

Strategic Customer Relationship Management (CRM) of Professional Service Enterprises

Pugdee Manaves

Graduate School of Management, Stamford International University, Bangkok 10250 Thailand

E-mail: pugdee@stamford.edu

Abstract

The research attempts to develop the Strategic Customer Relationship Management (CRM) by propose a management tools for the success of CRM implementation in the Professional Service Enterprises or Knowledge Intensive Services (KIBS). The current competitive challenges induced by globalization and advances in the information technology have forced enterprises to work harder to manage customer relationships, and in particular customer satisfaction in order to acquire and retain long term customers. The successful Strategic CRM requires the enterprises to fulfill the Critical Success Factors (CSFs). The CSFs will be derived from enterprises focused on Knowledge Intensive Services (KIBS) in Thailand, which have implemented CRM. The initial results will be developed the proposed baseline CSFs Taxonomy, and then The Analytical Hierarchy Process (AHP), and the Sand Cone model is used to validate to set the priority of the CSFs, and then the final CSFs Taxonomy is developed from the initial base CSFs Taxonomy with the results from the validation. Experts' comments have been used as a major input for this particular validation process. For this study, the initial results will be validated and seek for the contributions of the CSFs Taxonomy to the related management concepts. There include Knowledge Management (KM), Strategic Leadership, and Strategic Management.

The finding from the experiment shows that the taxonomy is perfectly useful for the executives to improve their CRM performance, helps them to establish

CRM strategy, build the companies' Strategy Map, and transfer knowledge and experience to newly promoted or second generation executives smoothly and most likely to speed up to the mature stage. In addition, the taxonomy contributes the Knowledge Management (KM), Strategic Leadership, and Strategic Management.

Keywords: Customer Relationship Management (CRM), Critical Success Factors (CSFs), Performance Management, and Strategic Management.

1. Introduction

The globalization and the advanced information technology forced the ways of doing business to become more dynamics, and customer concentric. The successful enterprises are turning to Customer Relationship Management (CRM) solutions to drive revenue growth, productivity, and customer satisfaction. CRM is a comprehensive business and marketing strategy that integrates technology, process, and all business activities around the customers (Anton, 1996, Anton and Hoeck, 2002). The marketing model is changing from the product-centered stage to the customer-centered stage. Customers are demanding a different relationship with suppliers than the traditional sales model. The new database technologies enable people get the knowledge of who the customers are, what they bought and when they bought, and even predictions based on the historical behavior. The ability to understand and manage a close relationship with the customer is central to delivering these business goals. CRM helps deliver customer centric relationships. Successful companies in the future will use

customer information wisely to build relationship with their customers, on the level that the customer wants and will work towards developing a long-term relationship through retaining customers by delivering delighted customers (Xu et al., 2002).

2. Problem Statement

The professional service enterprises or the knowledge intensive services (KIBS) are among the fastest growing sectors of economy in all Western countries and similarly in Thailand. KIBS firms are expert companies that provide services to other companies and organizations. Typical KIBS industries are IT services, R&D services, technical consultancy, legal, financial and management consultancy and marketing communications. Besides their growth, KIBS have aroused interest as an essential part of the knowledge and innovation infrastructure of national and regional economies. By nature the knowledge-intensive business services (KIBS) are consultative and usually highly customized. In these services it is common to end up in unique situations where the solutions must be highly based on customer needs. (Toivonen, 2004). Based on the initial observations, one of the most difficult tasks during the firm's transitional period when there is a change at the high managerial position is a lack of knowledge transfer on CRM that new managers should be used when monitoring and evaluating the CRM performance level of an organization. They likely have to base their decisions on past experience. Sometimes, their intuition represents the source for their decisions, instead of using information from performance measurement. It is the great challenge for the small and medium firms when the founding members retire and their children have to assume control of business management. To ensure this smooth transition (as part

of knowledge management experience and skills within an organization), there is a need to develop a top management taxonomy that contains a specific set of CSFs with supports strategic CRM. It is therefore important that the experience on specific information and its CSFs facing top management's decision-making be recorded and shared. Without the CSFs Taxonomy of CRM, several practical problems may arise. For the new executives, they may a long time to settle in with the position (although they may face immediate problems). However, quality decisions require quality information. A lack of the continuation and synergy in decision-making may also take place.

