

CRM and Customer Centric Culture

Jan Dohnal
University of Economics Prague
dohnal@vse.cz

Key words: CRM innovation, Back Office, Front Office, e-business, CRM strategy, CRM specification, CRM implementation, change management, TQM, Baldrige Award, labour competencies

E-BUSINESS, CRM AND ENTERPRISE STRATEGY

The e-business revolution has arrived to the Central and Eastern Europe in the same time and practically together with all political changes of the 90s. The Internet has become also for our region what researchers and some visionaries predicted it would be — the backbone of modern business.

Customer Relationship Management (CRM) belongs to e-business applications which are developing fast not only thanks to new possibilities brought by technology, but also thanks to changing attitudes and expectation of customers. It is not enough to listen carefully to the customer requirements, but it is important to cooperate with them, i.e. give them opportunity to take part in new products and services creation by motivating them to communicate and help define new products and services. Tendency to innovate all business processes focused on customer and evident market success of CRM products are not only directly connected, but they support each other. The following aspects cause the trend

- increasing competition pressure,
- market globalisation,
- growing number of acquisitions and mergers of companies,
- hardly predictable pressure from customers, their dynamically changing requirements and their significant influence on market process,
- trend of shifting from mass production to mass product customisation according to individual requirements of customers,
- using the internet as a new sales channel;
we wish to point out the fact that the internet is not only important infrastructure for e-business, but it is also an important channel for building up relationships with customers,.
- shift in ICT (Information and Communication Technology) investments from ERP (Enterprise Resource Management) applications (Back Office) to CRM applications supporting customer contact efficiency (Front Office),
- tendency to further collaborative business development.

We can come across broad variety of CRM approaches, because each company has its own customers and therefore each company has for sure some CRM. Based on

experience from CRM course student semester projects and diploma theses, but also based on our own consultancy and department research results, we can claim that nearly all companies (exception proves the rule) for a long time

- intuitively understand their customers as the base of their further existence,
- if they have CRM process implemented, they consider it unique, because their CRM reflect company specific features such as:
 - segment where it operates,
 - size of the company,
 - type and number of its customers,
 - types and number of sales channels, which it maintains and last but not least,
 - specific importance given to personal contact, res. dealing with customer (1:1),
- it actually collects and maintains customer data, but
 - it needs better instruments to collect, analyse and present them for purposes of different departments (marketing, sales, production) in required variants and according to freely definable criteria,
 - the data are maintained only in some departments and for some departments, but a united view, united perception of customer in the whole company, is missing,
- integration of such data about customer seems to be one of the crucial conditions for creating reasonable and functional customer care strategy.

Being fully aware of the fact that modern technology gives new CRM process possibilities, we want to point out that CRM does not only mean CRM software installation and not only contact centre installation. At our department **we understand CRM as a company strategy¹ including people, company processes and technology, whose aim is to maximise the value of relationships with company customers.** CRM itself becomes a part of company culture. It is global attitude, which co-ordinates all company functions dealing with customers and technologically more and more uses potential and possibilities of the internet.

CRM INNOVATION

We divide CRM Innovation (KOP01)² into **CRM strategy creation, CRM system specification, CRM system implementation** see details in paragraph 2.4. Individual steps differ in their focus, aim and content. Before CRM innovation itself, we can identify preparatory phase of CRM innovation, consisting of two steps - **Opportunity Evaluation Process and CRM Innovation Project Initiation Phase.**

¹ Not only strategy of one or some company departments, but strategy of the whole enterprise.

² Section 2-4 draws from the method developed on our premises throughout the years 1998-2001, when it was presented in lectures by this author in a CRM course, adopted and further developed in a doctoral dissertation (KOP01) defended in 2001 at the Department of Information Technology. This author was head of the dissertation work.

Opportunity Evaluation Process

Opportunity Evaluation Process precedes CRM innovation. Opportunity Evaluation Process is a general company process, when the company evaluates the need for possible changes and suggest initiating process of such changes. As a part of Opportunity Evaluation Process company management decides about necessity of CRM innovation and about initiation of CRM Innovation Project.

