

Evaluating bank readiness for CRM implementation

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ABSTRACT

These days, we see unexpected changes in customers' behaviors in financial and service institutions, especially in banks. There are different reasons for having such changes but the recent advances of technology could be one of the main reasons. Today banks are obliged to link their existence with customers, recognize their demands and needs in present competitive environment and take necessary actions to increase their productivity. The main objective of the present research is to identify bank readiness for establishing customer relationship management. Findings of the present study show that the readiness degree of bank is well above moderate with respect to intellectual dimension and is below moderate with respect to social and technological dimensions.

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1. Introduction

During the past two decades, transition from industrial economy and fading away of geographical borders of businesses has increased competition among business enterprises. As a result, we could expect customers to consider competitive advantages of organizational activities. Organizations also have realized that retention of existing customers is less expensive than attracting new ones and the best way to keep them is to obtain meet their satisfaction. In addition, research shows that customer satisfaction can lead to obtain a credible trade name, which increases profitability (Peppard, 2000; Ijaz, 2005). Interest in customer relationship management began to grow in 1990s (Ngai, 2005). In recent few years, this term has attracted a great attention in marketing IT etc. (Foss & Stone, 2001; Gray & Byun, 2001). In today economy, CRM has been turned into a superior priority for firms seeking competitive advantage (Anshari et al., 2009). While serving customers was of low priority for organizations in the past, it is in the centre of all their activities and revises marketing and sales strategies (Gebert et al., 2003).

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CRM, in addition to its general meaning also points to a software-hardware system where it needs significant amount of investment for its establishment. On the other hand, failure rate of CRM projects is so high (Kellen, 2002). Unfortunately, in addition to spending a great amount of money in order to design and implement CRM systems in organizations, more than 75% of these projects dealt with failure (Turban et al., 2002). For instance, a study by CSO Forum (2002) showed that 69.3% of CRM projects failed to achieve their aims (Greenberg, 2004). In this respect, much research was done to find out the important reasons for failure of CRM projects and each research study examined some factors depending their research questions and field; for example, over-emphasis on systems and technology, lack of accordance between CRM strategy and organizational structure, organizational culture etc. were among these reasons (Lindgreen, 2004; Ocker & Mudambi, 2002; Snipes et al., 2005). Therefore, it is important to have a good assessment of CRM implementation for taking any action.

Every organization should evaluate platforms of CRM before employing it and if these platforms are not appropriate, employing CRM is doomed to failure. To evaluate the degree of readiness of organization for acceptance of CRM platforms for employing CRM should be identified and assessed (Gray & Byun, 2001). In the present study, it is tried to evaluate the degree of readiness of bank for implementation of CRM system through identifying and assessing the measures of implementation of this system in organization.

2. Literature review

Organizations often face with problems in understanding CRM. They think that only by implementation of hardware, advantages of CRM can be exploited. However, they can achieve this aim only by undertaking customer-oriented business strategies leading to a customer-oriented organizational culture and implementing an information infrastructure along with and integrated and appropriate technology (Reynolds, 2002). Thus, successful implementation of CRM system is achieved by understanding it correctly and identifying its precise definition (Gray, 2005). The following definitions are some of the definitions proposed for this concept, which are summarized in Table 1.

Table 1
Definition of CRM

Various types of CRM Definitions	Description
Definition of CRM from departmental view point from IT and marketing perspective by employing in one limited department or unit (Oakes, 2005).	<p>1-CRM is a term for describing a set of methodologies, processes software and systems helping institutions and firms in effective and organized management of relationship with their customers (Burnett, 2001).</p> <p>2-CRM is integrating IT with business processes in order to meet customer needs (Parvatiyar & Sheth, 2002).</p> <p>3- CRM is the strategic process of selecting profitable customers and defining the infraction between these customers and firm with the aim of optimizing present and future value of customers for the firm (Persson, 2004).</p>
Definition of CRM from supra –departmental viewpoint (including all functions of a business e.g. production, R&D, marketing, IT, finance and human resource (Oakes, 2005; 25.Rosenbleeth, 2002).	<p>1-CRM is an comprehensive strategy of business and marketing which integrates technology processes and all business activities (Feinberg & Romano , 2003).</p> <p>2-Establishment of relationship with all valuable customers via effective use of customer account information (Gray, 2005; Kotler, 2003).</p> <p>3-CRM is an comprehensive and multi-facet phenomenon including strategic aspects, customer-oriented processes and organizational changes through projects and also performance appraisal (Kirkby & Nelson, 2002).</p>