3. Research Objective

The overall objective of this research to capture the knowledge of the Strategic Customer Relationship Management (CRM) of the SMEs/KIBS in Thailand, which focus on the Critical Success Factors (CSFs) that support Strategic CRM. According to Chu (1995), Critical Success Factors are the limited number of areas in which satisfactory results will ensure successful performance and poor results will spell trouble for the organization.

4. Research Methodology

This research aims to capture the knowledge of experienced executives to help the SMEs and KIBS organizations craft and implement the CRM successfully. It is to develop and propose the baseline CSFs Taxonomy to be used as a decision-making or management tool.

At the transition during changes at the top or high level management, the newly or young promoted executives face the specific business circumstances, they need to monitor the Organizations' CRM performance by monitoring the CSFs. The knowledge of the top

management are captured within the context of their experience on what CSFs, they monitor the affects to the CRM. This captured knowledge is developed into the baseline CSFs (the set of CSFs should be used to help monitor and evaluate that likely impact the CRM performance level). Final CSFs is further development by using the results of experts' opinions on the CSFs priorities, and its importance. Then, the final CSFs is analyzed, which includes, (1) comparisons of the relevance of the CRM (2) analysis on CSFs , and (3) the CSFs to ensure the CSFs proportions of the selected organizations are the appropriate for them to monitor their CRM performance. Finally, the validation works are conducted, which includes, (1) participating executives' opinions on the relevance and suitability, (2) experts' opinions on the usefulness, (3) success predictability.

5. Results and Discussion

5.1 Baseline or initial taxonomy development

The initial work involved the identification of CSFs. The top management, 9 executives, from these 9 companies were informed about the objectives of this research and agreed to provide inputs of CSFs based on their previous experience and current customer relationship management (CRM) programs have been implementing at their organizations. Subsequently, common or general CSFs would be derived. A total of 60 CSFs were initially identified and later categorized into four focused areas — 9 CSFs for each strategy CSFs, people CSFs, process CSFs, and technology CSFs respectively.

The initial Taxonomy of the Critical Success Factors (CSFs) of CRM of baseline development is shown in tables 1.

Table 1 The baseline Taxonomy of the CSFs of CRM from the 9 executives' interview

Focused Areas	Subjects
1. Strategy	CSF 01. Strategic Vision and Mission CSF 02. Business Strategy CSF 03. Operational Strategy CSF 04. Strategic Goals and Objectives CSF 05. Strategic Management Process CSF 06. Degree of Customer Segmentation CSF 07. Customer Buying Trend Analysis CSF 08. Resource Allocation CSF 09. Performance Management System
2. People	CSF 10. Corporate Culture CSF 11. Leadership Involvement and Support CSF 12. Human Resource Development CSF 13. Performance Appraisal and Reward Systems CSF 14. CRM Training Program CSF 15. Employee Retention CSF 16. Employee Motivation CSF 17. Staff Alignment CSF 18. Teamwork
3. Process	CSF 19. Operational Management Process CSF 20. Customer Management Process CSF 21. Innovation Management Process CSF 22. Regulatory and Social Management Process CSF 23. Marketing Management Process CSF 24. Sales Management Process CSF 25. Call Center Process CSF 26. Finance and Accounting Management Process CSF 27. Problem Solving Process
4. Technology	CSF 28. Data Warehouse Technology CSF 29. Enterprise Resource Planning (ERP) Systems CSF 30. Electronic CRM or eCRM CSF 31. Customer Support and Service (CSS) CSF 32. Sales Force Automation (SFA) CSF 33. Enterprise Marketing Automation (EMA) CSF 34. CRM Software CSF 35. E-Commerce CSF 36. Internet/Intranet