The most frequent reasons heading for decision to initiate CRM Innovation Project are:

- Existing level of company CRM is not high enough. Management of customer relationship does not reach required quality
- Competition has implemented such CRM means that they have become threat to company competitiveness. The company must take such measures to be able to keep up with competition and to keep the competitiveness of the company.
- Some of internal company dimensions (processes, technologies, human factor, etc.) do not reach required quality. But the company must innovate its CRM with respect to all dimensions. Innovation of only one single dimension can cause global CRM inconsistency and therefore the result of innovation can be negative.
- Customers require different way of communication. The company must take in account changes of customer requirements and conform to them. It may result in need to innovate its CRM.
- Products provided by the company require change in a way of communication with customers. Each product has its specific features and demands for communication with customers and for service. Change of product portfolio or change of existing products characteristics may cause need to innovate CRM.
- A technological novelty, which enables extension of CRM possibilities, has appeared. The company can decide about CRM innovation not only because of low CRM efficiency, change of customer requirements or change of products, but also because of external technological changes. This all of course on condition that investments into CRM innovation will ensure its long-term payback or that absence of this investment (and subsequent innovation) will not cause losses in long-term perspective.

As a part of Opportunity Evaluation Process the company will decide about the need to innovate its CRM. It means that the management will issue an order to initiate CRM Innovation Project and it will also issue reasons for innovation necessity and so called CRM vision in the same time. CRM vision is a rough description of desirable CRM state after its innovation. It contains basic indicators or ways how to check that innovation brought the expected state. Management will also appoint a person responsible for initiation of CRM Innovation Project.

Initiation of CRM Innovation Project

Initiation of CRM Innovation Project match (in terms of its activities) general projects and its individual activities can be gathered from standard project methodology. As a part of initiation of CRM Innovation Project the following activities take place:

- Setting up key requirements of CRM (Feasibility Study) - CRM vision, a rough idea of future CRM state, enters into the initiation of CRM Innovation Project.
- Feasibility Study creation – ascertainment, whether the project can be realised, what is the probability of successful realisation and risks connected with it.
- Setting up the Financial Study - ascertainment, whether project investments will payback and if the company will be able to finance the project
- Decision to realize CRM Innovation Project - this decision is followed by creating a plan of CRM Innovation Project, project realisation resources planning, appointing the project manager and setting up responsibilities of project participants, creation of risk list and means of the risk management.

First step of the project - creating CRM strategy - can begin after decision about project realization has been made.

CRM Innovation Project

The following steps are carried out as a part of CRM Innovation Project:

- **CRM strategy creation** - definition of customer strategy, product strategy, communication channels strategy, infrastructure strategy.
- **CRM system specification** - specification of categorised CRM requirements catalogue, system architecture design, design of customer relationship management processes, organisational structure design (matching the CRM needs), data structure design.
- **CRM system implementation** - CRM process implementation and employee training, detailed system design or customisation of system components, system implementation, data transformation and integration, system testing.

After these steps have been carried out, the CRM Innovation Project is also finished. However it does not mean, that all innovation activities have been done. As a part of CRM operation exist also other processes that generate suggestions for CRM system innovation.

Post-project CRM Innovation Activities

Among post-project CRM innovation activities belong the following:

- **CRM Innovation Project Evaluation** - finished project must be evaluated in terms of required CRM state fulfilment level and in terms of budget and time schedules. As a part of evaluation gathered project experience and project risks are recorded. The information serves when planning future projects.
- **CRM Efficiency Management** - the whole chapter of this contribution is devoted to this topic. CRM efficiency management leads to current company CRM benefit maximisation.

- **CRM Change Management** - process of collecting and evaluating suggestions for CRM changes. These suggestions for changes may arise from various reasons (these reasons were listed in chapter "Opportunity Evaluation Process"). CRM Change Management Process follows the Opportunity Evaluation Process. Suggestion for a change means opportunity at the same time.

THE GOAL OF THE RESEARCH

The Opportunity Evaluation Process described in 2.1 is often ignored. Companies focus only on CRM technology selection and they begin CRM innovation for example without key CRM user requirements specification. Our research belongs to the field of evaluation of CRM innovation opportunity, res. to preparatory phase of CRM innovation, because it identifies key problems of company awareness of CRM and it specifies user requirements for CRM.

