

The study of Internal readiness for CRM in Mellat Bank of Iran

Azadeh Pezhman¹, Masood Keymasi², Mahdi Shirmohamadi³

Business management M.A (International Marketing Major)

²Management P.H.D (Policy Making major)

³Management P.H.D (Systems Major)

ABSTRACT

Fulfilling customer relationship management project is risky and unreliable, so it is necessary to reduce the risks through appropriate planning. To do so, the existing customer relationship management situation should be considered so that the right path to goal achievement can be defined. In this study, we consider the main factors related to organization internal readiness in customer relationship management execution. Then these factors are observed through an inquiry among 184 experts in customer relationship management field in Mellat Bank general administration in Tehran and their readiness is evaluated. The theories are examined through T-student method and the factors are examined and prioritized through FRIEDMAN test method. The results of T-student method showed that Mellat bank is properly ready in all fields except “senior manager's support”. Also, FRIEDMAN test method results showed the factor “employers” has the highest priority and “senior manager's support” has the least priority. Regarding the results some suggestions are made to improve the readiness and organization weaknesses.

KEY WORDS: customer relationship management (CRM), readiness evaluation

1.INTRODUCTION

In modern trade world the customer relationship conception is emphasized. While long time ago customer service was not considered as one of the priorities, these days customers are considered as the core of other activities and selling and marketing strategies are reformed based on this factor. Recently, customer's requirements and purchasing behavior pattern has remarkably changed. To supply these requirements and grant competitive advantages, companies choose distinctive customer oriented marketing strategies. Customer relationship management” is one of these strategies in which different information technologies are used to analyze customer data to have a better customer relationship management (eunju, 2008).

Customer relationship improvement can lead to customer maintaining, loyalty and more benefit. In service business like banks, transportation system, medical care, insurance, hotels and etc customer relationship management is more vital. That's because in this process the customer is part of the service and the applied strategies should be personalized for each customer. The banks life depends on its customers so community expects the banking system to try to absorb deposits and invest them in profitable projects which leads to the bank and credit agencies. The banking system also should grow along with community and economic growth to provide customer's needs and expectations and stay in line with community requirements. In banking system, customers are the main factors and everything is done to satisfy and absorb them. So, in competitive system among the banks, those banks which succeed to absorb more loyal customers are more successful. On the other hand, regarding customers sensitivity to bank services, they always want to receive the most desirable service.

Banks should essentially know their customers well and set up a reliable relation with customers (particularly, in financial service because it is a complex relation regarding loyalty, commitment and cooperation among the customer and the banking firms (Tyler and Stanley, 1999). Studies have shown that banks with proper CRM maintain great competitions in the market (Bennet and Durkin, 2002). For example, a study on banking industry in United States have shown that banks which developed customer oriented strategies gained more interests (Lamparello, 2000).

In our country, also, during recent years customer oriented strategies and CRM has been focused among bank firms and organizations. This fact led us to explain CRM execution ways in Mellat bank and evaluate this bank in fulfilling this task.

***Corresponding Author:** Azadeh Pezhman, Business management M.A (International Marketing Major);
azadeh_pezhman@yahoo.com

2.A REVIEW OF PAST STUDIES

CRM precedes to early human civilizations. When Mesopotamian people learned agriculture and could produce crops more than their needs, they decided to trade their extra products. Early merchants used to write their accounts, which crop is sold to a particular customer, time and amount of the sold product on clay slates. So, CRM was born in ancient commercial world and has been expanded with different titles till 20th century (Moetameni and his colleagues, 1389).

In 1973 Peter Dracare claimed the only purpose of a business is customer creation. But since 1990 when Dowkin and Racheld reported 5 percent increase in customer maintaining rate leads to 25 to 95 percent increase in current net value of customer in business, maintaining the customers has remarkably taken into consideration. This topic has been subject of many studies and many researchers have tried to test and confirm this idea. Because of the above mentioned reasons, interests in customer relationship management theory has grown (Ngai, 2005).