5.2 The Priority of the CSFs of CRM using the Analytical Hierarchy Process (AHP) and Sand Cone model

To further prioritize the initial results of each CSFs category into different levels of critical factor importance, the Analytical Hierarchy Process (AHP) was applied. See Saaty (2001) for more details. The portrayed format adapted the Sand Cone model (Takala, 2002). The interviews were conducted with the same group of nine executives. Given the current situations and their past experiences, the following conclusions can be stated. For

the strategy CSFs point of view, the three most important CSFs are: (1) Strategic Vision and Mission, (2) Strategic Goals and Objectives, and (3) Strategic Management Process. The people CSFs point of view, the three most important CSFs are: (1) Corporate Culture, (2) Leadership Involvement and Support, and (3) Teamwork. The process CSFs point of view, the three most important CSFs are: (1) Innovation Management Process, (2) Customer Management Process, and (3) Marketing Management Process., and for the technology CSFs point of view, the three most important CSFs are: (1) Enterprise Resource Planning (ERP) Systems, (2) Customer Support and Service (CSS), and (3) Data Warehouse Technology. The reliability of the experiment is in the consistency ratio are 2.7%, 3.0%, 2.7%, and 3.6% respectively, according to Saaty (2001) a consistency ratio of less than 20% is considered acceptable while a consistency ratio of less than 5% is perceived as a good consistency, so the result shows reliability. The implementation index (IMPL) is basically derived by dividing standard deviation by the priority of that characteristic (Takala, 2002). The lower the index is, the higher the reliability of the priority of that characteristic is. According to Takala (2003), IMPL of value lower than 1 and 2 are considered very good and acceptable respectively. None of the consolidated IMPL exceeds the value of 1. The results of this part of the experiment can therefore be considered reliable. The reliability can also be validated by determining the slope of the relationship between IMPL and the priorities. A negative slope implies the reliability of the study (Takala, 2003). In other words, an attribute with a high priority should have a low IMPL. Figure 1, 2, 3, and 4 below illustrate the examples of relationships between the IMPL and priorities of each of the attributes. The detailed AHP calculation and the relationship between

the IMPL and priorities have a negative slope with a value from -0.367 to -13.523. The relationship can be considered highly reliable.

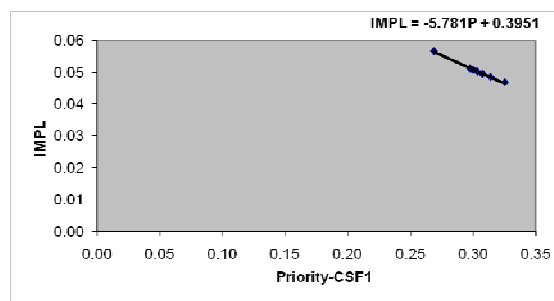


Figure 1 Relationship between priority and the Strategy CSFs (CSF 1)

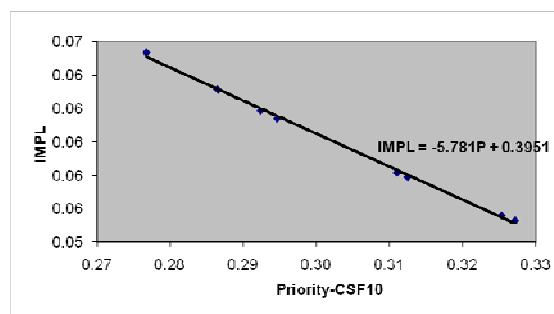


Figure 2 Relationship between priority and People CSFs (CSF 10)

