition decisions to instantly capture market share (e.g., the acquisition of Vantive and JD Edwards). The rapidly increasing complexity of its product lines therefore did not handicap PeopleSoft since it was able to develop engines to create relevant strategic, corporative, and financial strategic value.
- *PeopleSoft always evolved in tandem – the culture and the structure evolved in parallel.* The company's dynamic environment pushed it more than once to reconsider its

development axis, investment priorities, and internal direction and management modes. PeopleSoft modulated its organizational structure, its units, and its organizational culture according to market imperatives. Thus, when the speculative bubble burst in 2000, PeopleSoft reinvested in new technologies (CRM), reoriented its organizational culture around innovation and flexibility – much more than around the pleasure of working at PeopleSoft – and changed its structure from a functional form to a matrix form to respond to the market requirements.

6. Avenues for further research

An analysis of the key factors in PeopleSoft's success confirms the role played by the choice of product and the implementation strategy in the successful deployment of a CRM solution at the customer's business. What is new and interesting is the observation that the formula for PeopleSoft's success cannot be reproduced by its competitors, since this formula is rooted in its strategic system and initial strategic configuration. The organizational reality and business model adopted by this company formed its springboard to success. Thus, learning is "organizational" and not strictly individual – that is, the development of skills and know-how at PeopleSoft is allocated, systematized, and recorded in the systems, methods, and formal practices of the company and is not vulnerable to the mobility of human resources. Finally, the vision of the executives, the values of innovation and flexibility, the judicious choice of key acquisitions, and the established strategy of differentiation made PeopleSoft a reliable firm with the best image capital on the market.

In a market such as that for CRM, in which the risk perceived by the customer is high, a product had to be offered that responds to the sought benefits – those related to implementation (technology, ease of use, support, price, flexibility, and customer focus) – and the post-implementation benefits (return on investment through achievement of the objectives of cost reduction and/or revenue growth), and the appropriate customer approach had to be found to deliver the solution in question. PeopleSoft has the CRM product that responds to clients' needs and benefits from an effective business model.

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