

## **Managing CRM Related Competences**

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### **INTRODUCTION**

Customer Relationship Management (CRM) is developing into a major element of corporate strategy for many organizations. CRM is concerned with the creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer lifetime value. Customer relationship management is a continuous learning process with an intention to increase organization's knowledge and understanding about its customers (Mäntyneva, 2001). Brown (2000) defines CRM as a business strategy that aims to understand, anticipate and manage the needs of an organization's current and potential customers. The term CRM could be defined as being able to take care of customers via the Internet (Greenberg, 2001). Here the Internet is understood in a broad sense including both wired and unwired access to the Net.

Currently CRM is revolutionising marketing, and customer-centric marketing and technologies are driving this revolution. Most organizations create vast amounts of operational, transactional, and analytical customer data through various information systems. The adoption of CRM is being fuelled by recognition that long-term relationships with customers are one of the most important assets of an organization and that information-enabled systems must be developed that will give them customer ownership. Successful customer ownership will create competitive advantage and result in improved customer retention and profitability for the company.

Traditional marketing activities that emphasise customer acquisition are no longer sufficient. CRM recognises that marketing starts after the sale is over, not when the sale is completed. The CRM approach reflects the need to create an integrated cross-functional focus on marketing. Thus the focus is shifting from customer acquisition to customer retention and ensuring the appropriate amounts of time, money and managerial resources are directed at both of these key tasks.

In spite of growing interest in CRM initiatives there are various reports indicating that majority of CRM projects fail. Project failure is defined here as poor or low adaptation rates, and a lack of measurable benefits and improvements. A major reason for these project failures is the lack of adequate competence. In order to avoid these often costly project failures organizations should manage their CRM related competences. This particular paper concentrates on creating a framework for

managing CRM related competences. There is no intention to validate the framework empirically.

## **CRM RELATED COMPETENCES**

Voss – Voss (1997) propose that successful implementation of a relationship marketing program requires a complement of strategies that satisfies and motivates customers through different phases of relationship development. To accomplish this, firms simultaneously implement transactional marketing strategies and relational marketing strategies. It is outmost difficult to manage and develop company's CRM infrastructure if the management does not know the required CRM competences (Kalakota – Robinson, 1999). The CRM related competences are defined here as those skills, knowledge, and abilities that are required to manage and operate CRM in real-time networked environment. Among CRM competences are analysis, planning, implementation, and follow-up related skills, knowledge, and abilities (Mäntyneva, 2001).

Relatively few organizations have adopted relationship marketing and CRM approaches to effectively harness the tools of marketing to deliver real increased customer value and, with the help of technology, developing appropriate long-term relationships with customers. Organizations will need to determine the appropriate customer management strategy. This may involve a creative mix of a range of information technology infrastructures starting with databases and then progressively moving towards data marts, enterprise data warehouse and integrated CRM solutions using electronic commerce. It may also involve using approaches such as data-mining, event-driven marketing and channel optimisation. The ultimate objective of this will be to identify opportunities for increased profitability through enhanced customer acquisition, improved customer retention and targeted cross-selling.

In considering how CRM should be implemented, information technology has an important role to play in enabling companies to maximize profitability through more precise targeting of market segments and the micro segments within them. We are now in a new era of technology-enabled marketing that involves leveraging relationships through the use of technology. Powerful new technological approaches involving the use of databases, data marts, data warehouses, data mining and one-to-one marketing are now assisting organizations to increase customer value and their own profitability.

In business-consumer organizations that are dealing with a large number of customers, a critical issue will be increasing the quality of customer contact through tools such as sophisticated call centers and electronics commerce. Zineldin (2000) argues that relationship marketing, based on technological advances, can be considered as a new paradigm. According to him everything companies do to build consumer loyalty is affected by technology. Technology can greatly assist in managing the data required to understand customers so that appropriate CRM strategies can be adopted. In addition, the use of IT can enable the necessary data to

be collected to determine the economics of customer acquisition, retention and lifetime value. The CRM is not only about technology. The major marketing related challenges related to how to attract, satisfy, retain, and understand customers remain.

CRM is about the management of technology, processes, information resources, and people needed to create an environment that allows a business to take a holistic view of its customers. CRM environments, by nature, are complex and require organizational change and a new way of thinking about customers - and about a business in general. Creating such an environment requires more than adequate management of the customer relationship or new technologies. While CRM environments improve business performance, initiatives undertaken in this new management field require sound leadership as well.

Simply buying technology accomplishes nothing without ensuring that the skill sets needed to use it are present. This is true for employees and customers. People touching the technology have to understand how to use it, what it can and cannot do, and what is expected of them. In addition, the technology must have real value to the person using it. For example, many sales force implementations fail because they were brought in to solve senior management's reporting needs and not the needs of the sales people who have to use them. From the customers' viewpoint, many CRM technologies provide little or no value to them. It is important for enterprises to make certain that everyone who is a stakeholder in CRM has the right skill sets to use the technology effectively.

## **FRAMEWORK FOR MANAGING CRM RELATED COMPETENCES**

In order to manage CRM related competences the firm has to define what are those skills, knowledge, and abilities it requires to fulfil the strategic objectives related to CRM. First and foremost the firm has to establish a vision where it wants to go and what are the required steps to get there. It is evident that the required competences differ between firms. This is due to differences in industry, time-horizon of development projects, and how CRM is understood within the firm. Also the make or buy decisions related to CRM initiatives have an effect on the required competences. In case the firm is willing to acquire management consulting and IT expertise from outside vendors it does not have to possess all those required competences itself.