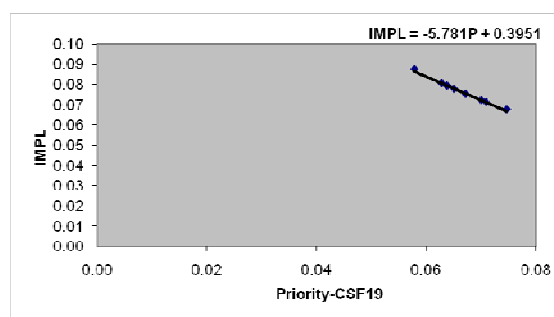


Figure 3 Relationship between priority and Process CSFs (CSF 19)

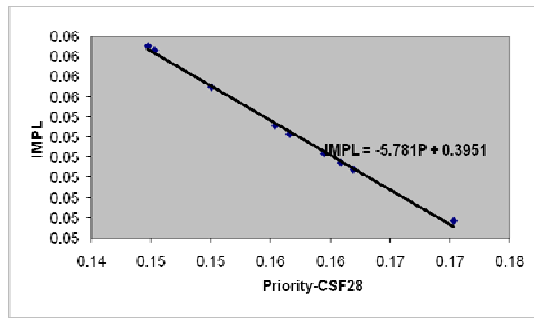


Figure 4 Relationship between priority and Technology CSFs (CSF 28)

The priority of the critical success factors (CSFs) is defined as the factor is important of Customer Relationship Management (CRM), and the organizations must monitor very closely. In term of the relationship between the CSFs and the importance can be described as the more critical CSFs, and the more important CSFs. The priority of the CSFs can be categorized by its importance into 3 groups including 1) Highly important (Highly critical) 2) Moderately important (Moderately critical), and 3) Generally important (Less critical).

The highly important is a group of Strategy CSFs which is highly critical, which consists of CSF1) Strategic Vision and Mission, CSF4) Strategic Goals and Objectives, and CSF5) Strategic Management Process. The priorities are relatively high compared to those of others (i.e., >15%). The companies should monitor it closely in order to cope with rapidly changing circumstances.

The moderately important is a group of Strategy CSFs which is moderately critical, which consists of CSF8) Resource Allocation, CSF9) Performance Management System, and CSF6) Degree of Customer Segmentation. The priority is between 6% and 9%. The companies should monitor it periodically to align with highly important and less important.

The highly important is a group of People CSFs which is highly critical, which consists of CSF10)

Corporate Culture, CSF11) Leadership Involvement and Support, and CSF8) Teamwork. The priorities are relatively high compared to those of others (i.e., >13%). The companies should monitor it closely in order to cope with rapidly changing circumstances.

The moderately important is a group of People CSFs which is moderately critical, which consists of CSF12) Human Resource Development, CSF17) Staff Alignment, and CSF14) CRM Training Program. The priority is between 7% and 11%. The companies should monitor it periodically to align with highly important and less important.

The generally important is a group of People CSFs, which is less critical, which consists of CSF13) Performance Appraisal and Reward Systems, CSF16) Employee Motivation, and CSF15) Employee Retention. The priority is less than 6%. It is considered to be the foundation of the CRM, which the companies should review for long term strategic purposes.

The highly important is a group of Process CSFs which is highly critical, which consists of CSF21) Innovation Management Process, CSF20) Customer Management Process, and CSF23) Marketing Management Process. The priorities are relatively high compared to those of others (i.e., >15%). The companies should monitor it closely in order to cope with rapidly changing circumstances.

The moderately important is a group of Process CSFs which is moderately critical, which consists of CSF24) Sales Management Process, CSF27) Problem Solving Process, and CSF19) Operational Management Process. The priority is between 7% and 11%. The companies should monitor it periodically to align with highly important and less important.

The generally important is a group of Process CSFs, which is less critical, which consists of CSF22)

Regulatory and Social Management Process, CSF25) Call Center Process, and CSF26) Finance and Accounting Management Process. The priority is less than 6%. It is considered to be the foundation of the CRM, which the companies should review for long term strategic purposes.