Ocker and Mudambi represented a theory which contained 9 groups from intellectual, social and technological point of view (Ocker and Mudambi;2002).in this model, Intellectual aspect includes: strategic groups, structure and planning; social aspect includes: cultural groups, interested parties relation and work area knowledge and at last technological aspect includes: applied customer relationship management plan groups, technological capabilities and knowledge management.

In his research on banking industry in Switzerland banks, Zinedlin showed banks relation with customers should be based on values beyond product oriented relations. To establish such a relation some other factors should be considered an rather than product oriented strategies. The fundamental factors are realizing the quality, measurements and quality control. Measurement and quality control are important efforts to guarantee providing the customer with his known needs. The key techniques for creating competitive atmosphere through CRM are service quality and distinction (Zinedlin,2005).

In his studies about CRM implementation evaluation in advanced countries, M.Almotairi introduced a framework for CRM implementation. In this framework for CRM components (human factors, business process factors and technological factors), implementation phases (great management commitment, CRM t strategy, readiness evaluation) and management success factors (great management commitment, CRM strategy, data management, culture change, reengineering processes, management and integration of information technology systems, trained and motivated employees, customer partnership, feedback control and observation, internal integration of the organization) are mentioned(M.Almotairi,2010).

3.RESEARCH METHOD

Researches about different sciences are divided into different types based on the purpose and the method of research. This research is Descriptive and Survey“ regarding data collecting method. Descriptive research includes methods which aim to describe considered conditions or phenomenon. Doing a descriptive research may be only for better knowing current condition or strengthening decision making process (Sarmad and colleagues, 1385). Descriptive research includes collecting data for testing theory or answering questions of under studying topic (Khaki and colleagues, 1384).

This research, also, is field research because the data is collected in statistical universe using inquiries and collected documents.

4.statistical universe and sample size

The statistical universe of this research includes: managers, experts and related units to CRM in Mellat bank. These managers and experts are working in market development general offices, information technology, electronic banking, research and planning center and method improvement organization and they are involved in CRM. According to the reviews and based on statistics and information of “employees management office”, 381 people are working in these units. Sample size for a universe of 381 people is calculated for 190 people using KOKARAN formula. Therefore, 250 enquiries are sent and 184 of them had returned.

5.conceptual research model

in this study, to get the best result, theoretical views and represented models related to the topic of the study are examined and then a model is represented which considers Mellat bank current condition in CRM execution. In fact, represented model in figure 1 shows different aspects of the study. In research model effective factors in CRM execution includes: strategy, senior manager support, culture, structure, employees, process and technology.

Note: in table1 in addition to the points mentioned before, other experts point of view who consider these factors effective in readiness evaluation is also mentioned. So this table has a more complete reference.

Table1:effective factors in readiness of Mellat bank in customer relationship management execution

Factor	Researchers who considered this factor
Senior manager support	Sherif and newby,2007;Chalmeta,2006;Almotairi,2010;Silva and Rahimi,2007;Ranjan and Bhatnagar,2008
Strategy	Sherif and newby,2007;Chalmeta,2006; Gartner2001;TGO consulting Inc; CGI Group Inc,Rigbey et al,2002;Chen and Popovich,2003;Reynolds,2002;Gartner,2001;Wilson et al,2002;Almotairi,2010
Culture	Chalmeta,2006;King and Burgess,2007;Christopher et al,1991;Gartner,2001;Reynolds,2002;Deshpande and Webster,1989;Ryals and Knox,2001;Chen and Popovich,2003;Gartner,2001;Meta Group,1998;Deshpande et al,1993;Almotairi,2010
Structure	Kale,2004;Forsyth,2001;Gartner,2001;Wilson et al,2002;Reynolds,2002;Chen and Popovich,2003;Silva and Rahimi,2007;Ryals and Knox,2001
Technology	Almotairi,2010;Gartner2001;Reynolds,2002;Imhoff,2002;Loria Obeng,2005;Ryals and Knox,2001;Horne,2003
Process	Rigby et al,2002;Winer,2001;Loria and Obeng,2005;Horne,2003;Chen and Popovich,2003;Ryals and Knox,2001;Reynolds,2002
Employees	Gartner,2001;Wilson et al,2002;Meta Group,1998;Clark and Payne,1995;Ryals and Knox,2001;Galbreath and Rogers,1999;Ryals and Knox,2001;Imhoff,2002;Lin and Shao,1999

1-5.strategy

The failure risk will be increased, if the organization does not have specific strategy before CRM execution. CRM requires defining profitable customers and categorizing them based on their values. Then specific needs and proper cooperation strategies between the customer and organization is defined. In addition to introducing a process for CRM execution, M.L.Roberts and his colleagues developed customer strategy as the first step of the process and mentioned goal setting prerequisites for different customer categories (M.L.Roberts,2005).

