

Implementation of CRM in a Non-Profit Organization: A Review under the Four-layer Framework

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Abstract: A top priority of most firms is the building and maintenance of relationship with customers. While customer relationship management can be considered as old as business itself, a recent focus of both academicians and business executives is how business organizations can successfully develop CRM strategies and programs to enhance organizations' understanding on how to manage relationship with customers. Notwithstanding the amount of research efforts (academic as well as practical) put in this area, and the number of CRM applications utilizing state-of-the-art technologies, a large number of CRM initiatives still fail to deliver. Reviewing the existing literature, this paper describes the multi-facet nature of CRM, integrating culture, people, process, and technology. While technology plays an important role in most CRM implementations, over-emphasis on technology, neglecting cultural and people dimensions, and ignoring the necessity for re-engineering various business processes across the organization, will probably result in another CRM failure. Applying this framework and approach, the author reflects on his personal observations and experience as a business manager involved in the implementation and operation of a CRM system in a sizeable organization from 2000 to 2010. Lessons learned from this case by the author, adopting an ethnographic approach as a participant-observer, supports that managing customer relationships is more than a mere application of sophisticated IT solutions. It is a business culture, with a big business picture in mind, supported by re-engineered business processes centered around customers, as well as commitment of management and employees at all levels.

Key words: CRM; customer relationship management; relationship marketing; marketing for non-profit organization

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It is sometimes argued, especially by marketing practitioners, that Customer Relationship Management is as old as business itself (Ruberstein & Stanton, 2012). There are nevertheless observations that contrary to the fundamental of marketing that the customer is the one for whom something has to be done, the "4P" approach is adopted as a basic framework for marketing in most marketing textbooks, with a result that in marketing programs and activities the customer, instead of being the one for whom something has to be done, becomes the one to whom something is done. Marketing techniques and skills emphasize on making use of marketing mix elements to induce desired responses from target customers. Marketing with this approach is found to be transactional and manipulative, with a relatively short-term focus, and may probably be helpful to marketers of consumer packages

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products at one time (Grönroos, 1993).

1. A Relationship Approach in Marketing and CRM

Commenting on the constraints of the 4P approach, there has recently been a wealth of discussions on alternate marketing paradigms. For example, Fetherstonhaugh (2009) points out that as the consumer has seized control, a new framework is required. Ettenson, Conrado and Knowles (2013) propose a new “SAVE” framework. Observing that there have already been research findings in business-to-business marketing and services marketing supporting relationship-based theories, advocates of an alternate paradigm in marketing suggest that the relationship approach, with its dynamic and process nature, long-term focus, and emphasis on interaction with customers, will become a foundation for a new paradigm for marketing. Grönroos (2006) further argues for the case of “marketing renaissance”, proposing a new view on marketing emphasizing “promises management”, and argues that marketing should better be viewed as “*an organizational function and a set of process for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders*”.

Arguing that long-term customer relations exclude competition, Reicheld (1996) illustrates the cost of losing customers to an organization, and how loyalty (from customers as well as employees) builds growth and profits, resulting in increased revenue and market share. This view has further been reinforced in Reicheld and Sasser (1990), in which it is stated that through lengthening its relationship with customers, a firm will find its profit risen. Rust, Moorman and Bhalla (2010) further propose a rethinking of marketing, arguing that there has to be a shift from product profitability to customer profitability. This new Customer-Manager Driven (as contrast with the traditional Product-Manager Driven approach) emphasizes on customer relationship management and customer lifetime. This revamp of marketing department into “customer department”, with a CCO (Chief Customer Officer) replacing the Chief Marketing Officer, is made possible as firms can now interact directly with customers through modern and state-of-the-art technology. To implement this new marketing approach, CRM system is a useful tool to gather, store, and analyze customer data to enable the firm to cultivate customers for its maximum benefits.