The highly important is a group of Technology CSFs which is highly critical, which consists of CSF29) Enterprise Resource Planning (ERP) Systems, CSF31) Customer Support and Service (CSS), and CSF28) Data Warehouse Technology. The priorities are relatively high compared to those of others (i.e., >15%). The companies should monitor it closely in order to cope with rapidly changing circumstances.

The moderately important is a group of Technology CSFs which is moderately critical, which consists of CSF30) Electronic CRM or eCRM, CSF33) Enterprise marketing Automation (EMA), and CSF32) Sales Force Automation (SFA) The priority is between 5% and 10%. The companies should monitor it periodically to align with highly important and less important.

The generally important is a group of Technology CSFs, which is less critical, which consists of CSF36) Internet/Intranet, CSF35) E-Commerce, and CSF34) CRM Software. The priority is less than 6%. It is considered to be the foundation of the CRM, which the companies should review for long term strategic purposes.

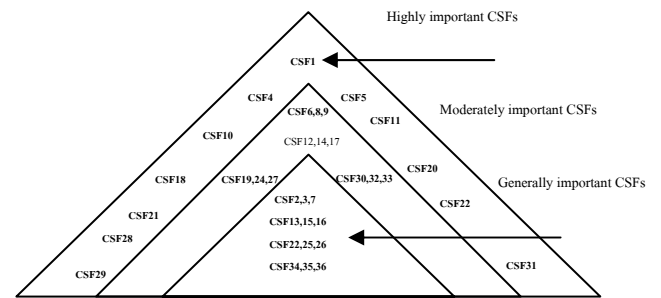


Figure 5 Sand Cone model for CSFs priority of CRM

It is important to note that Sand Cone model from figure 5, the most important KPIs are at the outside layer, and it is because the most important KPIs must be most visible, so it is must be at the outside layer. (Based on the Sand Cone model concept).

5.3 Validation of the proposed final baseline taxonomy

In this phase, the proposed baseline taxonomy is validated by the interview of 9 executives from 9 companies on their acceptability of the proposed baseline taxonomy to their Customer Relationship Management (CRM) system. The initial results were perceived to be relevant and suitable by the same group of nine executives.

With respect to an attempt to verify and accept the proposed taxonomy, the initial results were perceived to be relevant and suitable by the same group of nine executives when the follow-up discussion was conducted. The proposed baseline taxonomy was thought to be useful as a guideline to improve information requirements, and as objective evidence for transferring experience to new managers. From a scale of 1- 5, the score averages were in the range of 4.11 to 4.56. The corresponding standard deviation values were between 0.33 and 0.53. This reflected high consistency. For the second verification task, the group of nine invited experts generally

considered the proposed taxonomy to be useful in enhancing the knowledge management effort as well as benefiting the issues relating to strategic management (e.g., a strategy map for planning). Within the context of its integration ability into knowledge and strategic leadership management activities, the proposed baseline taxonomy received overall scores in the range of 4.11 to 4.78 for a scale of 1-5, with the corresponding standard deviation values of 0.33 to 0.53— implying high consistency among their opinions and evaluation.

Finally, the third task is to validate the monitored CSFs to ensure the CSFs of CRM of the 9 companies are appropriated CSFs for them to monitor their CRM performance. For this verification task, there are two key external implications selected: (1) customer satisfaction index (2) years of top ten customers' retention. The main reason to select these two key external impacts is because if the nine companies have the proper monitored CSFs proportions, they should manage their CRM performance competitively, and achieve the results better than the average industry's performance, and should be able to satisfy their customers, and retain these loyal sustainable customers, which the more successful the companies satisfied their customers, the longer years of customer retention periods

Table 2: Top ten customers' retention periods

Companies	Average years of being customers
Company#1	13
Company#2	15
Company#3	13
Company#4	14
Company#5	17
Company#6	15
Company#7	14
Company#8	16
Company#9	14