While CRM processes and CRM technology are in our region undoubtedly very important, as they are world-wide, the third part of CRM concentrated on people is even more critical in CEE. People in our part of Europe have not chance to exercise the real competition in the planned economy in the past. Sales force is measured in these days in more and more corporations on customer satisfaction and bottom-line revenue and profit. For some managers is clear (for some not), that new customer centric processes and CRM technology clearly call for new employees with CRM knowledge and CRM attitude.

Our research is focused on CRM Opportunity Evaluation Process (see 2.1) in CRM innovation. Basic goals of our two phase research are therefore

identify in selected Czech companies awareness of opportunities and challenges of electronic business and CRM in particular - 1st phase started in 1998 and

identify missing competencies needed in CRM environment – 2nd phase will be started in 2002.

THE METHOD

The method is based on use of TQM principles, which significantly prepared the ground for CRM consolidation by their focus on management quality and in particular on customer expectation, needs and satisfaction. TQM aim is to satisfy customer requirements, fulfil customer expectation, both in economically most effective way. Briefly stated together with [MUN93]:

Every contact with a customer, on whatever circumstances and through whoever employee, is a part of global image created by the customer and used as his criterion for company evaluation. It means that each department and each

function must fulfil its tasks, which is not the end, but the beginning of quality improvement effort.

[MUN93] states basic TQM requirements as they are described in Fig. 1

TQM requirements	Subsequent activities
Knowledge of customer	<input type="checkbox"/> customer research (questionnaire, personally, post, e-mail),- functional analysis, -cost analysis <input type="checkbox"/> Quality Management Project
Knowledge of competition	<input type="checkbox"/> competition research, -competition analysis, -comparative standards identification
Knowledge of costs related to low-quality products	<input type="checkbox"/> analysis of costs related to quality, - functional analysis
Performance measurement according, res. related to key customer requirements	<input type="checkbox"/> customer research, -competition analysis, -comparative standards
Each employee knows and understands their target bonuses related to quality	<input type="checkbox"/> functional analysis, -education and training, -communication
Managers demonstrate in their daily effort concern about quality of all company activities	<input type="checkbox"/> analysis of costs related to quality, - functional analysis,-education and training,-communication
Definition of objectives and mission of each department and definition of its activities satisfying customer requirements	<input type="checkbox"/> functional analysis
Creation of conditions for quality requirements and quality metrics fulfilment for all employees. Based on consecutive improvement program implementation	<input type="checkbox"/> education and training, -communication, -workgroup for quality, -workgroup for corrective actions in quality area, -statistical processing, -appraisal and rewards for quality achievements
Replace consecutive checks, inspections and following corrective activities with preventive activities	<input type="checkbox"/> analysis of costs related to quality, - functional analysis,-education and training,-communication, -quality management system compliant to quality standards
Rejection of low-quality output for external, but also for internal customers	<input type="checkbox"/> analysis of costs related to quality, - functional analysis,-education and training,-communication
Effective planning, suppression of ad hoc activities heading for improvement	<input type="checkbox"/> appointing quality improvement team

Fig. 1 Principal TQM requirements

According to the list above and also according to our experience it applies, that TQM always requires in smaller or larger modifications:

- customer knowledge,
- knowledge and understanding of company business conditions,
- functional and cost analysis,
- quality management system,
- continuous quality improvement,
- tools and methods for the quality management.

Because Quality Awards, as TQM tools, synthesise requirements for

- knowledge of customer,
- knowledge and understanding of company business conditions,
- dealing with data and information (e.g. functional and cost analysis results)

and they are not only used in informatics, but also provide relatively non complicated device for identification of company state in highly competitive IS/IT environment, we are using their principles in our research.

Nowadays there are a number of worldwide known and announced awards and competitions for quality certificates, organised by different organisations with different criteria. As an example we can list The British Quality Award, The Digital Scotland Quality Award, The Irish Quality Award, The Deming Prizes, European Quality Award and last but not least The Malcolm Baldrige National Quality Award.

