

Critical Success Factors for a Customer Relationship Management Strategy

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Abstract

Most organizations have perceived the customer relationship management (CRM) concept as a technological solution for problems in individual areas, accompanied by a great deal of uncoordinated initiatives. Nevertheless, CRM must be conceived as a strategy, due to its human, technological, and processes implications, at the time an organization decides to implement it. On this basis, the main goal stated in this research is to propose, justify, and validate a model based on critical success factors (CSFs) that will constitute a guide for companies in the implementation and diagnosis of a CRM strategy. The model is conformed by a set of 13 CSFs with their 55 corresponding metrics, which will serve as a guide for organizations wishing to apply this type of strategy. These factors cover the three key aspects of every CRM strategy (human factor, processes, and technology); giving a global focus and propitiating success in the implementation of a CRM strategy. These CSFs – and their metrics – were evaluated by a group of internationally experts allowing determining guidelines for a CRM implementation as well as the probable causes of the deWciencies in past projects.

1. Introduction

Within the present business environment, characterized by an increasingly aggressive competence, the battle to win customers is stronger every day. Companies that enter to compete in a new market weaken the already existing and solid ones, due to the new ways of doing and conceiving businesses. One of the factors that have driven all these changes is the constant change and the evolution of technology.

Because of this reality, the CRM concept has evolved in such a way that nowadays it must be viewed as a strategy to maintain a long-term relationship with the customers. Further to the knowledge and implications that surround a CRM, one of the main problems is that no model exists to guide companies in the implementation of this type of strategy. Each company is diVerent, has its own culture and business processes, etc. Consequently, it is important not to consider CRM as a magical solution that will solve all the company's problems. On the contrary, it must be studied to know its benefits and impacts for the organization. The implementation of this strategy requires hard work to be successful.

Our goal is to propose a model based on CSFs for a CRM strategy, conformed by a set of 13 CSFs with their 55 corresponding metrics, which will serve as a guide for organizations wishing to apply this type of strategy. These factors cover the three key aspects of every CRM strategy: human factor, processes, and technology; giving a global focus and propitiating success in the implementation of a CRM strategy. The proposal of these factors to guarantee a successful CRM implementation responds to the necessity of an integrated and balanced approach to technology, process, and people.

In addition, we evaluate the CSFs proposed and that evaluation shows that they can be upgraded, analyzed in depth, and adapted to the diVerent markets where they are to be implemented. As a result of a features analysis – survey, we can conclude that the overall expert evaluation was positive and that the chosen CSFs are the starting point for the evaluation of a CRM strategy from a systematic standpoint.

The following sections will show the reality confronted by companies when undertaking CRM projects, and the aspects that a CRM strategy involves, with the purpose of providing support to formulate the aspects that address the success of its implementation. First, a brief description of the concepts related to CRM is provide; then, the research methodology is described, before the presentation of the proposal of the CSFs for a CRM strategy, as well as the planning and execution of its evaluation through the features analysis – survey method, which was selected by using the DESMET methodology. Lastly, a results analysis is described, as well as the conclusions reached in this research.

2. Customer relationship management (CRM)

In the late 1960s, Levitt suggested that the goal of businesses was to “create and maintain customers” (Fox, 2000). After more than two generations, it can be appreciated how the CRM concept, and the need to maintain a long-term relationship with customers, is becoming an important issue.

The main reason for this customer's importance return within the company is the change in the way of doing business nowadays (Goldenberg, 2000). In recent years, a study forecasts that for various reasons, and with more or less clarity regarding the subject, the companies have a new trend to implement CRM as a factor that will allow them to survive in these new market conditions, favoring the relationship with their customers (Versleijen-Pradham, 2000).

Considering this environment, and the evidence of the importance of having a close relationship with the customer for the companies' future, it is imperative that impacts be measured and everything related to CRM be handled with care. One of the problems that this term faces is to know its implications, as various trends exist within the market. One of the most popular trends is the software manufacturers' one, which identifies CRM as a series of information technology (IT) products oriented towards automating some business processes such as marketing, sales, or services (Kirby, 2001). According to (Light, 2001) “to be successful, CRM projects need to be viewed as more than the implementation of IT.” These solutions are valid as they allow obtaining some results regarding improvement in attention to the customer; nevertheless, CRM is a complex term that involves several aspects within the organization and it cannot be reduced to only one of these aspects. Systemic approaches to CRM help organizations coordinate and effectively maintain the growth of different customer contact points or communication channels. The systemic approach places CRM at the core of the organization, with customer-orientated business processes and the integration of CRM systems (Bull, 2003).

In this sense, only 3% of the companies are developing successful CRM projects; 17% are starting to see the projects from a holistic focus; 35% of the companies have started projects without any type of coordination; and 45% have not evaluated CRM (Kirby, 2001). Due to the complexity of starting a CRM strategy, encountered by several companies, some consulting companies and companies handling statistic data, have observed the mistakes incurred in the past. They recommend some practices and considerations to be taken into account [Kirby, 2001– Forsyth, 2001).