While it appears to be a general belief in marketing that it is more profitable for a firm to keep its customers for a longer term (Jain & Singh, 2002), an empirical study provides a second thought on this conventional wisdom. Investigating the relationship between customer lifetime and profitability in a non-contractual setting, Reinartz and Kumar (2000) find that marketing managers should not simply equate long lifetime customers with higher spending, decreased serving costs, and lower price elasticity. Instead of an undifferentiated strategy of keeping all customers as long as possible, it is suggested that customers, with different levels of switching costs, impulse buying potential, affection with the firm, etc., will exhibit different behaviors. While there are customers strongly attached to the firm, there are butterfly-like customers who leave easily — but they can still be profitable customers to a firm. CRM strategy, and the corresponding marketing strategy, should therefore not be mechanical, resting on the presumed positive association between customer lifetime and profitability. Attitudinal data may need to be included in CRM systems to reflect customer opinions and attitudes, and to supplement behavioral databases for a holistic view of customers. The type of customers that a firm has acquired will have much to do with how the firm develops relationship with its customers.

Taking a more revolutionary approach, Vargo and Lusch (2004) propose a service-dominant logic of marketing, which views service, rather than goods, as the focus of economic and social exchange. While service

(defined as the application of competences for the benefit of another entity) is exchanged for service, foundational premises of the service-dominant logic include that business enterprises offer value propositions instead of deliver value, which is always uniquely and phenomenologically determined by the beneficiary. And value is always co-created. This service-centered view is inherently customer oriented and relational, and not transactional and manipulative. Marketing is said to be moving into an era of “*market with*”, emphasizing collaboration with customers and partners to create and sustain value. Exploring the future of competition, Prahalad and Ramaswamy (2004) highlight the evolving role of the customer. Customers are no longer passive recipients (i.e., to whom something is done), but active co-creators (i.e., not just for whom something has to be done, but in fact *with* whom something has to be done) in the value creation process. Marketing should no longer adopt a product- and firm-centric view, but should emphasize on the interaction between the firm and the customer, promoting new levels of understanding between firms and customers.

2. The Multi-layer Framework for CRM

While there may be different marketing approaches that we may take, the above approaches all highlight the importance of properly managed relationships with customers. The discipline of customer relationship management has recently attracted much attention, and there have been substantial investments in various CRM projects by different firms. Nevertheless, it is observed that most CRM initiatives failed to deliver the expected results (Foss, Stone & Ekinci, 2008). Rigby, Reichheld and Schefter (2002) further identify four major problems in most CRM implementations:

- (1) Just buy and implement CRM solution as if it is only a technology issue. Firms must develop clear marketing and customer strategies to guide the CRM implementation.
- (2) Installing the CRM solution without revamping and realigning the organization structure and business processes.
- (3) Over-reliance on technology, with the misbelief that advance technology will help solve all CRM problems.
- (4) Lack of customer strategy, resulting in misuse of CRM data, and attempts to build relationships with the wrong customers, or attempts to building relationships with the right customers the wrong way.

While technology plays an important role in most CRM implementations, the above findings suggest that technical issues are in many cases, if not most, not root cause for CRM implementation failures. Finnergan and Currie (2010) propose a multi-layer interdisciplinary framework to guide firms’ CRM implementation projects. The four layers of Culture, People, Process and Technology are made related to the concept of “affordance”, which provides a practice lens to examine action possibilities, and to examine how forces in these layers provide conditions necessary for interactions to occur while constraining others:

2.1 Culture Layer

The implementation of CRM strategy in an organization wide exercise, and will inevitably involve different departments in the organization. These departments have their own priorities, business processes, power structures, and subcultures. CRM implementation is therefore complex and a right customer-centric culture has to be nurtured and developed. This requires buy-in and effort across the whole organization.

2.2 People Layer

A wide variety of people in the organization, from frontline to mid-level marketing to operational and to the

very top and senior management staff, will get involved in implementing a CRM strategy. This diversity and complexity pose great challenges in organizational change and development related to CRM implementation.

