The Critical Success Factors for Implementation of Customer Relationship Management in the Banking Sector of Saudi Arabia

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ABSTRACT

The Saudi Arabian banking sector is a prime candidate for deploying Customer Relationship Management (CRM). The primary objectives of implementing CRM in the banks are to enhance the customer relationship and to improve customer satisfaction. The implementation of CRM is heavily dependent upon identifying the Critical Success Factors (CSFs). A successful implementation for a CRM system is achieved when it helps business organizations meet their business objectives. These objectives can be customer acquisition, customer retention, and increased customer loyalty. A research study has therefore been conducted to identify the CSFs for the implementation of CRM and their positive effects in the banking sector of Saudi Arabia. Although there are very many factors that are critical for successfully acquiring customers and increasing customer loyalty, this study has focused on the CSFs pertinent to customer retention only. The aim of the study is to validate the positive impact of management support, CRM implementation strategy, and the software used to implement CRM with regard to customer retention. To validate the study objectives, a sample of twelve Saudi banks that are utilizing the CRM system extensively in their business functions have been surveyed. The study revealed that there are critical success factors which play vital roles in the implementation of CRM and such factors have positive effects in the selected domain.

Keywords: Customer Relationship Management Implementation, Critical Success Factors, Banking Sector of Saudi Arabia.

INTRODUCTION

Enterprise applications are systems that span functional areas and focus on executing business processes across functional areas in the organization. Customer Relationship Management (CRM) is considered to be an important and principal mechanism of enterprise application. CRM is a system that helps business organizations to manage the relationship with their customers effectively. Essentially, CRM aims to position customers at the center of the organization. There are many technological components to CRM, but to think about CRM primarily in a technological sense is a mistake. The more useful way to think about CRM is as a process that will help bring together a great many pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends (Almshari et al.). For a company to implement the CRM system successfully, it requires certain activities or Critical Success Factors (CSF) that will ensure the effectiveness of the implementation. These are the activities or CSFs that must be achieved correctly for the project to prosper. A successful CRM implementation will benefit business organizations by increasing their profitable customers and attracting new ones. According to Mankoff, however, that requires a number of CSFs, such as senior management support, hiring experienced consultants, and so on. CSFs have been
cited in many IT researches. Different studies have been conducted on CSFs for successful CRM implementation in the banking industry and others.

LITERATURE REVIEW

To achieve a successful CRM implementation through the CSFs, we need to have a clear understanding of the term Customer Relationship Management. As defined by Puschmann, there are three areas of CRM, namely i) operational CRM, which supports front-office processes, e.g., the staff in a call center; ii) analytical CRM, which builds on operational CRM and establishes information on customer segments, behavior and value using statistical methods; and iii) collaborative CRM, which concentrates on customer integration using a coordinated mix of interaction channels (multi-channel management), e.g., online shops, and call centers. CRM is a customer-oriented management approach, in which information systems provide support to operational, analytical and collaborative CRM processes and thus contribute to customer profitability and retention. From the perspective of Coldwell, CRM is a combination of business process and technology that seeks to understand a company’s customers as to who they are, what they do, and what they are like. The technological definition of CRM is that the marketplace of the future will continue to undergo a technology-driven metamorphosis (Peppers and Rogers). Thus, CRM is viewed as a collection of marketing and technological components that interact with each other to enhance the way an organization deals with its customers.

CSFs have become an important tool for defining the critical factors for business or system success. CSFs can be defined as an area where things must be right for the business to flourish (Butler and Fitzgerald, Dig man, Eid et al., Gayness and Vance). Others, such as Oakland, defined CSFs as critical areas in which the organization must succeed to achieve its mission through examination and categorization of their impact. Hence, the result of a CSF analysis provides a number of areas in which satisfactory results will ensure successful competitive performance for the individual, department, or organization. Almshari et al. conducted a survey of key persons in each of ten banks in Saudi Arabia, most of whom are Chief Information Officers. The study revealed that banks in Saudi Arabia succeeded in implementing CRM because of their customer-oriented strategy, which is considered one of the CSFs for CRM implementation. This strategy focuses on the goals of maintaining customer loyalty and using effective complaint handling data.

Another group conducted a research in the banking industry of Taiwan, which revealed that primacy of customer services, customizing CRM functions and modules, discovering customers needs, maintaining employees morale, and conducting a decision support system are considered to be factors to guide companies for a successful CRM deployment. Moreover, the study found that managers should place more emphasis on customizing the CRM functions or modules and privacy of customer service (Lin, et al.). Iftikhar and Mazhar conducted a study in Pakistan by using the Shanmuganthan et al. module. The data were collected through questionnaires from three major banks (HBL, MCB and Citibank) in Pakistan. The study revealed that CRM implementation depends on the balance between the discretionary and advisory services that the bank provides, in combination with its philosophy regarding the type of contact perceived as being the best suited for their total client population. Moreover, banks need to take some critical steps in order to achieve successful CRM implementation, such as recognizing the diversity of experience and needs of diverse customers.

