

Explaining Critical Success Factors for CRM Strategy (Case Study: SMEs in Zahedan Industrial City)

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Abstract

This study explains critical success factors (CSFs) for Customer Relationship Management (CRM) strategy in Small and Medium-sized Enterprises (SMEs) located in Zahedan industrial city. 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. In order to measure variables, two researcher-made questionnaires for CRM strategy and CSFs were used. Form validity and content validity of questionnaires were confirmed by experts and confirmatory factor analysis test, respectively. The reliability of both questionnaires was proved by Cronbach's alpha coefficient which was higher than 0.7. This study is a correlation-type. Structural equation with AMOS 18 software was used to test research hypothesis. Results of path analysis and structural equation modeling indicated appropriate goodness of fit for research model. They also showed that people, process, technology and culture (CSFs) have a significant positive impact on CRM strategies.

Keywords: Critical Success Factors, Customer Relationship Management Strategy

Introduction

Globalization and technology improvement have forced companies into tough competition. In this new era organizations are focusing on managing customer relationships, particularly customer satisfaction in order to efficiently maximize revenues. Today marketing is not just developing, delivering and selling, it is moving towards developing and maintaining mutually long-term relationships with customers.

Customer relationship management define and evolve in the late 90s, along with the development of information and communication technologies as an important approach in business and aiming back to individual marketing (Ijaz, 2005). Customer relationship management is considered as one of the most fundamental strategies for customer retention, especially profitable customers. CRM helps organizations by attracting new customers and customer's satisfaction, using feedback system, and providing quality products. Despite of many benefits, implementing this strategy has been often failed in organizations, especially in SMEs (Mo'tameni & Ja'fari, 2009). Poor marketing is one of the main reasons for failing most of these companies (McCartan-Quinn & Carson, 2003). Reasons such as improving services, customer satisfaction, reduce costs, and one by one relationship even with millions of customers can be expressed as the necessity of using CRM in an organization (Smith, 2006). CRM is a necessary rule for companies which require further development. Therefore, it is very important to identify key dimensions influencing the success of CRM strategy (Payne & Frow, 2006). The main objective of this study is to explain critical factors affecting the success of CRM strategy in small and medium enterprises.

Theoretical Research Review

CRM strategy: strategy is defined as a Resource allocation blueprint for creating a favorable condition (Kracklauer et al., 2001). 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 comprehensive business and marketing strategy which integrate technology, process, and all business activities related to customer. This strategy often focuses on customer maintenance and results in profitability (Kamalian et al., 2009).

CRM is a key solution to realize the information infrastructures which increase the responsiveness power during compositional pressures thus survives the organization (Tohidi & Jabbari, 2011). CRM is a business strategy that aims to establish and develop value-creating relationships with customers based on knowledge (Moreno & Melendez, 2011). This strategy involves the following four strategies (Lindgreen et al., 2006):

- ✓ **Customer strategy:** If a customer strategy is not created prior to implementation of the relationship- management program there is a real risk that managing the program will fail. A customer strategy focuses on how to attract new customers and how to maintain and develop relationships with existing valuable customers (Mehrabi et al., 2009).
- ✓ **Customer-interaction strategy:** Customer interaction refers to how an organization interacts with its customers and how it delivers goods and services to them. This includes all the interaction processes, touch points, employees and distribution channels. The purpose is to get to know when and how customers want to interact with the organization (Brown & Gulycz, 2002).
- ✓ **Brand strategy:** Brands are major determining elements in the repeat purchase of an organization's goods and services. Successful brands achieve higher levels of customer loyalty. The brand strategy describes what an organization's brand stands for, who it

wants to be and how to act to achieve that identity. The strategy positions the brand as perceived by customers and shareholders to occupy defensible positions in various marketplaces (Michell et al, 2001).

- ✓ **Value-creation strategy:** Relationship management is a value-adding activity through mutual interdependence and collaboration between an organization and its customers and other stakeholders. It should provide answers to questions like: how to create and deliver value to customers and how to maximize customer lifetime value in order to increase customer profitability. A well-defined value creation strategy offers superior value to team to develop CRM processes while in others the CEO individual customers and at the same time maximizes profitability from each relationship (Doyle, 2000).

