Providing a Model for Successful Implementation of Customer Relationship Management (Case Study: Zahedan Industrial City)

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Abstract

This study presents a model for Successful Implementation of Customer Relationship Management (CRM) for small and medium-sized enterprises (SMEs) in Zahedan industrial city. Having extensive theoretical study, the factors influencing the success of customer relationship management were identified. Using a standard questionnaire with reliability of 96.2 percent (Cronbach's alpha coefficient), existing and desired situations of these factors were compared by experts' point of view. Research population consists of industrialists and professionals in Zahedan industrial city. Because of small population size, data obtained by the entire population; i.e. 54 companies. This applied study is in descriptive-analytical type. Data analysis was performed using SPSS software. Results indicated that all factors affecting the success of implementing customer relationship management, except technology, are used in these companies.

Keywords: Customer Relationship Management, Successful Implementation

Introduction

In today's competitive market, companies need to use modern methods of marketing to achieve and sustain competitive advantage. Relationship marketing is a new marketing strategy which focuses on understanding customer's needs through communication; this can lead to competitive advantage for the organization (Ahmadi & Yahyafar, 2011). Implementing relationship marketing through CRM as an important step in performing relationship marketing methods, brings to the company both the benefits of relational strategy (greater retention and customer loyalty) and customer strategy (greater value and convenience to customers in their
interactions with company). So recently, many organizations have invested in CRM. This has led to improved organizational performance (Knox et al., 2003: 216). Customer relationship management (CRM) is a comprehensive business and marketing strategy which integrate technology, process, and all business activities related to customer (Kamalian et al., 2009). In order to improve service delivery, have customer’s satisfaction, and be customer-centric (Richards & Jones, 2008), organizations have been spent about 220 billion dollars on CRM implementation during 2000-2005 (Martinsons et al., 2009). However, case evaluating on eighty companies which had implemented CRM revealed that their stock price and profitability had little growth in long run. Moreover, Gartner group researches also confirmed that about seventy percent of CRM projects fail and have no effect on enterprise performance improvement (Reimann et al., 2010). SMEs in developing countries are faced with problems such as leadership and management approaches, financial support, as well as profession and marketing expertise (Karimi & Pourkarsalary, 2009). The failure rate in these regions is high. Poor marketing is one of the main reasons for their failure (McCartan-Quinn & Carson, 2003). Despite the benefits of CRM system as one of the best marketing programs, many business managers did not succeed in implementing this system. Not having appropriate model for successful implementation of this system can be considered as a main reason for this failure. Considering the importance of CRM as a basic requirement in development and market penetration in order to confront heavy competition, especially in SMEs, it’s tried to know which model can be used in such businesses for implementing CRM successfully.

Theoretical Research

CRM Definitions

Many scholars and theorists have defined customer relationship management - they can be classified in four groups: as strategy, technology, process, and information systems (Elahi & Heidary, 2008: 45). CRM is the integration of technology, people and business processes to meet customers' needs and improve interaction with them (Beckert et al., 2009). Customer Relationship Management is a business strategy that aims to establish and expand value-crating relationships with customers, based on knowledge (Garrido-Moreno & Padilla-Meléndez, 2011). Customer relationship management is designing an organizational structure for mutual communication between the customer and organization (Tohidi, 2011); mutual relationship with customers takes place through physical part of behaviors with customers, contact them, and communications (Tohidi & Jabbari, 2012). CRM is an integration framework, enterprise strategy and process which provides services to customers and aims to maintain long-term relationship and fulfill customers' various and continuous needs (Hung et al., 2010). CRM is a key solution for determining information infrastructures that can increase the responding ability of organization in competitive environment and contributes to the survival of the organization. Appropriate CRM adoption and implementation reduces costs and effects on performance quality, both economically and scientifically.
CRM Effectiveness and Evaluation Factors

In order to measure the success of customer relationship management, Izquierdo et al. offered a framework based on financial and marketing performance:

- Market position: It is measured as a complex indicator and includes the number of customers after using relationship marketing activities;
- Customer loyalty: It is measured by such indexes as royal customer percentage, revenue percentage due to loyal customers, and the increase of loyal customers after applying relationship marketing;
- Customer understanding: To measure this indicator, customer's reason for selecting company will be checked.
- Economic performance: Economic performance is measured according to which relationship marketing activities effects on the profit and revenue (Izquierdo et al., 2005).