2-5.senior manager support

Projects which need re-designing functional process and applying main changes in organization (like CRM project), the senior manager support plays an important role in project success and can reduce staffs resistance against change (A.M. *Corteau*,2003). Many CRM projects fail because of inadequate senior manager support.

Managers awareness of practical and strategic advantages of CRM is not enough and the manager should fulfill the CRM project and put it in action. Mendoza and his colleagues considered inserting CRM in organization strategic plan as one of the managers support and commitment evaluation standards.

3-5.structure

Applying technological aspect of CRM before creating a customer oriented organization is one of the most important failure factors in CRM. The organization which is to fulfill CRM project should focus on main customers (F.H.Yim,2002). The organization structure should be flexible and should be reorganized based on Customer-Centric Value if it is necessary. A proper structure for CRM execution should provide interaction among staffs and facilitate customer centric cooperation among them (H.Wilson,2002).

4-5.technology

Before executing CRM should define requisites and priorities and choose information technology systems based on them. Payne and Frow call information technology as Drive engine of CRM. They say deciding about software, hardware and internal execution of CRM are the fundamental decisions during project implementation (Payne and Frow,2006).

Companies can use technology and create a comprehensive view of their customers to apply previous interactions for optimizing future interactions (Eckerson and Watson,2000). Also, it should be noted that CRM technology plays an important role in customer interaction places (like internet, direct post, selling centers, ...) through integrating among Front Office(like selling) and Back Office (like logistic) (Chen and Popovich,2003). CRM enables companies to take the advantage of data base, data process and interactive technologies (like internet). It also enables them to save customer data and control it, work out the problems considering data and publish the results throughout the organization (Bose and Sugumaran,2003). Such a knowledge is fundamental in CRM (Hirschowitz,2001).

5-5.culture

CRM execution is not possible without changing production oriented culture to customer oriented one. Furthermore, customer oriented culture is necessary for quality promotion and developing customer knowledge which are key concepts in marketing (Conrad et al.,1997). Applying CRM technologies need an organizational culture which is adaptable responsive to changes (Chen and Popovich, 2003). Ryals and Knox consider adaptable

organizational culture as one of the success facilitating factors in CRM projects (Ryals and Knox,2001).also, King and Burgess consider an organizational culture which facilitates information sharing among other members as one of the key factors in success or failure of a CRM project (King and Burgess,2007).

6-5 process

Process is the most important component in CRM project because mechanizing inappropriate business processes in CRM just increase the rate of wrong processes. While many companies have specific business processes toward their customers (like processes which directly confronts customer, purchasing, payment and utilizing company product and service), but most of the time these processes need to be updated or changed (Goldenberg,2002).

CRM is a constant process which needs re-engineering main business processes and processes which have been created based on customers ideas and contain customer feedback (Seybold et al,2001). These processes should be reviewed and redesigned constantly regarding customer and organization acceptability. Optimizing customer relation needs a comprehensive understanding of all customers including profitable or non-profitable and then organizing business processes for personal behavior toward customers based on their needs (Renner,2000).

Observing management process like complaints management and service management are important measures in fulfilling organization purpose and relation improvement. Processes should be created, portrayed and well understood to make improvement possible (Brown and Gulycz,2002;Woodcock al,2003).

7-5 employees

While technology and business processes are key factors in CRM, the human resource of the organization is the block which sets up relation with the customer. They manage business affairs, notify information throughout organization and communicate with customers.