2.1. Status of CRM in bank system

CRM can be considered as a strategy for obtaining more insights about needs and trading behaviors of customers for establishing more frequent and stronger relationships with them. In CRM technique, many theories can be defined and employed; but it is completely incorrect to have only a technological picture in CRM. Thus in order to understand CRM in a better way, it should be considered as a process being used for gathering various information on customers ,sales department, efficacy of marketing activities, rapid responding to customers and also market desires (Gray, 2005).

Financial institutions and banks offer their services in direct relationship with customers, thus in today competitive market, they are obliged to gather information on behaviors and customers' reactions in relation to different strategies adopted by competitors. Indeed CRM consists of all processes and technologies an organization employs in order to identify, select, encourage, expand, maintain and serve customers (SuKim & Young, 2010). In relation to CRM, various models have been proposed among them 3 ones are more famous. Key specifications of them are reflected in Table 2.

Table 2
Models for customer relationship

Model name	Model definition	Model elements
Swift's model (2001)	Based on this model, an organization should focus on 4 key elements in primary process of CRM in order to facilitate, augment and realize CRM goals and those 4 key elements are interaction ,connection, recognition, and establishment of relationship (Swift, 2001).	<pre> graph LR A[Discovery of knowledge] --> B[Learning] B --> C[Interaction with customer] D[Action] --> E[Analysis] E --> F[Market planning] </pre>
Gartner model (2001)	CRM designs require a framework, which ensures that organization plans are considered on a strategic and integrated base. Gartner designed such an approach consisting of 8 steps (Gartner, 2001).	<ol style="list-style-type: none"> 1- formulation of organizational perspective 2- formulation of strategies for CRM 3- designing customer experience 4- enabling organizational cooperation 5- redesigning business processes 6- strategy formulation 7- using technology in order to managing data and information 8- Measures for assessing internal and external indicators for failure and success of system (Gartner, 2001).
Ocker & mudambi model (2002)	Ocker and Mudambi point to common factors among readiness factors being used in order to assess readiness extent of organizations in each 9 groups (Ocker & Mudambi, 2002).	<p>Includes 3 following dimensions :</p> <ol style="list-style-type: none"> 1- intellectual dimension including: strategy structure and planning 2- social dimension including culture interaction with stakeholder and knowledge of work domain 3- technological dimension including: CRM application program, capacity of IT in organization and knowledge management (Ocker & Mudambi, 2002).

3. Research model

There are various models for assessing the readiness degree of organization for establishment of CRM system (Cunningham, 2002; Gartner, 2001; Swift, 2001) but Ocker and Mudambi designed a model consisting of 3 dimensions of intellectual, social and technological ones which is more

comprehensive than other models (Foss, B., & Stone, 2001; Hamp & Swatman, 2002) and is chosen as research model in the present study.