Critical Success Factors (CSFs) in CRM

Critical success factors are fixed variables which help to develop boundaries of process improvement; if they consider on every step of implementation based on the importance, they will have a greater effect (Somer & Nelson, 2001). Based on a survey of 26 SMEs managers in Spain, Chalmeta (2006) said that current models are not perfect enough to implement customer relationship management; besides, he introduced CRM-IRIS method and indicated that this method involves several aspects of customer relationship management system. Some of the most important aspects of this approach are defining customer strategy, customer-centric business processes reengineering, human resource management, computer systems, change management, and continuous improvement. Chang (2007) considered business process reengineering, organizational learning, quality of communication, and organizational performance as the most important success factors for CRM strategy. King and Burgess (2008) introduced the most important factors affecting CRM by top management support, project team competence, intra-units collaborations, clear objectives, intra-organization communication, expectation management, project hero, vendor support, and carefully package selecting. Based on Arab et al. (2010), process, human, and technology are the most important factors affecting the success of CRM. Kory & Fingan in their study mentioned to culture, people, process, and technology as the main effective factors for CRM strategy. Melendez and Moreno (2011) said that the most important factors affecting the success of CRM strategy are knowledge management, aspects of leadership, top management, human resource management, performance integration, and organizational structure. Mohebbi et al. (2012) introduced factors such as organizational culture, human factor (staff), process, technology, organizational structure, knowledge management, and leadership (top management) are the key success factors for CRM. Vazifeh dost et al. (2012) considered culture, organizational infrastructure, human resource management, technical infrastructure, process, top management, executive management, knowledge management processes, and continuous improvement as factors affecting success of CRM.
Table 1. Factors affecting the success of CRM strategy from different researchers' point of view

<table>
<thead>
<tr>
<th>Studies/ Year</th>
<th>Factors</th>
</tr>
</thead>
</table>

Research Methodology

The main research question

What are characteristics of a proper model for successful implementation of customer relationship management (CRM) in small and medium-sized enterprises?

Subsidiary research questions

- Are critical success factors for implementing customer relationship management (CRM) employed in small and medium-sized enterprises?
How much is the gap between existing situation of critical success factors for implementing customer relationship management (CRM) in small and medium-sized enterprises (status quo) and desirable situation (from the perspective of industry experts)?

Research population, sampling, data collection, validity and reliability

Research population consists of industrialists and professionals in Zahedan industrial city. Because of small population size, data obtained by the entire population; i.e. 54 companies. To collect data relating to theoretical factors and indicators of library and Internet resources, including books, articles and case studies are used. To check the existing status of SMEs (the use of factors in companies) as well as their desired situation (factors influencing the success of implementing CRM system from experts’ perspective), a questionnaire containing 40 questions was designed which asks for 8 major factors affecting the implementation of customer relationship management. The validity of the questionnaire was confirmed by distributing among 15 experts and specialists. In this study, Cronbach’s alpha coefficient was used to assess reliability. The alpha coefficient for this sample size was 96/2.

Data analysis tools

This applied study is in descriptive-analytical type. SPSS 18 and EXCEL softwares were used to analyze collected data. In order to show the existing status of the critical success factors for CRM implementation in SMEs, single-sample t-test was used. In addition, paired-comparison test was used to compare current and desired situation of applying critical success factors; in order to illustrate the difference between these two situations, spider chart was plotted using EXCEL software.