It's necessary to answer all staffs questions and worries about CRM and train them before CRM execution in the organization (R.Chalmeta,2006). CRM can't be effectively executed without considering human resource management factors like staff selection, function evaluation, job explanation and appointment to the positions before starting the project (M.J.Cooper,2008). To keep worthy employees, they should be recognized and rewarded based on their function and behavior (Clark et al,1995;Woodcock et al,2003).

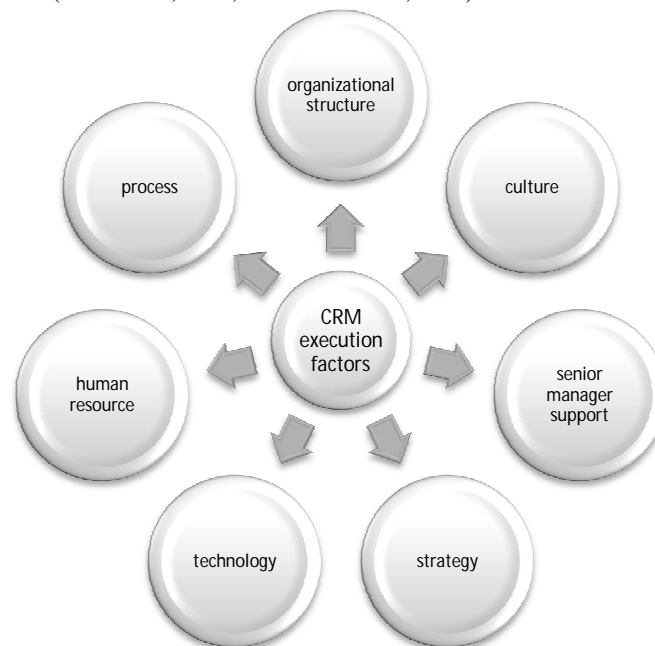


Figure1: conceptual research model

6.research means tests

Consistency is one of the technical aspects of measurement means. This concept considers to what extent measurement means show the same results in the same situation. In this study, Cronbach's alpha is used. This method is used for computing internal coordination of measurement means like enquiries or tests which consider different features. The enquiry coefficient is 0.93.

The creditability factor shows to what extent the measurement mean evaluates specific feature (Sarmad and his colleagues, 1385). The resulted data can't be trusted without knowing the creditability of the mean. Measurement mean can be creditable for measuring a specific feature while is not credible for measuring the same feature in other conditions. creditability ensures us of measurement mean includes enough questions for measuring the under evaluation concept. To evaluate the creditability of the enquiry represented in this study, content creditability is used with the participation of 7 professors and reportersand is conformed with the guiding professor and counselor.

7-DATA ANALYSIS AND CONCLUSION

The main purpose of this study is recognizing effective factors and evaluating organization readiness in CRM execution with the least cost and risk. The purpose of this study is not designing a software for CRM execution.

In this study, the T-student test is used to examine the theories. The statistical results are represented in table 1. In T-student test value is considered 3.5.so, the statistical theory for all of the theories is:

$$\left. \begin{array}{l} H0: \mu \leq 3.5 \\ H1: \mu > 3.5 \end{array} \right\}$$

Table2.the results of statistical theory test using T_Test

Variables	Freedo degree	Test statistics	t	Meaning full considered area	Average difference	Creditability distance 95 percent		Test results
						Upper	Lower	
Structure	183	-3.23	1.96	0.008	0.3614	0.4550	0.2675	Zero supposition Reject
Strategy	183	2.068	1.96	0.002	0.0989	0.1933	0.0046	Zero supposition Reject
Senior manager Support	183	1.298	1.96	0.21	-0.06930	-0.038	-0.1200	Zero supposition Accept
technology	183	-2.32	1.96	0.0043	0.1264	0.2335	0.0192	Zero supposition Reject
employees	183	-2.397	1.96	0.009	0.5924	0.7048	0.4800	Zero supposition Reject
Culture	183	-2.163	1.96	0.012	0.1834	0.2704	0.0965	Zero supposition Reject
Process	183	-2.583	1.96	0.005	0.2957	0.3843	0.2070	Zero supposition Reject

Based on the results of this test, the Mellat bank is not ready enough regarding “ senior manager support” factor.