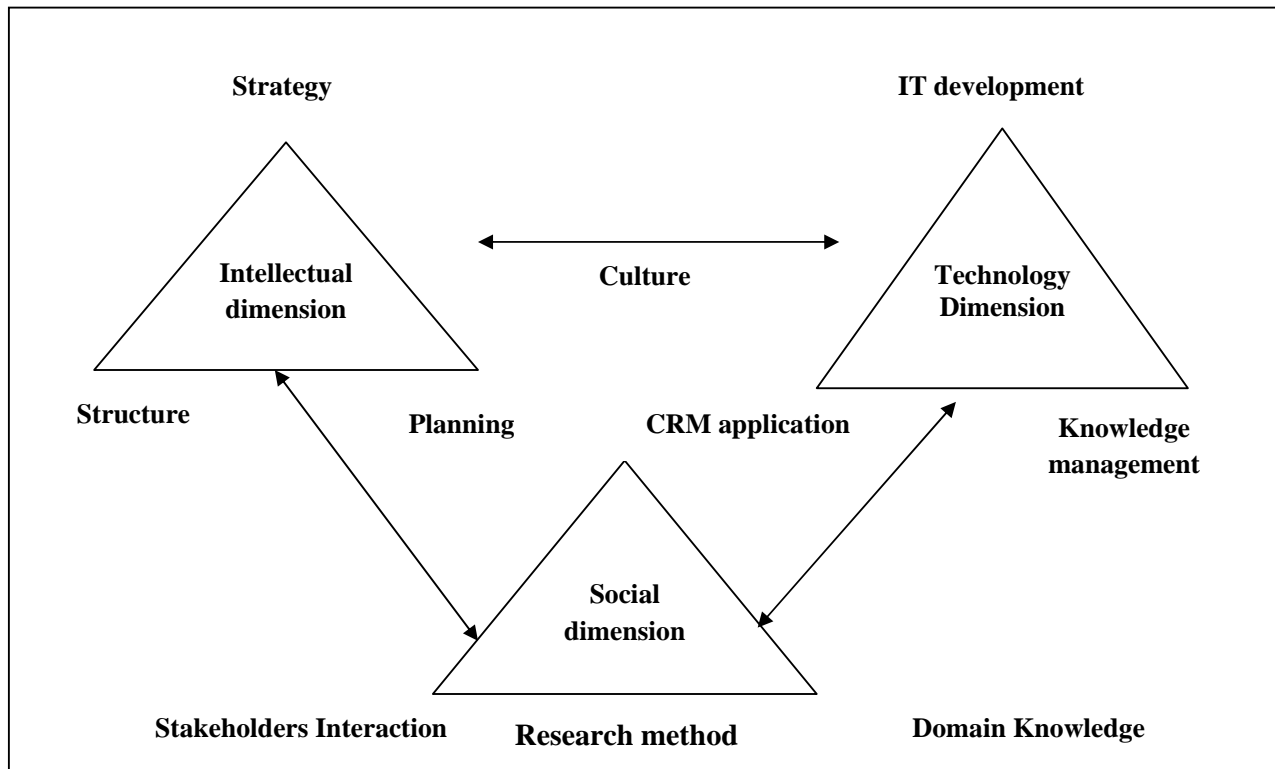


Fig. 1. Ocker & Mudambi model (research model)

The present research is a descriptive survey one from methodological viewpoint and seeks to obtain opinions of two levels of managers and experts of bank with different branches in Iran. Their common characteristics includes working in bank and being familiar with managerial innovations for improving relationship with customers, about the extent of organizational readiness for establishment of CRM system . In addition, the present research is an applied one respecting to its objective because the results from it can be used in establishment of CRM system in the mentioned organization.

In the present research, Morgan table was used for determining sample size and for population size of 1100, the sample size was determined as 285 persons according to it and among those, 252 persons answered questions of the questionnaire. In the present research, using elements of Ocker- Mudambi model and considering measures for each dimension a questionnaire was formulated with 36 five-choice questions. In designing the questionnaire, 5-point Likert scale was used and the responders were requested to indicate their agreement degree with items (very low, low, moderate, high, very high). In the present study in order to evaluate reliability of questionnaire, questions were developed based on theoretical bases, similar research and consultation with honored professors and in pilot phase ambiguity of questionnaire was eliminated using feedbacks and the main questionnaire was prepared after required modifications and distributed to selected sample. In order to assess validity of questionnaire, Cronbach alpha was used and coefficients for intellectual, social and technological dimensions were respectively 0,89, 0,86 and 0,86 which indicate acceptable validity of questionnaire.