Critical Success Factors (CSFs)

They include characteristics, conditions, and variables that will have a significant impact on company's success in a competitive industry, if being properly supported and managed (Mehrabani et al., 2010). Arab et al. in a study in Malaysia introduced three main elements of processes, technology, and human resource with 20 sub-elements as critical success factors for successful CRM strategy. The process component dominated seven success factors: marketing, sales, services, define and communicate CRM strategy, customer involvement, personalization process, time and budget management. The human component has two parts: the client aspects and the organizational aspects. Value, satisfaction, and retention and loyalty are categorized into the client aspects. The organizational aspect has three sub-categories. Change in culture, no culture conflict is categorized into the culture category. Skillful staff and consideration of employee's importance are categorized into the role played. Top management commitment and support, define and communicate CRM strategy, assurance of top management commitment for CRM are categorized into the managerial level. The technological component dominated six factors: sales force automation (SFA), software for CRM, data warehouse and data mining, help desk, call centers, internet influence (Arab et al, 2010). Currie and Finnegan Compared three SMEs in the UK and presented a multi-layered approach is for implementation of customer relationship management. They introduced four layers of culture, people, process, and technology as required layers in implementing CRM. Culture layer includes subculture, virtual university, and psychological contracts; people layer includes end-user ownership, end-user training, and end-user rewards; process layer has three sub-layers of process mapping, process designing, and process implementing; finally technology layer consists of mapping, designing, and implementing (Finnegan & Currie, 2010). Melendez and Moreno in their study on a Spanish hotel emphasized the importance of knowledge management as one of the factors affecting on CRM implementation. They also stated that there is still no unified conceptual framework to guide companies in implementing a successful CRM. They showed that besides knowledge management as an important factor, other factors such as organizational factors including different aspects of working with the leader, top management, human resource management, functional integrating, and organizational structure are preceded it. Their findings show that even if the firm carries out KM initiatives, acquires the most advanced technology and tries to generate a customer-centric orientation, if these initiatives are not integrated into the organization, the firm does not redesign its

organizational structure or processes, organization members do not all participate in the project, and change is not lead appropriately, the implementation of CRM will not be successful (Meléndez & Moreno, 2011). Amiri et al. in their study in order to evaluate and identify the critical success factors for Tehran municipal management, showed CRM as the combination of three main factors of human resources, process and technology. Finally, they presented several significant factors as top management commitment, creating multidisciplinary teams, consistency and integration between organizational units, communication between staff and CRM strategy, customer information management, customer services, automation services, supporting operations management, integrating information management, and customer contact management. Each of these components was related to the three main factors (Amiri et al, 2010). In another study by Mohebi et al. entitled "Identifying and Prioritizing the Factors Affecting Implementation of CRM in Edible Oil Industry", these factors were identified affecting implementation of CRM: customer strategy, organizational strategy and value creation, organizational culture, human factors (staff), process, technology, organizational structure, knowledge management, and leadership (top management) (Mohebi et al, 2012). Vazifedust et al. introduced culture, organizational infrastructure, human resource management, technical infrastructure, process, top management, executive management, knowledge management processes, and continuous improvement as CRM critical success factors (Vazifedust et al, 2012). In this study, considering literature review, 4 factors of people, process, culture, and technology were considered as critical success factors affecting the success of CRM strategies.