Also, to prioritize examined factors FRIEDMAN tests is used. Table 3 represents specified scores to considered factors in Mellat bank based on average grade of CRM execution factor FRIEDMAN tests. According to this ranking the highest score is for the employees factor is (2.9076) and other scores include: structure 3.1386, process 3.2043, strategy 3.2089, culture 3.3166, technology 3.3736 and senior manager support 3.4669.

Table3.CRM execution factors ranking

Considered factor	Average of the rank	Rank of the factor
Employees	2.9076	1
Organizational structure	3.1386	2
Process	3.2043	3
Strategy	3.2089	4
Culture	3.3166	5
Technology	3.3736	6
Senior manager support	3.4693	7

8. Suggestions

Regarding results of the theories examination, some suggestions are presented by the researcher to improve Mellat bank readiness for CRM execution.

- ✓ Successful CRM plans have constant purpose balance, defined priorities and proper resources and time tables. An obvious management structure leads to appointing responsibilities, resource dedication and decision making. To do so, one can establish a committee for CRM which includes business and information unit senior managers who are directly members of board of directors. Utilizing this structure, decisions will be well defined and there will be an effective method for needed resource use.
- ✓ Caring about customers complaints can improve organizational processes. Most of the customers do not bother themselves to complaint or sue. Sometimes, employees misbehavior does not give customers the chance to complain and they simply ignore it. So, organizations should try to find the cause of dissatisfaction and to avert them.
- ✓ Organizations should be able to make on-the spot decisions when they are executing CRM plans. To do so, senior managers should support execution team and let them make fundamental decisions. Therefore, organization should consider some methods to support CRM execution to get ready to execute the plan successfully during the planed time table.
- ✓ We recommend you to have some training curriculums about CRM for your managers, so that they know the advantages of this plan and participate more effectively in financial aspects of CRM execution.
- ✓ We recommend you to have some interactive meetings with your managers and employees about CRM. This way, employees detailed view can mix with managers strategic view and increase the bank efficiency.
- ✓ Its necessary to compile a comprehensive strategic management plan to start and finish the CRM project at the defined time. It prevents project team from wasting their time and energy, coordinates sub-systems and prevents extra imposed costs in the future.
- ✓ When the knowledge of the organization about cultural, mental, social characteristics of the customers is not enough, bank plans will not be directed and bank commercial will not be effective to absorb more customers.
- ✓ We recommend you to boost adaptability culture among your staff so that they are more sensitive to new customer needs and environmental changes and they can anticipate customer requests based on their information about them.
- ✓ To promote your employees knowledge you should recognize their needs and then train them based on the needs. They should be explained about it to know customer orientation is valuable to the company and is one of the important advantages.
- ✓ Payment and rewarding system should be based on staffs function toward customers. This way they will understand the value of customer orientation in the competitive business world better.
- ✓ authentic foreign banks like Royal Banker, HSB Bank and Douche Bank are the most successful banks in CRM execution. They have understood CRM very well and have planed their marketing and service base n customer orientation. Iranian bank experts can attend to these banks and ask for some specialized assistants or training courses.
- ✓ CRM software set up in different branches can have an important role in customer data collection and analysis. Therefore, Mellat bank managers should council the programming companies and set up the software.
- ✓ Utilizing modern data collecting methods, information saving systems for giving needed information, internet, office automation, holding different conferences about customer orientation and management are the most important methods in technology changing aspect which can be mentioned.

9. REFERENCES

- A. Payne, P. Frow,(2006); "Customer relationship management: From strategy to implementation", *Journal of Marketing Management*,22, pp. 135-168.
- A.M. Croteau, P. Li,(2003);"Critical success factors of CRM technological initiatives", *Canadian journal of administrative sciences*,20(1), 2003, pp.21-34.
- Almotairi, M. A.T.(2010),"Evaluation of the Implementation of CRM in Developing Countries",the thesis submitted for PHD.pp 19-26