On the other hand, Kirby expresses the following observations confirming the statements mentioned by Forsyth adding new elements (Kirby, 2001):

- The Directors' understanding that CRM is not only a strategy requiring changes in different company aspects, and its implementation is not instantaneous.
- Presuming that the customer is already well known, and not use the available resources to collect and input all information related to the customer.
- The belief that by purchasing a software package, a CRM is obtained, forgetting that there are important points, such as integration of present systems and the change of organizational culture.
- An inefficient communication between the departments involved in the processes.
- The lack of definition of metrics that allow understanding the evolution and benefits CRM is providing.

Payne assures that traditional marketing was focused in winning customers (Payne *et al.*, 2009); now, with the CRM focus, the purpose is both to win as to maintain the customers. The new CRM paradigm rejects a change in the traditional marketing, described as “customer management”. According to (Light, 2001), CRM evolved from business processes, such as relationship marketing, and the increased emphasis on improved customer retention through the effective management of customer relationships.

The focus of this work is based on (Giga Information Group, 2001), which establishes that CRM is not merely technology applications for marketing, sales and service, but rather – when fully and successfully implemented – a cross-functional, customer-driven, technology-integrated business strategy that maximizes relationships and encompasses the entire organization [Bull, 2003; Pappas, 1999; Goldenberg, 2000].

A CRM business strategy includes marketing, operations, sales, customer service, human resources, R&D and finance, as well as information technology and the Internet to maximize the profitability of customer interactions. For customers, CRM offers customization, simplicity, and convenience for completing transactions, regardless of the channel used for interaction. The processes, human factor, and technology aspects for CRM are described in detail below.

3. Research methodology

The research methodology followed to identify the CFS and their metrics is based on the Systemic methodological framework for IS research developed by the Information Systems Research Laboratory, which is inspired in the action

research (AR) method and integrates the DESMET methodology to choose an evaluation method. The instantiation of a methodological framework for this research can be seen in Fig. 1. The description of each activity is as follows:

- 1) Documentary and bibliographical research to make up the theoretical referential framework. This activity corresponds to the literature review related to CSFs, CRM and prior research about CSFs formulation. It is extracted from different available sources (electronic included) in order to build a conceptual base that would serve as a reference to support the CSFs formulation. The products obtained include: a set of social, technological and organizational aspects to be considered for identifying the CSFs and their metrics.
- 2) Analysis of the background. Based on the experience of companies around the world on CRM implementation, interviews to consultants in IS and IT areas, and surveys and literature review made in the prior activity, we identified possible reasons for failure, best practices and, performance measures that may be useful in the research to be established.
- 3) Formulation of the objectives and scope of the research. During this activity, the scope of the research was formulated. Its inputs are the results of the two previous activities. The main result of this activity was establishing the following objective: to propose a set of CSFs which can be used to guide the organizations in the implantation of a CRM, according to three factors: people, processes, and technology.
- 4) Design of the set of CSFs and metrics. This was the first activity in the phase taking action; in which, based on the previous activities, 13 CSFs were proposed in a beta version, as well as the considerations of the context and cases in which they must be applied. To formulate the metrics of each CSFs, the researchers followed the Basili's goal question metric (GQM) paradigm [42] (a explanation about GQM paradigm can be see in the Appendix A). Finally, 55 metrics were defined. These metrics are inspired by an extensive literature review related to CSFs, CRM, referential documentation about CFS formulation [40,41], and technology management literature. The main results of this activity were presented in the Section 4 of this paper.
- 5) Analysis of the context. This is the second activity of the taking action phase. The technical criteria proposed by DESMET were analyzed, in order to decide the evaluation method to be applied to the CFS produced in the previous activity.
- 6) Application of the DESMET methodology. It is the last stage of the taking action phase. During this activity the DESMET evaluation more widely adapted to the CFS was selected. According to the model proposed in this work, the method most appropriated was the features analysis – survey.

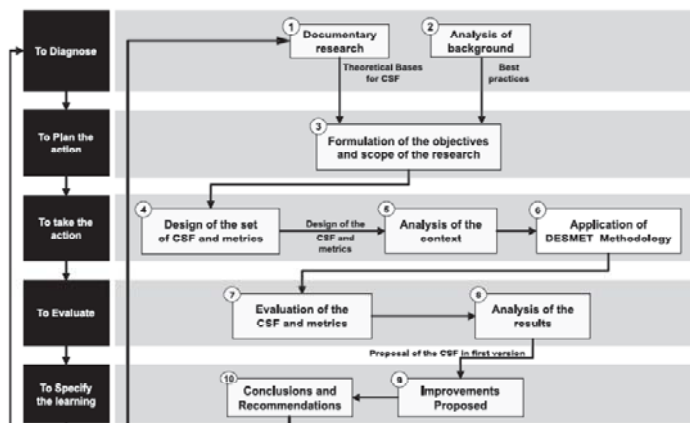


Fig. 1. Methodological framework used (Adapted from [37]).