Criteria of Performance Excellence (TQM) - Malcolm Baldrige Award

Criteria of Performance *Excellence* –Malcolm Baldrige³ Award, regarded as probably the most striking example of practical TQM principles application, are built on focus on customer satisfaction and needs. The Malcolm Baldrige National Quality Award (MBNQA) is based on quality evaluation of company products and services based on Malcolm Baldrige⁴ criteria. Based on his suggestion, the US government founded The National Institute of Standards and Technology (NIST) and put it in charge of care about product and services quality evaluation of American companies. This prestigious award is every year awarded in the USA to organisation proving the highest quality of its management system. Criteria focused on customer form a stable and important part of company achievement evaluation.

³ M. Baldrige - former US Secretary of Commerce, co-author of “The Malcolm Baldrige National Quality Improvement Act of 1987 - Public Law 100-107”, defining the quality criteria for all American companies based on TQM philosophy. In detail see [DOH99] and [www. quality.nist.gov].

⁴ M. Baldrige - former US Secretary of Commerce, co-author of “The Malcolm Baldrige National Quality Improvement Act of 1987 - Public Law 100-107”, defining the strict quality criteria for all American companies.

While trying to fulfil Baldrige Award criteria, company management team together with employees selected from different company areas and different hierarchy levels evaluate the company with aim to identify main problem areas, set up priorities and action plan for correction. Some company⁵ adjustments of these criteria stress out the ISO 9000 standards. Company which will decide to apply Baldrige Method criteria during TQM implementation, evaluates its behaviour, res. performance in seven categories: 1 Leadership, 2 Strategic planning, 3 Focus on market, customers and their satisfaction, 4 Information and analysis, 5 Development and management of human resources, 6 Quality process management, 7 Business results, see also results of the research - fig. 2.

Respondents of our research answered a questionnaire inspired by Baldrige criteria, but extended by specific CRM questions developed at our department. For example in paragraph 3.1 of our questionnaire "Current and future customer expectation" we asked them to describe the means how to find out customer and market requirements, expectation and preferences in order to ensure permanent product/service relevance and to detect new opportunities. They answered the following questions:

- How do you define your customers, customer groups and your market segment?*
- How do you take in account customers of competitors, other potential customers or market segments of your further business?*
- How do you gather key requirements and factors crucial for purchase of your products or services from your previous, present and potential customers and from market? In case your methods differ for various customers or customer groups, specify the most important differences.*
- How do you identify and project key products and services, how do you identify their relative value and how do you compare it to customer expectation? How do you use marketing and business information, business transaction analysis (Win / Loss Review) and customer complaints?*
- How do you evaluate your procedures for identification of requirements and expectation of customers; how do you care for your methods to match present business trends and needs?*
- What communication channels do your customers (in person, letter, mail, fax, telephone, www, chat, etc.) use?*
- To what extent are your customers using particular channels?*
- How are your employees (these who communicate with customers) organised?*
- How many employees does the company have and how many of them directly communicate with customers?*
- What communication channels would your customers like to use?*
- What percentage of request solution time is consumed by "overhead" - i.e. during request registration, handing or during work-in-process solution inside the company?*
- Etc.*

⁵ For example Baldrige Method implementation in IBM, known as MDQ (Market Driven Quality), applied in majority of 136 national IBM branch offices in the world, included in the beginning of the 90s ISO 9000 standards.

In paragraph 3.2 Customer Satisfaction and Customer Relationship Care we similarly wanted them to describe, how they build up relationships in order to gain, satisfy and keep customers and in order to detect new opportunities. Moreover it is required to describe the process how the customer satisfaction is detected. The skeleton for this description is made based on answers to the following questions:

How do you enable your customers to influence your business (with their remarks, information and complaints)? Summarise key mechanism used for that purpose.

How do you identify key customer requirements for communication means, res. for contact with your organisation?

How do you ensure, the complaints are processed efficiently and as soon as possible and that all complaints are recorded, aggregated and analysed in order to improve further performance and operation of your organisation?

Describe the way you build up the customer relationships, which will enable further contract or enlisting the customer as a positive reference in the future.

How do you reflect changing conditions, market trends and needs of your business in your customer relationship?

Describe the procedures for supplier contract control and for co-ordination of activities connected with contracts (ISO 9001 4.3).

What processes, metrics and data do you use when identifying customer satisfaction res. dissatisfaction? Describe how your information reflects your customers business, their plans or factors affecting their decision to sign a contract with your organisation? State possible significant differences of these methods or procedures used for individual customers or customer groups.