Research Findings

Evaluating the first subsidiary research question, findings in Table 2 indicate that significance number for all critical success factors, except technology, is less than standard level (α =0.05) at confidence level of 95 percent. It can be concluded that except technology, all other critical success factors for CRM implementation are used in SMEs.
Table 2. Single-sample t-test results evaluating the use of critical success factors for implementation of CRM in SMEs

<table>
<thead>
<tr>
<th>Critical Factors</th>
<th>Sig (2-tailed)</th>
<th>(2-tailed)</th>
<th>Mean</th>
<th>Test Value</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>0.000</td>
<td>8.306</td>
<td>3.7444</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>Process</td>
<td>0.000</td>
<td>8.535</td>
<td>3.8148</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>Culture</td>
<td>0.000</td>
<td>6.536</td>
<td>3.7361</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>Human Resource</td>
<td>0.000</td>
<td>5.093</td>
<td>3.6991</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>Structure</td>
<td>0.000</td>
<td>3.849</td>
<td>3.4481</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>Technology</td>
<td>0.311</td>
<td>1.023</td>
<td>3.1148</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>Knowledge management</td>
<td>0.027</td>
<td>2.268</td>
<td>3.3148</td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>Change management</td>
<td>0.001</td>
<td>3.601</td>
<td>3.4519</td>
<td></td>
<td>54</td>
</tr>
</tbody>
</table>

Evaluating second subsidiary research question, findings in Table 3 show significant level is less than 0.05 in all paired-comparisons between current and desired status of all factors, based on experts' perspectives. So, it can be concluded that at confidence level of 95 percent, there is significant difference between current and desired status of critical success factors for implementation of CRM in SMEs (from the experts' perspective).

Table 3. Paired-comparison for current and desired status of critical success factors for implementation of CRM in SMEs (from the experts' perspective)

<table>
<thead>
<tr>
<th>Paired Samples</th>
<th>Correlation</th>
<th>Sig. (2-tailed)</th>
<th>df</th>
<th>t</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>0.276</td>
<td>0.000</td>
<td>53</td>
<td>4.892</td>
<td>54</td>
</tr>
<tr>
<td>Process</td>
<td>0.446</td>
<td>0.000</td>
<td>53</td>
<td>5.327</td>
<td>54</td>
</tr>
<tr>
<td>Culture</td>
<td>0.227</td>
<td>0.000</td>
<td>53</td>
<td>4.202</td>
<td>54</td>
</tr>
<tr>
<td>Human Resource</td>
<td>0.246</td>
<td>0.000</td>
<td>53</td>
<td>5.105</td>
<td>54</td>
</tr>
<tr>
<td>Structure</td>
<td>0.386</td>
<td>0.000</td>
<td>53</td>
<td>5.582</td>
<td>54</td>
</tr>
<tr>
<td>Knowledge management</td>
<td>0.417</td>
<td>0.000</td>
<td>53</td>
<td>6.616</td>
<td>54</td>
</tr>
<tr>
<td>Change management</td>
<td>0.541</td>
<td>0.000</td>
<td>53</td>
<td>5.744</td>
<td>54</td>
</tr>
</tbody>
</table>

Following table shows the mean difference between current and desired status, according to experts' and industrialists' point of view.
Table 4. Identification of the mean difference between current and desired status, according to experts' and industrialists' point of view

<table>
<thead>
<tr>
<th>Critical Factors</th>
<th>Mean difference</th>
<th>Means of the present situation</th>
<th>Means of the Favorable situation</th>
<th>Row</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>0.45185</td>
<td>3.7444</td>
<td>4.1963</td>
<td>1</td>
</tr>
<tr>
<td>Process</td>
<td>0.47222</td>
<td>3.48148</td>
<td>4.2870</td>
<td>2</td>
</tr>
<tr>
<td>Culture</td>
<td>0.51389</td>
<td>3.7361</td>
<td>4.2500</td>
<td>3</td>
</tr>
<tr>
<td>Human Resource</td>
<td>0.69444</td>
<td>3.6991</td>
<td>4.3935</td>
<td>4</td>
</tr>
<tr>
<td>Structure</td>
<td>0.61852</td>
<td>3.4481</td>
<td>4.0667</td>
<td>5</td>
</tr>
<tr>
<td>Knowledge management</td>
<td>0.68056</td>
<td>3.3148</td>
<td>3.9954</td>
<td>6</td>
</tr>
<tr>
<td>Change management</td>
<td>0.55556</td>
<td>3.4519</td>
<td>4.0074</td>
<td>7</td>
</tr>
</tbody>
</table>