Table 1. Critical Success Factors (CSFs) for CRM Strategy

Studies/Years	Factors
)Vazifedust et al., 2012) ,(Skaates & Seppanen, 2002) (Almotairi, 2009) ,(Chen & Propovich, 2003) ,(Loria & Obeng, 2005) ,(finegann & Curri, 2010) ,(Mohebi et al, 2012.(Culture
)Arab et al., 2010) ,(Ijaz, 2005) ,(,(Lindgreen et al., 2006) (Chen & Popovich, 2003) ,(Woodcock, Stone & Foss, 2003) ,(Chen, 2001) ,(Chang, 2001 ,()Ahmed, 2005) ,(Tohidi, 2012) ,(Reynold, 2002) ,(Bolton, 2004 (Technology
)Currie, 2010 & Finnegan) ,(Almotairi, 2009) ,(kavosh et al, 2008) ,(kavosh et al, 2008) ,(Mankoff, 2006) ,(Tellefsen & Thomas, 2005) ,(Richards & Jones, 2008) ,(Woodcock, Stone & Foss, 2003) ,(Safavi Mirmahalleh et al, 2012 ,()Lindgreen et al., 2006) ,(Moreno & Melendz, 2011.(People
)Loria & Obeng, 2005) ,(Brown & Gulycz, 2002) ,(Woodcock, Stone & Foss, 2003) ,(Chalmeta, 2006) ,(Chang, 2007) ,(Yamaguchi, 2009) ,(Arab et al, 2010 (finegann & Curri,2010).(Process

Process: Process refers to Managing customers interactions with the objective of creating, establishing and maintaining profitable relationships with their in the long time (Abbasi, 2011).

Culture: Culture is the combination of shared history, expectations, unwritten rules and social customs that compel behaviors. Relationship management requires a strategic change from a

product or process-focused culture towards a customer-focused culture (Vazifedust et al., 2012).

Technology: Technology refers to computing capabilities that allow a company to collect, organize, save, and use data about its customer. Nevertheless, IT is an enabler for acquiring and managing valuable data on customers (Arab et al., 2010).

People: People refer to persons that work in a company. Implementing a CRM strategy means involving a wide variety of people – frontline sales, marketing and service providers, business analysts, IT professionals, and a broad array of managers, all of whom must collaborate to ensure that a CRM strategy is well defined, delivered and deployed (Finnegan & Currie, 2010).

Research hypotheses

First hypothesis: Processes impact on CRM strategies.

Second hypothesis: Culture impacts on CRM strategies.

Third hypothesis: People impacts on CRM strategies.

Forth hypothesis: Technology impacts on CRM strategies.

Research Methodology

Research population, sampling, and tools

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. Two researcher-made questionnaires for CRM strategy and CSFs were distributed. This study is a correlation-type and casual modeling techniques such as path analysis and structural equation analysis were used.

Findings

Cronbach's alpha was used to measure the reliability of the questionnaire. The alpha for CRM strategy questionnaire and CSFs questionnaire were 0.894 and 0.891, respectively. These amounts are higher than 0.7, indicating appropriate reliability of the questionnaires.

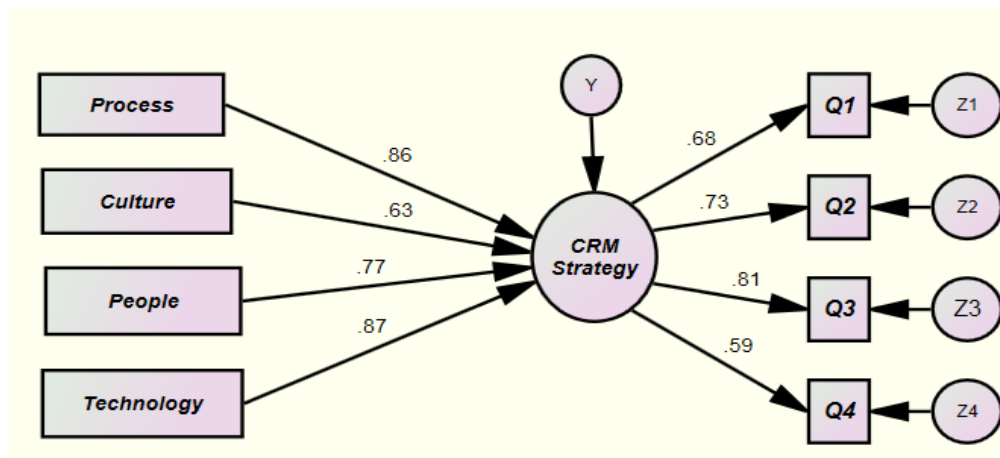
Confirmatory Factor Model Test

The form validity of questionnaires was confirmed by 15 experts and professors. After distributing questionnaires and collecting data, all observed variables were tested separately in order to test content validity of questionnaire and determine how acceptable indicators are to evaluate variables. The overall fit indices for the measurement models (confirmatory factor analysis) are shown the following table.