How do you ensure that in mutual relation with your customers are agreed decisions, actions and conclusions being realised? How do you gain from customer's information about that?

How do you compare customer satisfaction with your products and services to satisfaction with products and services of your competitors and to comparative standards? (State: -brief description of used procedures, data and measurement scales, measurement frequency, how is ensured its objectiveness and validity; - indicate important differences in used procedures and scales for various customer groups and market segments; and -how customer satisfaction measurements capture key information reflecting customer presumable future behaviour on the market)

How do you care for your customer satisfaction monitoring procedures in order to match business trends and needs?

ORGANISATIONS ADDRESSED IN THE FIRST PHASE OF THE RESEARCH

ICT Department of Komerčni banka (Commercial Bank)	(1998; 70 participants)	banking
Synergie - system integrator	(1999; 55 participants)	system integrator
GEAC/JBA - ERP/CRM supplier	(1999;50 participants)	ERP distributor
Advokatni kancelar Fiala, Profous, Maisner	(2000,35 participants)	attorney
GFK	(2000,50 participants)	market research
SPF	(2000;60 participants)	insurance
Chemis	(2001;42 participants)	wholesale

RESULTS (UNTIL THE END OF 2001)

Each of mentioned CRM/TQM self-assessments is for every particular company concluded by so called self-assessment report where are (among others) identified areas, which the company management should focus on, because they represent critical spot in company culture aimed at customer and they increase the risk of CRM innovation failure. We summarise see fig.2. the most frequent areas requiring improvement and/or company management intervention before CRM innovation starts.

Identified Issue	Category						
	1	2	3	4	5	6	7
Missing Vision and consequently L/T Strategy	X	X				X	X
Communication Problem	X	X	X	X	X	X	X
Meeting Management	X			X	X	X	
CRM Measurement and Compensation Program (people management)		X	X	X	X		X
Missing Personnel Function		X			X		
Competition Monitoring		X	X			X	X
Business Cycle Management			X				X
Morale (see also motivation and people management)				X	X		X
Delegation and empowerment					X		X
Project Management (planning of human resources included)					X	X	
One and unique Customer DV and Product DB are missing						X	
Collaboration with Business Partners			X			X	X
Cross Department Cooperation				X	X		

Fig.2 Some weaknesses of Czech companies identified in CRM/TQM context

The most frequently identified deficiencies:

- a) interpersonal communication
It is a typical weakness, appearing in the whole company by inconsistent communication of management with subordinates. It results in a number of different interpretations of the top management decisions, because the different members of middle management interpret decisions mentioned above differently.
- b) missing CRM metrics and connected compensation program.
Customer relationship is measured either insufficiently or according to ad hoc metrics; systematic CRM evaluation is missing.
- c) managerial skills e.g. meeting management, delegation and empowerment are insufficient
- d) CRM vision is missing or CRM is understood only as a technological thing belonging to ICT department.

NEXT STEPS

First phase of the research will continue in 2002 and at the same time the second phase will be launched. It will be focused on labour competencies, which were most frequently mentioned in the first phase as insufficient, e.g. Customer Insight, Drive to Achieve, Team Work.

BIBLIOGRAPHY

- BRO00 Brown, S.,A.: CRM A Strategic Imperativ in the World of e-business, John Willey & Sons Canada, Ltd., 2000, ISBN 0-471-64409-9
- DOH97 Dohnal.J.: Living in the Information Society in the Central and Eastern Europe, IBM Austria/Central Europe/Russia, Vienna, 1997
- KOP01 Kopřiva, P.: Inovace rizeni vztahu se zakazniky (Customer Relationship Management Innovation), doctoral dissertation, University of Economics (VŠE), Prague, 2001, *published in Czech*
- MUN93 Munro-Fare,L.,M.:Implemennting Total Quality Management, Pitman Publishing, London,1993
- PER01 Peppers, D., Rogers,M.:One to One B2B, Customer Development Strategies For The Business to Business World, Doubleday a Division of Random House,Inc., New York, 2001, ISBN 0-385-49409-2
- wMETA MetaGroup: Integration: Critical Issues for Implementation of CRM Solutions
<http://www.metagroup.com/cgi-bin/inetcgi/index.html>