On the other hand in order to assess reliability of each of evaluative measures, Cronbach coefficients were determined as the following table:

Table 3
Reliability of measures

Question	Cronbach	Question	Cronbach
1, 2,3,4,5,6,7,8	0. 8829	9, 10,11,12,13	0. 8620
14, 15, 16	0. 7813	17, 18,19,20,21	0. 8347
22, 23, 24	0. 7596	25, 26, 27	0. 9594
28, 29, 30	0. 8309	31, 32, 33	0. 9162
34, 35, 36	0. 9346		

In order to analyze data, student t-test, to examine the normality of variables, Kolmogorov-Smirnov test and for ranking measures Friedman test were used.

3.1 Research questions

Given the research model research questions consist of:

- 1- What is the readiness degree of bank for implementation of CRM with respect to intellectual dimension?
- 2- What is the readiness degree of bank for implementation of CRM with respect to social dimension?
- 3- What is the readiness degree of bank for implementation of CRM with respect to technological dimension?

4. Research findings

Given the finding of the present research, the readiness degree of bank for implementation of CRM with respect to different dimensions of research model is as Fig. 2.

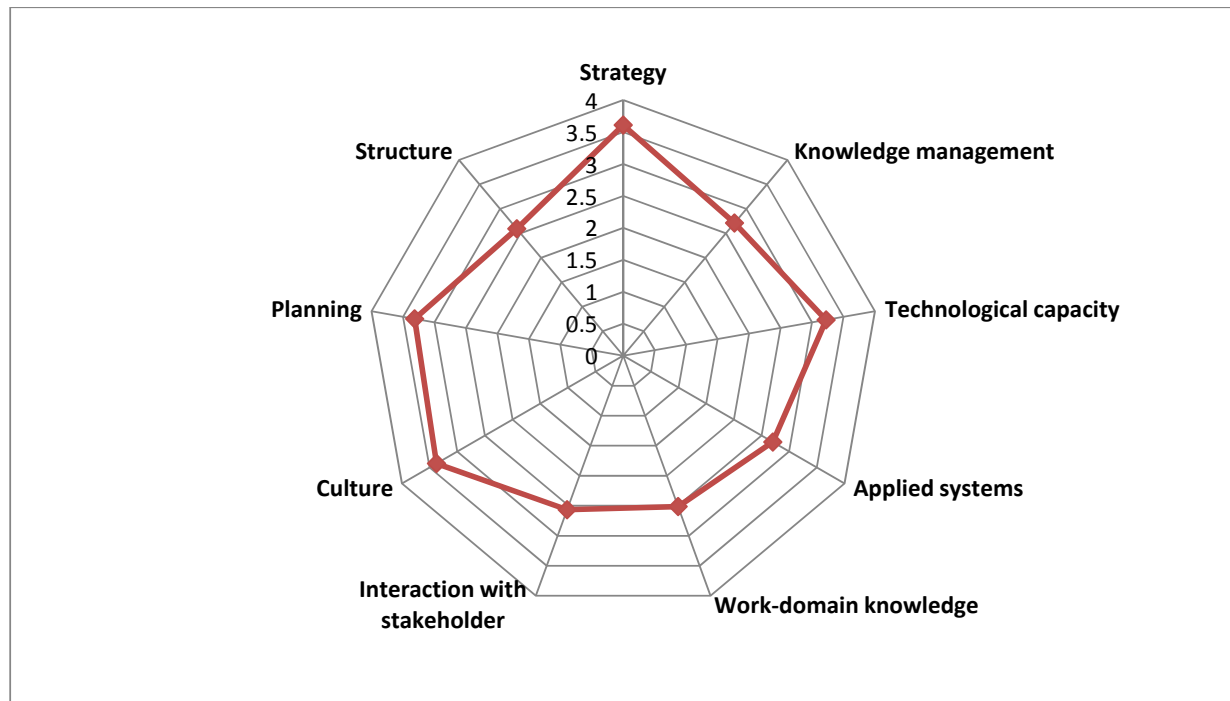


Fig. 2. Spider web model of readiness degree of bank for establishment of CRM

As is seen in spider web diagram, except for 4 aspects, all other aspects of CRM model are below moderate level on the basis of 5-point Likert scale. This fact suggests that the factors preventing establishment of CRM in bank are at considerable level and some measures should be taken in order to address them.

4.1 Test for first question

In order to answer question 1 (what is the readiness degree of bank for establishment of CRM with respect to intellectual dimension) the following statistical hypotheses were proposed, one-sample t-test was used for data analysis and the results from it are summarized in Table 4.

*Readiness degree of bank With respect to intellectual dimension is below or equal to the medium level $H_0 : \mu \leq 3$

* Readiness degree of bank with respect to intellectual dimension is above the moderate level $H_0 : \mu > 3$

Table 4
Results for one-sample t-test with respect to intellectual dimension

intellectual dimension elements	Test Value = 3						
	Mean	t	df	Sig. (2-tailed)	Mean difference	95% Confidence Interval of the Difference	
						Upper	Lower
Strategy	3,608	12,755	251	0,000	0,6086	0,7025	0,5146
Structure	2,592	-6,187	251	0,000	- 0,4079	-0,2780	- 0,5377
Planning	3,314	5,143	251	0,000	0,3148	0,4354	0,1943
Intellectual dimension	3,171	3,683	251	0,000	0,1718	0,2637	0,0799