Manoj et al. explored the CSFs in the Indian banking sector. The data was collected from the 17 largest Indian banks. The 17 respondents included 11 public banks and six private banks. The findings of this study revealed that four essential factors managed the flow of CRM in any organization, including banks.
These factors are i) company, ii) staff, iii) technology, and iv) customers. The researchers suggested that private banks are concerned with customer and staff, while public banks are concerned with a significant correlation between company and technology, and between staff and technology (Patwardhan M., et al.). Bryan Foss et al. conducted a survey of 90 people who had direct, personal experience of CRM developments and deployments. Out of 90 questionnaires, 42 responses were received. The study found that many companies failed to set clear objectives or to recognize the business change needed and often considered the CRM program to be just a systems program.

Riyad Eid observed a sample of 159 banks, including local banks, foreign banks and joint banks, that utilize a CRM system. The results of the study suggested that CRM should be implemented holistically rather than piecemeal, to achieve its full potential. The results also indicated that customer service is a CSF for implementing CRM successfully within banks. Zaynab Muazu explored the enablers and inhibitors of CRM implementation in the retail banking industry in Nigeria. The researcher interviewed senior management staff of two top banks in Nigeria, stating that Companies failed to implement CRM because they lack a vision and strategy as well as they do not understand or underestimate the complexity of organizational restructuring and collaboration required.

Successful CRM projects demand an integration of processes, people and capabilities, which is enabled through information technology. Inas Ali found that 11 CSFs are required to initiate a CRM system. These include senior management support, business plan and vision, making the change in small steps, and interdepartmental collaboration. The study was conducted on several companies, including Saudi banks. Carol Pollard et al. discovered that successful implementation of CRM requires an alignment between its business and IT strategies. Chi, Wing and Kong presented a project management model for CRM projects for financial institutes and software vendors. At least 23 sets of questionnaires were received from vendors and 20 from financial institutes. Response rates for vendors and financial institutes were 14.4% and 50%, respectively. The paper concluded that the most important four project management areas include scope management, time management, quality management and cost management, including project planning. In addition, the paper suggested that financial institutes implementing CRM projects could increase their success rate by having a good management of communication.

Bill and Dimitris conducted a survey in the UK financial services sector, discussing the practices and expectations of CRM, and motives for implementing it and evaluating the post-implementation experience. A questionnaire was developed and sent to a selected sample of 46 financial organizations. A representative selection of banks, building societies, and fund management companies was made from a database of financial service providers. A total of 21 responses were received, for a response rate of 45.7%. The study indicated that financial institutions failed to adopt an appropriate approach to CRM implementation and that there are no major technical obstacles. It is rather a matter of supporting a change management program and introducing new approaches and technologies based on prior lessons. As observed from different literature reviews, this study confirms that there is a combination of technical and business aspects for successful CRM implementation. As any enterprise system or information system (IS), CRM needs three pillars in order to flourish. These pillars are information technology (IT), management, and organization. The IT covers the technical part, while management includes support from high management. Organization, on the other hand, includes employees who are regarded as end users of the CRM system. The interaction of these three elements will lead to a successful CRM implementation.
Hypotheses

A successful implementation for a CRM system is achieved when it helps business organizations meet their business objectives. These objectives can be customer acquisition, customer retention, and increased customer loyalty. For this study, our indication for successful CRM implementation will be customer retention. CSFs for successful CRM implementation can be classified into three categories: strategic, tactical and operational. Strategic factors include top management support, organizational culture, developing a clear CRM strategy, clear project vision and scope, and benchmarking. Tactical factors include employees acceptance, CRM software selection, integration with other systems and training in CRM efforts. Finally, operational factors include a realistic CRM implementation schedule, enterprise performance metrics for CRM, personalization, customer orientation, and data mining. To test the positive effect of these factors on customer retention, top management support and developing a clear CRM strategy will be selected from strategic factors. Tactical factors will determine CRM software selection.

Top management support describes the executive support provided that will contribute to the success of the CRM implementation. Developing a clear CRM strategy includes the proper strategic planning for the organization that will help improve the CRM implementation. Finally, the process and criteria in which the CRM system is selected defines the CRM software selection. Hence, choosing the appropriate CRM system for the organization will play a positive role in the CRM implementation success. The dimensions of top management support include how top management perceives a CRM system in terms of high priority, being part of the organization’s vision, and management involvement in CRM implementation process. On the other hand, the dimensions of developing a clear strategy include the organizations clear vision of the strategic goals of its CRM system, clear alignment between its mission and CRM strategy, and CRM strategy is considered as customer focused and has senior sponsorship across the organization. Finally, CRM software selection is measured through the ability of the CRM system in terms of its ease of use and navigation, integration with current systems, ease of customization and the effective and efficient management of marketing campaigns. Thus, the hypotheses are:

H1: Top management support has a positive impact on Customer retention.
H2: Developing a clear CRM strategy has a positive impact on Customer retention.
H3: CRM software selection has a positive impact on Customer retention.