Table 3: Results of the customer satisfaction index versus industry average

Companies	Customer satisfaction index (%)	Average customer satisfaction index (%)	Customer satisfaction index above industry average (%)
Company#1	88%	80%	8%
Company#2	85%	80%	5%
Company#3	90%	85%	5%
Company#4	91%	83%	8%
Company#5	90%	80%	10%
Company#6	89%	80%	9%
Company#7	94%	80%	14%
Company#8	87%	80%	7%
Company#9	92%	80%	12%

Table 2 indicates that the average top ten customers' retention periods are 13 years, 15 years, 13 years , 13 years , 13 years , 13 years , 13 years , and 13 years of company#1, company#2, company#3, company#4, company#5, company#6 company#7, company#8, and company#9 respectively, and table 3 shows that all nine companies' customer satisfaction index is higher than the industries' customer satisfaction index. These results prove that the three companies achieve CRM performance better than their competitors, and the industries, which reflects that their monitored CSFs proportion of each focused area is proven to be acceptable and applicable. In conclusion, these CSFs proportions may be suitable for these particular types of business, size, or industries, the companies operate in different size or different industries may have to adapt the CSFs proportion which is most suitable for them.

6. Research Limitations

There are several limitations on the proposed baseline taxonomy. First of all, this taxonomy is based on the experiments with only 9 companies. Their size is

considered to be medium with high competition. They can also be considered as knowledge intensive services (KIBS) firms. The background of top managers or executives who volunteered for this study may influence the research findings. Since they assume the roles of both top managers as well as major shareholders. Their educational background and experience in the areas of professionals of sales, marketing, finance, engineering accounting, and operation management may also influences the results.

The firms that operate in different environment may not be able to adapt the research results entirely, in both the circumstances and their corresponding sets of CSFs. The manufacturing firms may rely on other CSFs such as the product quality factors. The firms with considerable high control over the market (i.e., the supply side) may not need to pay a lot of attention on CSFs of CRM. The large firms with a clearer separation between shareholders and managing directors may prefer a different set of CSFs. Definitely, the administrators for public agencies cannot simply adopt the taxonomy in its entire form. Finally, this study has not verified the important priority ranking of CSFs embedded in each focused areas.

7. Conclusion

The taxonomy is proved to be very useful for the executives as a baseline or a guideline to help monitor the CRM performance levels of the firm. The initial reaction and feedback from the executives who had participated in this study were generally positive. The reason is that this taxonomy is based on their actual requests; therefore, it represents the transfer of their experience into firm's records. Newly promoted or hired executives can use this guideline as a basis for the information needed to help make quality decisions. This

proposed taxonomy should not be as an absolute rule but be integrated into a management process as a complimentary component to help newly hired or promoted executives adjust themselves into their new responsibility (under extremely complex environment), and create a management tool for quality decisions. In addition, this taxonomy may be used to demonstrate the capability and maturity of an organization. Finally, there will be additional research work in the areas of limitations discussed previously. This is necessary to help verify the usefulness of the proposed baseline taxonomy.

References

- [1] Abbot, J., Stone, M., and Buttle, F. 2003. Customer Relationship Management in Practice: a qualitative study. *Journal of Database Marketing*, 9(1): 24-34.
- [2] Anton, J. 1996. *Customer Relationship Management*. Prentice-Hall, NY.
- [3] Anton, J. and Hoeck, M. 2002. *e-Business Customer Service*. The Anton Press, CA.
- [4] Awad, E.M. and H.M., Ghaziri. 2004. *Knowledge Management*. Pearson Prentice Hall, NJ.
- [5] Battista, P. and Verhum, D. 2000. *Customer Relationship Management: The promise and the reality*. *CMA Management*, 74(4): 34-77
- [6] Beasty, C. 2006. How Sales Teams Should Use CRM: destination CRM Features, available at: www.destinationcrm.com.
- [7] Carrión, G., J., González, and A., Leal. 2004. Identifying key knowledge area in the professional services industry: a case study. *Journal of Knowledge Management*. 8(6): 131-150.
- [8] Chu, P.C. 1995. Conceiving strategic systems. *Journal of Systems Management*, 46(4): 36-43.
- [9] Bogan, C.E. and English, M.J. 1994. *Benchmarking for Best Practice*. McGraw Hill, NY.

