

Exploring Critical Success Factors for Customer Relationship Management

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ABSTRACT: Customer Relationship Management (CRM) has been one of the fastest growing businesses. CRM is gaining interests because of its focus on the customer behaviour and thus it's potential for increasing revenues. Firms use CRM systems to improve their customer understanding, increase their products and services quality, reduce cost, and thus increase profitability. However, serious costs including failure to achieve successful CRM may result in experiencing significant difficulties for adopting companies and may put them out of business. This study aims to study in depth the critical success factors affecting the implementations of CRM system by introducing theoretical framework that categorising critical success factors regardless the type of business. The framework was applied on two case studies with different businesses to draw some interesting results.

Keywords: CRM, Critical Success Factors

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1. Introduction

Recently, Customer Relationship Management (CRM) has been one of the fastest growing businesses. CRM is gaining interests because of its focus on the customer and thus it's potential for increasing revenues. Management recognizes that customers are the heart of any business and the success of any company depends on having a good relationship with its customers. CRM can be defined as the utilization of customer related information or knowledge to deliver them relevant products or services [1]. CRM can also be described as acquiring, analysing and sharing knowledge about and with customers [2]. Moreover, CRM as it seen in Figure 1 is a strategy that integrates people, business process and technology for any departments dealing directly with customer such as marketing, sales and customer services. Such an integration will accurately support customers through studying their behaviour, understanding their needs and keeping them satisfied. As a result, CRM is not just a technology anymore; it's more about "Getting new customers and keeping the ones you have" [3].

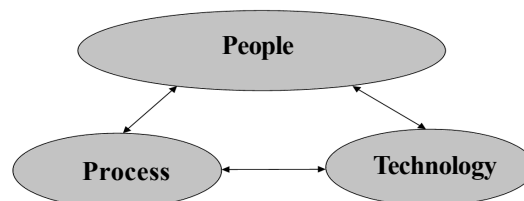


Figure 1. The inter-related aspects of CRM

CRM systems can be categorized into two different types: operational or analytical [4], [5]. Operational CRM provides high value level to customers by reducing operating costs and increasing the efficiency of these operations. On the other hand, analytical CRM is based on the technologies that collect and analyse customers' information to improve managerial decision making and assist planning cross and up-selling functions.

Generally, firms use CRM systems to improve their customer understanding, increase their product and services quality, reduce cost, and thus gain profitability [6], [7], [8]. However, adopting CRM software solutions does not mean that these benefits can be achieved by default. The failure rate of CRM implementations is estimated to be greater than 65% [9]. Accordingly, serious costs including failure to achieve successful CRM may result in experiencing significant difficulties for companies adopting it and put them out of business [10], [11], [12]. As a result, this study aims to study in depth the critical success factors affecting the implementations of CRM systems by introducing theoretical framework categorising critical success factors regardless the business type. The framework was applied on two case studies with different businesses to draw some interesting results.

The paper is organized as follows. Section 2 introduces and discusses the proposed theoretical framework categorising CRM critical success factors. Section 3 presents two different case studies and applies the proposed framework on them. It is followed by results' discussion in Section 4. The conclusion is presented in Section 5.

2. Critical Success Factors Model of Study

Critical Success Factors (CSFs) can be identified as the areas by which companies' successful performance can be identified and achieved. Moreover, such factors can also be used by companies to direct their CRM development and implementation or even help them identified early whether such CRM development and implementation would be successful or not [3], [13], [14].

Reviewing relevant literature with different business targets such as academic [15], [16], banking [17], or any other sectors [14], [18], [19] helps to build a theoretical framework which defines 10 critical success factors for implementing successful CRM systems regardless their business types as it depicted in Figure 2.

2.1. The Strategy Development Process

The first factor to be considered in implementing CRM systems is the strategy development process. This factor determines if overall objectives and parameters of CRM activities are defined for both business and customer strategies. Basically, the business strategy is not critical as the customer strategy because it is already defined. Any successful company should have its business goals to pursue even before implementing CRM systems [20]. The customer strategy is defined as identifying customer segments and building strategies to meet all segments' requirements [21]. The business strategy helps develop and maintain the correct customer strategy. The customer strategy, on the other hand, is observed and evaluated based on the business strategy. As a result, the integration of business strategy and customer strategy should be a priority for the success of any CRM system.

2.2. CRM Project Management Capabilities

CRM project management has an essential role to make the project succeed. In recent years, the size and complexity of CRM implementations increase. As a project size grows, the development process can take very long time, incorporating new features that may not support business objectives but add considerable complexities and costs [22]. Usually, project management activities like identifying requirements, time management, budgets and milestones should be carefully considered at the beginning and ensured to finish them on schedule.