As is seen in the table the mean value for intellectual dimension is 3, 1718 and given the significance level, H_0 is rejected. Thus bank has the required readiness with respect to intellectual dimension. In more precise way, bank has the required readiness in 2 aspects of strategy and planning given having above-moderate means with respect to these 2 aspects, but it requires enhancement in structure aspect. Besides this intellectual dimension measures were compared using Friedman test for ranking and the results for importance order are as follows:

Measures	Rank means	Ranks
Strategy	2,41	1 st rank
Planning	2,13	2 nd rank
structure	1,45	3 rd rank

4.2 Test for second question

In order to answer the second question

(What is readiness degree of bank for implementation of CRM with respect to social dimension) the following statistical hypotheses were proposed and one-sample t-test was used for data analysis which the results obtained from it are summarized in table5.

* Readiness degree of bank dimension is below or equal to the moderate level with respect to social dimension $H_0 : \mu \leq 3$

* Readiness degree of bank is higher than moderate level with respect to social dimension. $H_0 : \mu > 3$

Table 5
Results for one-sample t-test with respect to social dimension

Social dimension elements	Test Value = 3						
	Mean	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Upper	Lower
Culture	3.3746	6.704	251	0.000	0.3746	0.4846	0.2646
Interaction with stakeholders	2.5661	-6.789	251	0.000	-0.4339	-0.3080	-0.5597
Work-domain knowledge	2.5132	-6.754	251	0.000	-0.4868	-0.3448	-0.6287
Social dimension	2.8180	-3.467	251	0.000	-0.1820	-0.0786	-0.2854

Mean value for social dimension is 2.8180 and because it is less than the hypothesized mean ($\mu < 3$) thus bank is not ready for implementation of CRM with respect to this dimension. Speaking in more precise way, bank has the required readiness in culture aspect given its above-moderate mean in this respect, but it requires enhancement in 2 other aspects i.e. interaction with stakeholders and work domain knowledge. Three measures of social dimension are compared using Friedman test for ranking and their importance order is as follows:

Measures	Rank means	Ranks
culture	2,53	1 st rank
Interaction with stakeholders	1,75	2 nd rank
Work-domain knowledge	1,72	3 rd rank

4.3 Test of third question

In order to answer the third question (what is readiness degree of bank for implementation of CRM with respect to technological dimension) the following statistical hypotheses were proposed and one-sample t-test was used for data analysis and the obtained results are reflected in Table 6.