Table 2. Confirmatory factor analysis of Measurement model

Variable	X2/df	RMSEA	IFI	NFI	CFI	GFI
CRM strategy	1.179	0.002	0.879	0.81	0.864	0.819
Processes	2.32	0.001	0.907	0.932	0.926	0.9
Culture	2.01	0.008	0.809	0.742	0.828	0.893
People	2.56	0.003	0.847	0.943	0.894	0.905
Technology	1.87	0.01	0.853	0.876	0.822	0.834

Describing the amounts, it is necessary to mention that if fitting parameters index (df/X^2) is between 1 and 3, the model will be more confirmed. The smaller RMSEA index than 0.1, the more efficient model we have. Other indices are GFI, IFI, NFI, and CFI which are between zero and one; the closer to one they are, the more efficient would be the model (Ghasemi, 1389). Fitted indices values in the table above shows that measurement model in research conceptual model are confirmed. In other words, measurement indicators of observed variables (questions) have been acceptably assessed research variables-CRM strategy, process, culture, people and technology. After confirming the reliability of the measurement model, the research model and research hypotheses were addressed to test.



Two partial indicators of critical values CR and P were used for hypotheses and significance test. Based on significance level of 0.05, critical value must be greater than 1.96. Parameters with less value than 1.96 are not considered as important in the model. The P values smaller than 0.05 indicates significant difference for the regression weights with zero value at the 0.95 level. To test research hypotheses, structural equation with AMOS 18 software is used which output is as follows:

Table 3 - The conceptual model

RMSE	GFI	CMIN/DF	P	CIMN	DF
0/03	60/9	1/56	0/006	24/84	15

According to the above table, it can be concluded that the model fitted very well. Research hypotheses are investigated considering to the results of the model analysis. Results are presented in Table 4.

Table 4 - Regression coefficients and partial indicators values related to hypotheses

Hypothesis	P	Critical Value	Regression Coefficients	Result
Processes impact on CRM strategies.	0/005	3/32	0/86	Confirmed
Culture impacts on CRM strategies.	0/003	2/19	0/63	Confirmed
People impacts on CRM strategies.	0/001	2/09	0/77	Confirmed
Strategy impacts on CRM strategies.	0/005	2/52	0/87	Confirmed

So, it can be said with 0.95 confidence level that people, processes, technology, and culture have a positive significant impact on CRM strategies.

Discussion and conclusions

Results of the study explain critical success factors for CRM under four concepts of process, culture, technology, and people. In other words, positive significant relationship was obtained between these factors and CRM strategy. Findings of this study align with results in Khanlari (2006), Mohebi et al. (2012), Arab et al. (2010), and Finnegan & Currie (2010). Therefore, managers of companies are suggested to focus on these four affecting factors, in order to successfully implement CRM strategies. To do this, companies need to develop and improve processes such as quality of service and products, integration of organizational processes, targeting the customers, welcoming customers, knowing customer, and customer development. By creating a customer-focused culture, change adaptability, collaboration, and learning culture, companies can provide required cultural contexts to improve CRM strategy. They can also prepare their workforce to be successful in applying CRM strategy by designing appropriate reward systems, hiring empowered employees, increasing employee satisfaction, and educating them. In order to develop technology factor and ultimately successful CRM strategy, following suggestions seem to be useful: using software systems for routine and operative customer relationships, using special tools such as Data Mining and Data Warehouse to analyze customer information, designing CRM-oriented websites, formation of virtual communities, data standardization, generating different models for different applications,

appropriately managing database, providing information security associated with customers, and providing integrated, consistent, reliable, and comprehensive consumer information.

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