- [10] Ghobadian, A. and D., Gallear. 1996. Total quality management in SMEs. *OMEGA*, 24(1): 83-100.
- [11] Gunasekaran, A., L., Forker, and B., Kobu. 2000. Improving operations performance in small company. *International Journal of Operations & Production Management*, 20 (3): 316-335.
- [12] Hahnke, J. 2001. The Critical Phase of the CRM Lifecycle: Without CRM analytics, your customer won't even know you're there. www.hyperion.com.
- [13] Harper, J. 1984. *Measuring Business Performance*. Grower Publishing Company, Brookfield.
- [14] Jutla, D., Craig, J., and J., and Bodorik, P. 2001. Enabling and Measuring Electronic Customer Relationship Management Readiness. *Proceedings of the 34th Hawaii International Conferences on System Sciences*.
- [15] Kaplan, R.S. and D.P., Norton. 1996. *The Balance Scorecard: Translating Strategy into Action*. Harvard Business School Press.
- [16] Lussier, R.N. and C.F., Achua. 2004. *Leadership Theory Application Skill Development*. 2nd ed. South-Western, Thomson, OH.
- [17] Madura J. 2004. *Introduction to Business*. 3rd ed. South-Western, Thomson, OH.
- [18] Nonaka, I. 1995. The Knowledge-creating Company. *Harvard Business Review*, 69(6): 96-104.
- [19] Nonaka, I. and H., Takeuchi. 1995. *The Knowledge-creating Company*. Oxford University Press, NY.
- [20] Peppers, D., Rogers, M., and Dorf, B. 1999. Is Your Company Ready for One-On-One Marketing. *Harvard Business Review*. 77(1):151-160.
- [21] Rockart, J.F. 1979. Chief Executives Define Their Own Data Needs. *Harvard Business Review*. 57(2): 81
- [22] Sink, D.S. 1985. *Productivity Management: Planning, Measurement and Evaluation, Control and Improvement*. John Wiley & Sons, NY.
- [23] Sink, D.S. and T., Tuttle. 1989. *Organization of the Future*. IIE Press.
- [24] Takala, J and O., Huhtala. 2003. Developing a Model for Competitive Outsourced Payroll Administration by Comparative Benchmarking Experiences from other Industries. n.p.
- [25] The Family Firm Institute of Boston 2004. The family firm statistics. *The Family Firm Business Review*. <http://ffi.org/fbr>, March 15, 2005.
- [26] Thompson, A.A., A.J., Strickland III, and J.E., Gamble. 2007. *Crafting and Executing Strategy, the Quest for Competitive Advantage, Concept and Cases*. 15th ed. McGraw-Hill Irwin, NY.
- [27] Toivonen, M. 2004. *Expertise as Business. Long-term Development and Future Prospects of Knowledge-Intensive Business Services (KIBS)*, Espoo: Helsinki University of Technology.
- [28] U.S. Small Business Admission 1991. *U.S. Small Business Statistics. Small Business Review*. <http://sba.gov>, March 15, 2005.
- [29] Yin, R.K. 2003. *Case Study Research Design and Methods*. 3rd ed. Sage Publications, London.
- [30] Yurong Xu, David C. Yen, Binshan Lin, and David C. Chou. 2002. Adopting Customer Relationship Management Technology. *Industrial Management and Data Systems*. 102(8): 442-452.