* Readiness degree of bank With respect to technological dimension is below or equal to moderate-level $H_0 : \mu \leq 3$

* Readiness degree of bank With respect to technological dimension is higher than moderate level $H_0 : \mu > 3$

Table 6
Results of one-sample t-test for technological dimension

Technology dimension elements	Test Value = 3						
	Mean	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Upper	Lower
Application	2.7037	-4.177	251	0.000	-0.2963	-0.1566	-0.4360
IT capacity	3.2249	3.554	251	0.000	0.2249	0.3495	0.1002
Knowledge management	2.7103	-3.942	251	0.000	-0.2897	-0.1449	-0.4344
Technology dimension	2.8796	-2.068	251	0.000	-0.1204	-0.0057	-0.2350

As reflected in Table 6. the mean value for technological dimension is 2.8796 and since it is less than hypothesized mean ($\mu(3)$) thus Bank is not ready enough to implement CRM with respect to this dimension and speaking in more precise way, A bank, given having a mean above moderate level in IT capacity aspect, has the required readiness with this respect but it needs to enhance 2 aspects of application and knowledge management. 3 measures from technological dimension were compared using Friedman test for ranking and their importance order is as follows:

Measures	Rank means	Ranks
Knowledge management	2.36	1 st rank
applications	1.92	2 nd rank
IT capacity	1.72	3 rd rank

5. Conclusions and recommendations

Examining various dimensions of CRM in bank showed that though the required characteristics have been realized to some degrees but in general readiness of bank for realization of CRM is at low levels. Thus it is necessary to formulate and implement appropriate plans in order to change the existing situation and achieve complete establishment of CRM.

Findings of the present study show that the readiness degree of Bank in order to implement CRM with respect to intellectual social and technological dimensions is at moderate level with a slight difference that intellectual dimension is a little above and 2 other dimensions are a little below moderate level. Thus considering the elements of each research variables which show weak means, some recommendations can be provided as follows:

a) Findings of the present research show that the degree of bank readiness on intellectual dimension is above moderate-level. According to elements of this dimension, the flowing recommendations can be provided.

1) moving toward flat structure , 2)improving relationships 3)improving processes 4)establishing appropriate rewarding system 5)obtaining trust of customers at a higher degree 6) satisfying customers at a higher degree 7) identifying and meeting customer needs 8)increasing commitment of bank leadership 9) planning at task unit level 10)planning at IT unit level

b) Findings of the present research show that degree of bank readiness on social dimension is below moderate level. According to elements of this dimension the following recommendations can be offered : (1) enhancing culture of information sharing (2) enhancing education level in the organization (3) upgrading degree of employees trust (4) enhancing common belief among employees (5) changing attitude towards technological change (6) raising the degree of recognition of and awareness of stakeholder dynamics (8) upgrading technological understanding of stakeholders (9) deepening knowledge within work units (10) expanding knowledge among work units (11) increasing willingness to share knowledge among common units .

c) Findings of the present research show that the degree of readiness of bank with respect to technological dimension is below moderate level. According to the elements of this dimension the following recommendations can be provided : 1)implementing the system in the organization step-by-step 2)reducing complexity of CRM applied systems 3)reducing customization of CRM applied systems 4)enhancing adequacy of project management specialty 5)forming a balanced expert team 6)benefiting from experiences obtained from starting similar plans 7) enhancing the level of prevalent view towards customer 8) providing appropriate knowledge base in the organization 9)securing appropriate network infrastructure.

By the way, given the fact that readiness of bank for implementation of CRM is at a low level, it is recommended that other researchers take measures in order to identify factors inhibiting establishment of CRM in this organization so that they can help to start up this system.

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