Results in Table 4 indicate that the largest mean difference between current and desired status (according to experts' and industrialists' point of view) relates to "human resource" factor. After "human resource" factor with the highest mean difference of 0.69444, there are "knowledge management" factor with 0.68056, "structure" with 0.61852, "change management" with 0.55556, "culture" with 0.51389, and "process" with 0.47222. "Strategy" factor with 0.45185 has the lowest mean difference. These differences are shown by spider chart in Figure 1. The chart confirms that for all applied factors related to successful implementation of CRM and according to experts' perspectives, current status (series 2) is at the lower level than desired status (series 1).

Figure 4-1. Spider chart for identifying mean difference of studied factors, according to experts' and industrialists' point of view
Discussion and conclusions

The results showed that based on company owners' and experts' perspectives, except technology, all critical success factors for CRM implementation is used in these companies. The results also suggest that from experts' point of view, there is significant difference between current and desired status for all factors. By spider chart, it can be understood that the use of critical success factors for CRM implementation in these SMEs is at the lower level of the desired (on experts' and industrialists' perspective) situation. These results support the research performed by Tyrso and Bernardino (2011). They showed that CRM is not common in small and medium enterprises and also for reasons such as lack of knowledge about CRM or lack of financial resources to implement the system, SMEs hardly ever apply CRM system widespread. Therefore, according to research population that all CSFs except technology are used in these companies, so they need to put CRM technology in their priority programs and then they can improve the factors used in their companies, but at lower levels than desirable. Evaluating factors used in the companies, the largest mean difference between current and desired situation (from experts' and industrialists' point of view) is related to human resource factor. After that, there are knowledge management, organizational structure, change management, culture, and process factor, respectively. Strategy has the lowest mean. So, companies need to put the human resource factor in their improvement priorities to be succeeded; then focusing on knowledge management. Improvement of other factors should be followed orderly as structure, change management, culture, strategy, process, and finally strategy. Moreover, after applying CRM technology and covering identified gaps, they should assess factors like market share increase, corporate profitability increase, customer loyalty, and customer satisfaction in order to measure the success of their performance. Therefore, to answer to the main question of this research, it can be said that the following model is appropriate for SME owners seeking success in implementation of customer relationship management in their companies.

Creating CRM technology

The development of the People
Customer Knowledge Management
Improvement of Organizational Structure
Change Management
Improvement of CRM Culture
Improvement of CRM Processes
Improvement of CRM Strategies

Performance Evaluation
In order to successfully cover the gaps for identified factors, the following suggestions are offered to small and medium enterprises:

- Due to weakness of companies in technology, it is suggested that companies focus primarily on establishment and development of technology factors; designing website for their company to provide easy access for their customers. Using CRM software can help significantly to strengthen the technologic CRM sector in SMEs.
- Holding conferences, seminars and training courses about customer relationship skills for staff in order to strengthen the human resources is suggested. In order to decrease the cost of such courses, it can be suggested that companies establish their own participatory training centers in industrial city site.
- Hiring marketing experts who can transform the results of marketing researches into useful knowledge and express this knowledge to R&D unit. It can be suggested to improve knowledge management factors in company.
- In order to improve the organizational structure of small and medium-sized companies, they can design a team-work. The team should involve the employees in matters related to the customers, make cooperation among different organizational units possible, provide with manuals and regulations dealing with procedures and customer relationship standards by collaborating and involving staff.
- In order to modify chang management it is advised to company managers to control risky projects, they should make relationships with companies that are familiar with CRM and use their experience.
- In order to improve the comparative culture with change, it is recommended to the company managers to have continural sessions with their employers, and to ask them in these sessions to offer their new ideas about relationship with customers.
- We suggest that these companies use the Promotional Brochures and beautiful packing and Appropriate pricing. And try to impress Satisfactory are customers.

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