2.3. Change Management

Prior to implementing large-scale and complex CRM systems, companies should go through substantial organisational and cultural change. Managers must get involved with each phase of CRM adopting process by providing them a robust analytical framework which helping them change and adapt in relation to a particular CRM system [23]. Moreover, a clear CRM vision is a key factor of creating shared values and customer focus [24]. Successful CRM thus requires good communications between different company departments such as marketing, information technology and human resources.

2.4. Top Management Support and Commitment

Top management of any organization should be committed toward the successful implementation of CRM project. In the other

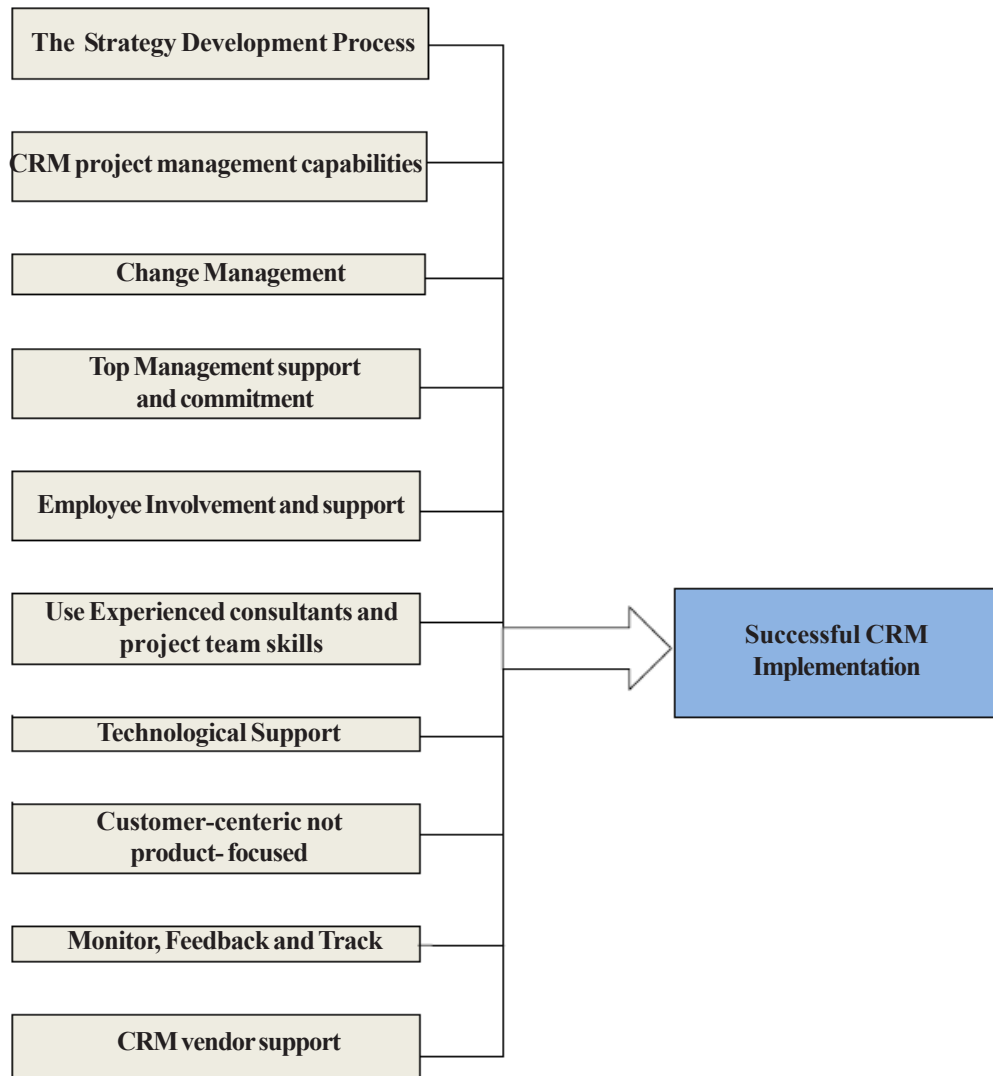


Figure 2. The “Theoretical Framework” of the Study

words, this factor identifies to which degree the implementation efforts of the IT system are supported within an organization [25]. This usually includes an explanation of how the new system will support overall business goals. Redesigning work process and functional activities within the adopting organization is more likely to occur during the implementation process.

2.5. Employee Involvement and Support

CRM implementation process should engage all organization’s human resources, especially those who have direct contacts with customers. Such an engagement is considered to be one of the most crucial factors in determining the success of CRM implementations where Human knowledge, attitudes and behaviour combined with IT are essential to deliver a successful business [26]. As a result, management should provide wide educational and training programs to enhance employees’ skills and knowledge, in addition to increase their motivation and commitments to deal with such systems [27].