The four variables stated in the hypotheses are customer retention, top management support, developing a clear CRM strategy, and CRM software selection. Fig.1 shows the model used for this study illustrating the four variables and the hypotheses.

Figure 1: Model for CRM Implementation Success
Research design

The aim of this study is to validate the positive impact of management support, clear CRM strategy and CRM software selection on CRM implementation success (customer retention). After a review of the literature, the model shown in Fig.1 was used to validate this relationship. Moreover, the validity was tested by gathering information from local Saudi banks that utilize CRM system through a questionnaire designed to measure all of these four variables. The questionnaire contained a cover letter, 3 close-end questions and 4 sets of close-end questions. The first 2 close-end questions aim to identify which banks implemented a CRM system and in which department. The last close-end question identifies the respondent’s bank name and job title. The 4 sets of close-end questions were designed to measure the CRM success level (customer retention), top management support, CRM clear strategy and CRM software selection, respectively.

Data Collection

The sample target for distributing the questionnaire was local Saudi banks. There are 12 local Saudi banks; all but three had implemented the CRM system. The questionnaire was distributed online using surveygizmo (http://www.surveygizmo.com/), which is an online survey software, as well as by hardcopy. The total number of significant responses was (N=54) resulting in a response rate of 61%. The collected questionnaire revealed that more than 70% of the surveyed banks implemented a CRM system in customer support and service departments. Other banks implement CRM systems in sales and marketing departments. The respondents to the questionnaire held different positions, such as IT managers, project managers, account general managers, CRM consultants and IT technical personnel.

Results & Analysis

The data collected from the 54 respondents were imported to SPSS to perform the statistical analysis. Descriptive and inferential analyses were conducted on the data.

Descriptive Analysis

The two descriptive analyses that were performed on the raw data are statistical and frequency. The results of the statistical analysis are shown in Table - 1, and the results of frequency analysis are shown in Table - 2. Table - 1 shows that the most common value for the CRM implementation level is 3, which indicates a neutral level as respondents perceived it. On the other hand, top management support, CRM clear strategy and CRM software selection had the most common value of 4, indicating that most respondents agree on the contribution of these variables to the success of CRM implementation. The minimum score for CRM success level was 1, indicating that some banks have a poor level of CRM implementation. However, top management support, CRM clear strategy and CRM software selection have a minimum level of 2, meaning that some banks don’t believe that these variables have a significant effect on CRM success.

The frequency analysis as shown in Table - 2 indicates that 35% of the respondents agree that their CRM implementation level is good. On the other hand, 63% of the respondents agree that top management support increases the successfulness of CRM implementation. Finally, 51.9% of the respondents agree that developing a clear CRM strategy, and CRM software selection contribute to the success of the CRM implementation process.

In Inferential Analysis

There are different methods for performing descriptive analysis; we selected correlation method for our study. Spearman correlation was performed on the collected data, since our data is ordinal with a
significance level of 0.05. Table - 3 shows the output of this correlation between the CRM success (customer retention) and the other variables. The correlation coefficient between CRM success and top management support, CRM clear strategy and CRM software selection is .443, .431, .361, respectively. Moreover, the significance for all correlation outputs is less than 0.05. The previous readings indicate that the CRM success variable is positively related with the other three variables.

Testing Hypotheses

To test the hypotheses of this study, the following null hypotheses are presented to be accepted or rejected after running the correlation analysis.
H01: There is no relationship between Top management support and Customer retention.
H02: There is no relationship between Developing a clear CRM strategy and Customer retention.
H03: There is no relationship between CRM software selection and Customer retention.

According to Table - 3, the correlation coefficient between CRM success and top management support, developing a CRM clear strategy and CRM software selection is .443, .431, .361, respectively. Also, the significance for all correlation outputs is less than 0.05. Hence, there is a relationship between CRM success and the other three variables. Therefore, we reject the null hypotheses and accept the following alternative hypotheses.
H1: Top management support has a positive impact on Customer retention.
H2: Developing a clear CRM strategy has a positive impact on Customer retention.
H3: CRM software selection has a positive impact on Customer retention.

CONCLUSIONS

This study aims to prove the positive effect of some CSFs on CRM implementation in Saudi banks. CSFs may ensure effective CRM implementation and a realization of the promised benefits. All of the hypotheses are supported by the returned data. Hence, top management support, developing a clear CRM strategy, and CRM software selection have a positive effect on CRM success. Relatively speaking, top management support and developing a clear CRM strategy has a higher positive effect than the CRM software selection.

LIMITATION

As with any study, certain limitations should be recognized. First, CRM success was assessed by using customer retention only, while CRM success is a much broader construct that includes several other aspects. Second, the conclusion revealed in this study for the selected CSFs cannot be generalized to the CSF categories, which are strategic, tactical and operational.

REFERENCES