After the definition of the CRM related vision the firm should identify what are those competences required to fulfil this vision. In practice this means that the vision is operationalized. This means that required skills, knowledge and abilities are defined. However, being able to provide a list of required competences is not enough to manage CRM related competences. The operationalization of the CRM related vision should include also the definition of the level of competence the firm should have now and in the future.

Before entering to actual development of CRM related competences the firm has to define the required competences are and set the target level for each competence. This allows the management to use this information as a benchmarking data against the current status of those competences. The current status of CRM competences can be found out for example through a competence audit. In a competence audit a predefined set of competences is audited. This means that different skills, knowledge, and abilities related to CRM are evaluated against a certain criteria. One method of doing this is to use a same evaluation scale with all the competences. As an example scale a competence audit could utilise a scale of one to four. In this scale one would mean poor skill level, two means adequate skill level for operational purposes, three equals better than average, and four equals a recognised expert in this particular competence. The audit could concentrate on evaluating either individual members of the organization or the organization as a whole.

A competence gap exists in case the existing level of competence is lower than the target level set by the CRM vision. The managing of CRM related competences deals with managing existing competence gaps. However, it should be notified that the target level of competence is a primary driver of a competence gap. In case the target levels are very ambitious it is evident that there seems to be more competence gaps than in cases when the target levels are modest.

In case a competence gap exists the management should consider various methods to improve the current level of competence. This can be done in three alternative ways. Internal competence development through personnel training or alternative methods is often a viable alternative for competence build-up. However, from the management viewpoint the internal development activities are not necessarily fast enough. As an alternative method for internal competence development the management can acquire the required competences through recruitment or through mergers and acquisitions related measures. In many cases it is not necessary to possess all the required competences. The firm could alternatively have an access to required competences through strategic partnerships with other organizations. Each of these alternative development methods for CRM related competences has its pros and cons, which should be considered while deciding on the actual competence development measures. Figure 1. describes the framework for managing CRM related competences.

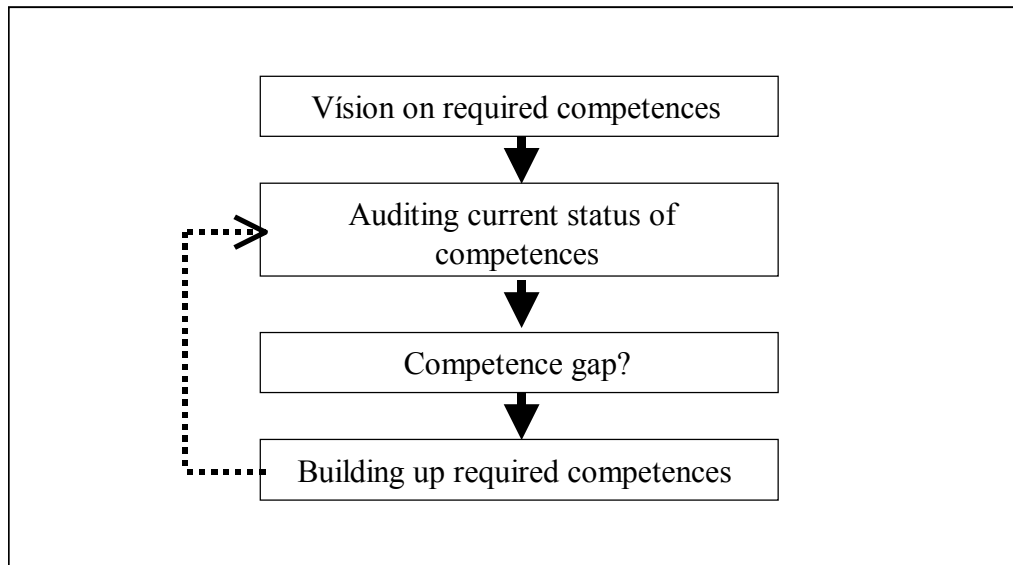


Figure 1. Framework for managing CRM related competences.

## CONCLUSIONS

This paper has argued that Customer Relationship Marketing is being increasingly viewed as a major element of corporate strategy. Where CRM is well understood as a concept, many board-level managers are still unclear as to how a particular CRM approach should be cost-effectively implemented and what technology options should be adopted.

The starting point for introducing or further developing CRM must be determined from a strategic review of the organization's current position. There is an opportunity for firms to improve their customer ownership by building a co-ordinated and integrated set of activities that address all the key strategic elements of CRM. However, organizations' success in CRM will involve creating an appropriate set of competences to exploit the existing opportunities.

From the perspective of managing CRM related competences it is important to audit the current status of required competences within the organization. Through CRM related objectives it is also possible to clarify the existing competence requirements. The difference between required and current levels of competence is called a competence gap. The size of the gap describes the amount of required tasks to build-up the competences to the required level. However, the internal development of competences is not necessarily the only or even the best method to fulfil the existing competence gap. Also, alternative solutions should be considered. Among these alternative solutions are both external recruitment of required competences and co-operating with other organizations currently possessing these required competences.

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