2.6. Use Experienced Consultants and Project Team Skills

CRM implementation is a complex task. It is very difficult to initiate without the benefits of external knowledge. Organizations should look for consultants who are not only well trained in implementation methodologies, but also have a real experience in deploying them [28]. This will ensure that the proposed CRM system can actually be delivered on time and on budget. Jim Beasty [29] confirmed that “When you use certified consultants, you know you’re working with people who understand the software

inside and out”.

2.7. Technological Support

The existence of the suitable technological infrastructures and support can be seen as the ‘engine’ that drives the CRM implementation and determines its success. It consists of several elements that need to work together including IT hardware, software and systems [30], [31].

2.8. Customer-centric not Product-centric

The customer is the core element of the CRM process [32]. Organizations’ fundamental objective is not to build sales or market share, but to increase profitability based on understanding customers [33]. Moreover, Customer-centric management is based on categorising customers into several segment groups that have similar attributes [34]. Managing those segments by ensuring effective communication, convenience and consistency is essential to maximize customers’ benefits and organization’s long-term profit [35].

2.9. Monitor Feedback and Track

To ensure a successful CRM implementation, management should continuously monitor previous completed phases and collect customers responses. Accordingly, CRM implementation plans should be adapted and changed to match collected feedbacks [36], [37]. Moreover, when CRM system is adopted, organizations must measure, monitor and track the system’s effectiveness and performance and use this information to continuously refine and improve system performance [19].

2.10. CRM Vendor Support

CRM system is not “just another information tool” as explained earlier [38]. As a result, CRM vendors should be selected carefully because of their important role in determining the cost and time of CRM implementation and even make the implementation process succeeds or fails [18], [19], [39].

3. Case Studies

In this section, two case studies representing two different business domains have been selected. The selection was based on the importance of these companies in the industries. For each case study, a brief description about the company is presented. The CSFs theoretical framework is applied and tested to identify the factors affecting the implementation of CRM system and justify the success or failure of the adoption process. Table 1 depicts the summary of case studies’ results.

Company Name	Business	Result
ELMS	Manufacture	Failure
H-Bank	Retail bank	Success

Table 1. Summary of results

3.1. ELMS

ELMS Limited [40] is one of the medium size manufacturing companies in United Kingdom. The company provides manufacturing services and offers a comprehensive set of fabrication processes. The company started to lose some of its key customers due to intense global competitions. To avoid these obstacles, the company aimed to enhance its performance and efficiency in the operating market by initiating CRM adoption process.

Reviewing the company documents, we found that the CRM system actually failed at certain stages. Applying the proposed CSF framework on the CRM implementation process, the failure can be justified because the CSFs weren’t taken in consideration at the first place.

• **The Strategy Development Process:** CRM basics which were not fully grasped by the management led to the absence of strategic planning prior to initiating the implementation process. The strategy was traditional, ineffective and didn’t fit well with the overall

company business strategy.

- **CRM Project Management Capabilities:** Management failed to develop mature plan and control budget. Due to a tight implementation schedule, IT department didn't have time to research and fully learn CRM. As a result, three months were wasted before realizing that the chosen CRM tool did not meet their needs and requirements. That affects their capabilities to overcome the obstacles continuously facing them.
- **Change Management:** Management did not realize the necessity of restructuring the company alongside the CRM implementation. Several members of the project team failed to become sufficiently active in the selection process. Moreover, they started to feel afraid and scared of losing their jobs because they weren't trained to work with the system.
- **Top management Support and Commitment:** Management somehow failed to realize the need to evaluate CRM from a business perspective. In other words, the question on how CRM system will meet the company business goals remained without an answer. The lack of communication and information exchange between different departments was a crucial factor.
- **Employee Involvement and Support:** The lack of training and resistance to change were not taken in consideration. To specify, sales and marketing people did not understand the implications of CRM system in relation to the business requirements. Human resources were not equipped with IT skills to deliver a successful business since the company didn't provide training and wide education to enhance employees' skills and knowledge. In addition, some employees resisted the system because they were afraid of losing their jobs.
- **Use Experienced Consultants and Project Team Skills:** The first major problem of CRM implementation was the random selection of the project team. IT Department initiated the development process without having any real experience in deploying such a system over the existing one. Re-engineering the whole process, the company have to hire external consultants to translate business requirements into an effective system.
- **Technological Support:** ELMS suffered the lack of suitable hardware infrastructure and IT experts. The rejection of asking for an external and proficient help had a crucial impact on the implementation failure.
- **Customer-centric not Product-forced:** ELMS failed to use CRM to effectively acquire new customers. Communication with customer CRM was only performed after purchases. Unfortunately, this task was not even performed effectively. Front-office employees were criticised for making promises to customers that could not be met.
- **Monitor, Feedback and Track:** ELMS failed to collect, measure and monitor CRM implementation process. This problem persisted after launching the system; customers' feedback was not collected, measured and monitored.
- **CRM Vendor Support:** ELMS was dissatisfied with the external consultancy's findings because they believed they did not bring anything new and had no direct effects on CRM implementation cost and time. As a result, ELMS decided to end the consultancy contract and to seek for another approach.