4. Analysis and discussion of evaluation results

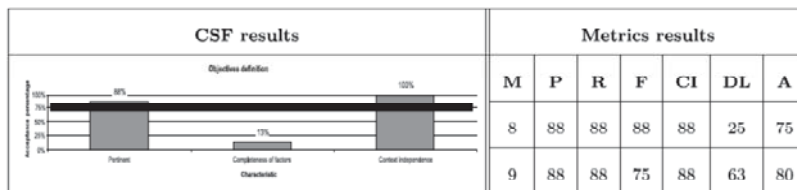
The overall average of all the CSFs, obtained a value of 83%, which is over the defined acceptance level in this research of 75%. As can be appreciated in Fig. 2, the general results of the defined CSFs were quite positive. Despite the fact of these successful results, two CSFs were found below the acceptance level (CSF #3 and #4), which means that the experts did not agree with their definition. To identify the reasons for the non-acceptance of these CSFs and analyze the

aspects to be improved of the accepted CSFs, it was necessary to analyze the results obtained in each one of the evaluated features. After the analysis of the results shown in Fig. 3, it can be appreciated that the second feature to evaluate, completeness of the factors, was the one that obtained the highest values below the acceptance level.

On the other hand, the CSFs that had obtained the best acceptance levels by the experts (90%) should be highlighted as follows:

- Senior management commitment (92%)
- Management of customer information (92%)
- Market automation (96%)
- Commit to operations management (92%)

These factors achieved an excellent acceptance level; nevertheless, both for these as for the rest of the CSFs, a detailed analysis of each one was necessary, interpreting the results obtained in each one of the metrics. Thus, afterwards the results for each CSFs and their associated metrics were analyzed.



When analyzing all the results, it is important to point out that just as any other tool, CSF's must always be updated, revised and adapted to the environment were they are to be applied. As we have illustrated, the evaluation of the experts was very positive and it is evident that the defined CSF's constitute a starting point when evaluating a CRM strategy. In this sense, the CSFs constitute a "model" to be used by companies so as to obtain a diagnosis on the status of the implementation of a CRM strategy. Thus, it can be said that they are a tool, although not a software one, with an implicit method for its implementation and use by the companies. To the stakeholders, the formulation and evaluation of the CSFs proposed, allows determining which factors, (responding to an integrated view of the process) have a low acceptance value or still fail to meet the acceptability levels and are likely to affect the achievement of a successful CRM strategy implementation. Finally, by applying the CSF metrics throughout the CRM project execution, the companies can determine their current CRM implementation projects status at any time. Since the proposed CSF metrics are objective and repeatable, they can also be used by future researchers to estimate a company's compliance level for each factor in a given CRM project.

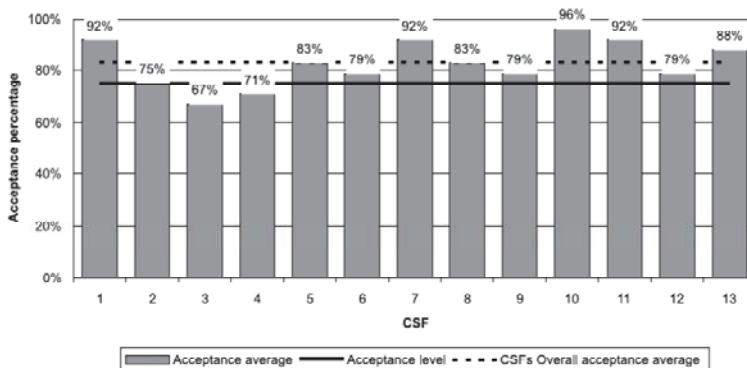


Fig. 2. Results obtained for all CSFs.

On the other hand, it is necessary to highlight the fact that CSFs are tools that allow to evaluate the presence or not of factors that guarantee the success of a CRM strategy. Thus, it remains for future research, applying these CSFs to companies and analyzing the results obtained. Finally, it is important to note the contribution of this research as starting point and opening for future researches on the subject. In a marketing and enterprise environment of constant chances,

in all senses, these CSFs constitute a basis and starting point; nevertheless, the complexity of the subject and the different aspects that are involved must be taken into account. It is very probable that in some cases it will be necessary to adapt certain ranges and metrics to the specific features of the companies to be evaluated, due to certain specific aspects inherent to the type of market where they operated and the size of said companies.

5. Conclusions

As a confirmation of our premise, it was found that CSFs must consider three components: human factor, processes, and technology which constitutes a systemic, integrated and balanced approach. Further to the initial definition of the CSFs and each one of its metrics, it is important to note the improvements that were carried out in the process of analysis of results obtained in the evaluation by the experts. They emphasized some relevant aspects:

- Structure. The importance of a board of directors and the CRM project manager to achieve a whole commitment. Including, the participation of the different management levels, to avoid rivalries or protagonist attempts from different areas. In general, the participation of the entire company in the project to avoid certain areas prevailing over others, such as marketing or technology. Especial considerations must be taken in those cases where the company uses outsourcing for some processes
- Objectives. The need to define the general and specific objectives, which would be the short, medium, and longterm objectives. They must be unique documents where the objectives of all the areas are shown, as this can create unnecessary divisions in the project implementation. Also, it is essential to evaluate whether effectively structures their sales planning. We must define more demanding standards so that we can guarantee better customer service quality.

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