2.3 Process Layer

Implementing CRM strategy very often implies a shift in business process(es) from product/service focused and firm centric to customer centric. The redesigning effort is normally continuous and involving customer feedback. The resulting process(es) will affect frontline staff as well as back office operational and supporting personnel.

2.4 Technology Layer

State-of-the-art technology in collecting and analyzing customer data can bring tremendous benefits to firms implementing CRM strategies. Advancements in data mining techniques are fascinating and have been able to attract a lot of attention. Nevertheless, the importance of data accuracy and integrity should not be neglected when bringing customer data into a unified database before the CRM implementation.

While there are interacting forces within each layer influencing CRM implementation, forces from different layers interacting with one another may have great impact on CRM implementation. For example, in a lot of CRM projects, there is a clear supply-push from the IT sector. Technical capabilities of CRM software and solutions are always the focal point. Yet, it is largely a marketing issue on applying these technical capabilities for the benefits of the organization. CRM strategy therefore falls within the domains of IT and marketing. While business should precede technology, a key issue is to strike a right balance between IT and marketing (Rigby & Ledingham, 2004). To build a customer-centric culture, effective communication, proper motivation, and sufficient training for employees are important in reducing staff resistance. However, this emphasis on people should be balanced with redesigning of core business processes starting from the customer perspective and involving customer feedback. Things may get more complicated when technical aspects of the IT infrastructure and CRM software have to be considered as well.

3. A Case Reflection of CRM Implementation

This multi-layer interdisciplinary framework proposed in Finnergan and Currie (2010), instead of being a step-by-step procedure guide for CRM implementation projects, provides marketing scholars and practitioners a pair of lens to review CRM implementation projects. Applying this framework, the remaining part of this paper provides a review and reflection on a ten-year experience on CRM implementation and operation by a business manager in sizable organization in the Asia-Pacific region from 2000 to 2010. Methodologically, this study is very much close to an ethnographic participant-observer approach, with the researcher acting as a complete participant. It is believed that this approach is appropriate in its current setting, as “entering lives” of the subjects and “going native” will help explain the actions of people working in organizations, which is conducive to improved understanding of various cultures and subcultures proponent in particular organizational settings (Gill & Johnson, 1991).

3.1 Background of the Organization

- The organization was established as a statutory non-profit-oriented organization in mid-1960 to assist small and medium-sized enterprises (SMEs) in its area to expand in international markets.
- The organization offers a wide range of services to its customers. The organization, with government subvention maintaining at the level of 15% of its annual budget over the last two decades, has been able to generate sufficient revenues from its services in order to finance its overall operations.

- While the organization is holding leading positions in most of services it offers, it is facing increasing competition from other commercial firms.

3.2 Rationale for a CRM Strategy

- Top management was aware of the changing external environment and the competition that was approaching. They were also alert by their lack of understanding of their customers, particularly SMEs. Enhancing relationship with customers was considered as the first vital step to make the organization stay competitive.
- There are several business units within the organization, and they have been operating in silos. Top management was convinced that marketing efficiency and effectiveness would greatly be improved through removing the silo environment and establishing a single-view of customers.

3.3 How CRM Was Implemented in the Organization

(1) An external consultant was appointed to conduct an organization-wide review on customer relationship management. After a thorough study lasting for over twelve months, a CRM strategy comprising of the following initiatives was recommended:

(2) To kick-off the implementation of CRM strategy, organization-wide training on customer services would be arranged for staff at all levels.

(3) To set up a central customer database, consolidating customer databases kept by silo business units to provide a single-view of customers for better management of customer relationship.

(4) To establish a new Customer Service Department to take charge of customer relationship building at organization level, and general and pre-purchase customer enquiries, while individual business units were responsible for marketing and delivery of their own products/services, as well as post-purchase customer services. The Customer Service Department would establish a call center to handle incoming telephone enquiries, and a physical customer service center to handle walk-in enquiries.