3.2. H-Bank

H-Bank [41] is one of the big retail banks in the world. Its number of employee exceeds 11,000 and has more than 14.6 million clients around the world. H-Bank realized the need for consistent customer management across different functions and channels, and even across different information systems.

Reviewing the company documents, we found that the CRM system succeeded. Applying the proposed CSF framework on the CRM implementation process, the success can be justified because the CSFs were taken into consideration at the first place.

- **The Strategy Development Process:** There was a clear vision and robust development strategy from the beginning. The strategy was effective, fit well with overall business objectives, and successfully identified project scope, feasibility, constraints, schedulability, cost, procedures and resources.
- **CRM Project Management Capabilities:** Highly experienced project management with strong knowledge and communication was a key success factor. The capability of budget control and plan conduction from the beginning positively contribute to the

implementation process. Moreover, Marketing and IT departments were coherently working with each other.

- **Change Management:** One of the problems facing H-Bank was the late notice of the importance of change. They came up with a plan to decrease the change resistance by providing coherent training sessions organized according to various roles and tasks.
- **Top Management Support and Commitment:** The management succeeded to evaluate the system from a business perspective, and managed how identified business goals will be supported. Moreover, information exchange and communication between different departments was at a high standard, especially between marketing and IT.
- **Employee Involvement and Support:** Human knowledge and resources were combined with IT to deliver the proposed goals of the system. The project team conducted specialized training session to the business and IT departments, especially for the sales and service teams. At least one representative from each department participated in four full days of training.
- **Use Experienced Consultants and Project Team Skills:** The CEO invested huge financial resources in commissioning a consulting firm and development companies. This investment was paid back through rapid IT and business skills enhancement of project team.
- **Technological Support:** The new adopted CRM system showed superior functionalities, quick response time and flexibility. It succeeded to even integrate the legacy system.
- **Customer-centric not Product-forced:** The new system enhanced customer services and consultations. The system which listed all customer interaction history, status of previous requests and customer individual characteristics improved the quality of service in terms of responsiveness, assurance and empathy. Moreover, customers can now complete loan processes at the call centre without visiting any branch to apply for a loan.
- **Monitor, Feedback and Track:** Internal department have become more cooperative because of the continuous feedback collected on customer services and sales. H-Bank measures customer satisfaction four times a year. Customer satisfaction score rose to 83% after implementation of CRM system. Management also track and monitor the performance of the system during the different phases of the project.
- **CRM Vendor Support:** Consultant teams were chosen carefully after visiting some banks and consulting companies in Europe. The ones chosen were skilled in both IT and business. They significantly reduced the cost and time of CRM implementation.

4. Discussion

CRM systems aim to cope with the global business environments, improve performance and quality, reduce time and keep their customers satisfied. Based on the identification and examination of the critical success factors affecting the implementation of CRM system in both cases, we noticed the following. To start with, a clear strategy and vision can make the difference between success and failure. In addition, leadership became an important and problematic activity. ELMS failed to address project ownership issue and the need to recognise the problems in organisational communication, while H-Bank human resources were working in harmony with each other and with wide and clear vision.

There are lessons to be learned in terms of adapting such systems. The CRM success requires a consistency among people, business processes and technology. Moreover, the organization's strategy should be around customers and not products.

Furthermore, it was obvious that H-Bank's success was so much dependent on considering the CSFs and applying it to their businesses. On the other hand, lack of attention to these factors was obvious with ELMS's. In addition, CRM system is not "just another information tool" due to the value that will be added to the organization. Nevertheless, management should provide wide education and training program to enhance employee skills and knowledge.

Organizations should select CRM software vendors carefully and based on a high level of responsibility to meet the system requirements and business goals efficiently. Moreover, when the system goes life, organization must measure, monitor and track

the system's effectiveness and performance and use the feedback to continuously refine and maximize improvement and organizational learning.

5. Conclusion

A well-defined business implementation can increase customer satisfaction and meet the promises to maximize relationships with all customers. Getting to "know" each customer through customer centric business strategy helps the organization to offer more products and services for improved customer retention and loyalty over longer periods of time. Organizations today must focus on delivering the highest value to customers through better communication, faster delivery, and personalized products and services. Organizations that implement CRM will have the greatest gains. However, Organization must take in consideration the Critical Success Factors that affect the implementation of such systems carefully.

This paper presented and applied CSFs theoretical framework on two case studies to illustrate in depth the importance of CSFs in determining the success or failure in adopting CRM systems in companies.

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