- Bennett, H., and Durkin, M.G.(2002). "Developing RelationshipledCulturesa case in retail banking", *The International Journal of Bank Marketing*, Vol. 20, No. 5, pp. 200-201.
- Bose, R., and Sugumaran, V.(2003), "Application of knowledge management technology in customer relationship management", *Knowledge and Precess Management*,10(1),pp.3-17.
- Brown, S.A., and Gulycz, M.(2002)."Performance-driven CRM", *Torento' John Wiely and Sons*.
- Chen, I.J;Popovich, K.(2003),"Understanding customer relationship management (CRM): people,precess and technology",*Business Process Management Journal*,9(5),pp.672-688.
- Clark, M., and Smith, B.(2003)."Building the foundations for effective CRM", *Management Focus*, 20,pp.15-17.
- Conrad, C. A., Brown, G., and Harmon, H. A.(1997)."Customer satisfaction and corporate culture: A Profile deviation analysis of a relationship marketing outcome",*Psychology and Marketing*,14(1),pp. 663-674.
- Eckerson, W. and Watson,H.(2000)."HarnessingCustomer Information for Strategic Advantage: Technical Chanllenges and Business Solutions", special report,*The Data Warehousing Institute,Chatsworth,CA*.
- Eunju.K., Kim.H.S.,Kim.M., Woo.Y.J, (2008). " Organizational characteristics and the CRM adoption process." *Journal of Business Research* 61, 65–74.
- F.H. Yim, R.E. Anderson, S. Swaminathan,(2004); "Customer relationship management: its dimensions and effects on customer outcomes", *Journal of personnel selling & sales management*,XXIV, pp. 263-278.
- Goldenberg,BJ.(2002).available at: www.informit.com/article/asp?p=26256
- H. Wilson, E. Daniel, M. McDonald,(2002); "Factors for success in customer relationship management (CRM)", *Journal of marketing management* 18,pp. 193-219.
- Hirschowitz, A. (2001)."Closing the CRM loop:The 1st century Marketer's challenge: Transforming customer insight into customer value",*Journal of Database Marketing*,10(2),pp. 168-176.
- King S. F., & Burgess, T. F.(2007);"Understanding success and failure in customer relationship management", *Industrial Marketing Management*.
- Lamparello, D(2000).," Doing more for the right customers", *Bank Systems and Technology Magazine*,Vol. 37, No. 1, R10R11.
- M.J. Cooper, C.F. Gwin, K.L. Wakefield,(2008); "Cross- functional interface and disruption in CRM projects: Is Marketing from Venus and information systems from Mars?", *Journal of Business Research*,61, pp. 292-299.
- M.L. Roberst, R.R. Liu, K. Hazard, Strategy,(2005);"Technology andorganizational alignment: key components of CRM success", *DatabaseMarketing& Customer Strategy Management*12(4), pp. 315-326.
- Ngai, E. W. T.(2005)."Customer relationship management research(1992-2002) An academic literature review and classification" *Journal of Marketing Intelligence and Planning*,Vol. 23,no. 6,pp.582-605.
- Ocker, J., Rosalie. And Mudambi, S.(2002), "Assessing the Readiness of Firms for CRM: a Literature Review and Research Model", *Preceeding of 36th Hawaii International Conference on System Sciences*
- R. Chalmeta,(2006);"Methodology for customer relationship management", *the journal of systems and software*,79, pp. 1015-1024.
- Renner, D.(2000)."Customer relationship management: a new weapon in your competitive Arsenal", *Siebel Magazine*,1(2).
- Ryals, L., Knox, S.(2001)."Cross-FunctionalIssues in the Implementation of Relationship Marketing Trogh Customer Relationship Management", *European Management Journal*,19(4),pp. 534-542.
- Seybold, P., Marshak, R. and Lewis, J.(2001)."The Customer Revolution",*CrownBusiness*,NewYork,NY.
- Tyler, K., Stanley, E. (1999), "UK bankcorporate relationships: large corporate expectations of service", *International Journal of Bank Marketing*, Vol. 17 No.4, pp.15870.
- Woodcock, N., Stone, M., Foss, B.(2003)."The Cusromer Management Scorecard: Managing CRM for Profit", *London:Kogan Page*.
- Zineldin, M.(2005)."Quality and Customer Relationship Management as competitive Strategy in Swedish banking industry", *The TQM Magazine*, Vol17,No.4. pp. 329-344.