(5) Customer Service Department to design and initiate new customer relationship development projects, such as customer visit programs.

(6) To allow business units to keep their existing legacy IT systems and business processes on marketing and product/service delivery. However, new business processes in creating and maintaining customer records (to cope with new requirements of the new central customer database) and in handling general and pre-purchase customer enquiries (to align with the establishment of Customer Service Department) would be introduced.

(7) Individual teams in each business unit to appoint a liaison officer to handle in-depth and product/service-specific enquiries referred by call center or customer service center.

3.4 Discussion and Analysis

(1) The CRM implementation started with a strong push from top management, with organization-wide customer service training endorsed by top management. This top-down approach effectively conveyed a clear message on the organization's emphasis on customer relations. (*Culture*)

(2) Notwithstanding the strong management support in creating a customer service culture and building customer relations, the existing marketing and product/service delivery processes largely remained untouched to minimize staff resistance and the need for organizational change. New processes, on top of existing processes, have to be designed and implemented, resulting in process and effort duplication. (*People vs. Process*)

(3) An unintended consequence of this creation of new processes was the "silent support" it rendered to the existing silo mentality within business units, jeopardizing efforts in establishing an organization culture cultivating relationship with customers. (*People vs. Culture*)

(4) One focal point of the CRM implementation was the installation of a new central customer database, which was led by the IT Department. From a technical point of view, maintaining existing operating systems intact provided a quick-fix solution as building interface between the new central customer database with the legacy systems was much easier than revamping the IT infrastructure of the entire organization. However, the new business processes on creation and maintenance of customer records were regarded as inefficient by operational staff of individual business units. (*Technology vs. Process*)

(5) Spotlight was also on the newly established Customer Service Department, particularly the new call center. The work of the call center has publicly been commended by top management a number of times in internal meetings. There was, however, a lack of motivation and incentives to particularly operational staff of business units in implementing CRM initiatives, and tension between the Customer Service Department and business units gradually grew. (*People vs. Culture*)

(6) The Customer Service Department has initiated visits to customers to enhance customer relationship as well as to better understand customer feedback. The single-view of customers provided by the new customer database helped to select customers to visit. However, there was little support from business units on these visits, and the lack of proper channel to communicate findings from the visits to top management and business units hindered the further development of this customer visit initiative. (*Culture vs. Process*)

3.5 Lessons Learned from the Reflected Case

The implementation of CRM strategy in this organization had a very good start, with great support from top management at the early stage. Realizing there was a strong silo culture and environment within the organization, top management has in fact provided impetus to kick-off the CRM implementation. The establishment of a new Customer Service Department as the lead change agent, and the installation of a new central customer database, provided good entry points to break into the silos. However, emphasis on people (regarded by top management as the most important single resource for high quality product/service delivery) and concern of staff resistance by top management, fueled by the absence of an explicit staff incentive scheme to motivate staff for undertaking CRM initiatives, resulted in concessions and adjustments in various aspects and stages of CRM implementation. The central customer database, a key element at the technology layer, has become a vital tool for the implementation of CRM strategy. At a later review of CRM achievements, discussions were centered on a better structure for the central customer database, and the application of state-of-the-art technology in data mining the improved and enriched customer database. Adopting the multi-layer approach proposed by Finnegan and Currie (2009), the impact of the affordance of the elements in these four layers as constraining factors was evident. There has to be a balance among the weightings given to these four layers to eliminate, or at least, to reduce, silos and inefficient processes.

4. Concluding Remark

It is probably correct to argue that customer relationship management is as old as business, though there have recently be lots of discussions revisiting the importance and the practical application of CRM. With the advent of the digital power, utilizing state-of-the-art technologies in CRM strategies is inevitable. However, analysis of cases in implementation of CRM strategy, particularly failure cases, suggests that CRM implementation is much more than a mere technology application. It is in essence an implementation of a business culture centered around customers, with commitment of management and employees at all levels, and support of technology and re-engineered business processes.

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