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Organisational Transformation through CRM
Implementation: a descriptive case study
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Abstract

CRM is becoming critical to organisations worldwide as global competition increases and technological innovations in communication continue to emerge. In this descriptive case study, we have investigated a utility provider – with a geographical monopoly, who has successfully implemented a complaint management system, as part of their CRM process transformation. We have applied the teleological process theory (Ven de Ven and Poole 1995) to describe the organisational change, based on our empirical research.

Keywords

CRM, Complaint Management System, CCMS

Introduction

Increasing competitiveness in the global economy is forcing organisations to place greater emphasis on building valuable customer relationships. Customer relationship management or CRM is of vital importance to organisations and it requires customer-centric business approach to support effective marketing, sales and service processes. With the expansion of the Internet and the increasing number of tools available for communicating with customers, electronic CRM tools have become common in organisations (Greenberg 2002). Many of these tools are off-the-shelf products, entailing automated management of customer information relating to themselves and the products and services or organisations (Sanders & Jacobi 2002). The adoption of technology assisted relationship management tools such as call centre solutions, enable companies to more effectively attract, retain and grow their customer base by delivering premium customer service (Concerto 2002).

CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy and culture (Thompson 2002). Due to the number of technological solutions available for CRM process automation, it is often misconstrued as a piece of technology. Nevertheless, many organisations have realised the strategic importance of CRM and subsequently, it is becoming a business value-effort rather than a technology-centric effort. It is perceived as a business strategy that can positively impact profitability and customer satisfaction (see for eg. Alban 2002).

Cohen (2002) advocated that the success of CRM is due, in part, to the skilful use of the customer contact centre as a primary means of communication between the customers and the company. The goal is to ensure that your contact centre optimizes relationships with your customers and positively impacts revenue (Alban 2002). Market research studies have calculated that increasing customer retention by 1% can yield up to 8% increase in profitability (Ryan 2002). This paper is a descriptive case study of an organisation which has realised the strategic importance of CRM and initiated a computer-based pro-active
complaint management system integrating the customer service centres as part of their CRM strategy.

Methodology

Our main focus area in this investigation was to study the transformation of the organisation or rather change within the organisation, with the CRM process initiation, implementation and subsequent organisational transformation. There are two widely adopted research methods – action research and case studies - in information systems while embarking on organisational investigation to enrich them.

Rapoport (1970:499) suggests that action research, which requires the subjective involvement of the researcher in the problem under investigation endeavours to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of social science by joint collaboration within a mutually acceptable ethical framework. Baskerville and Wood-Harper (1998) identify the importance of the “reflective” nature of action research, where action is typically followed by a stage in which the researchers reflect on the evaluation of the results and learning from the effects of the action.

The case study method does not require this reflective, iterative process of hermeneutic exploration, but rather endeavours to investigate a contemporary phenomenon within its real life context (Yin 1994:13). The case study method, which seeks to facilitate an understanding of complex real-life situations, by studying a situation in context (Yin 1994). The level of access, time and confidentiality issues concerned with this research made the action research method unsuitable for our investigation. Therefore, we decided to favour a more traditional, positivist case study method, and specifically, the descriptive case approach, where the investigation begins with explanation of the theoretical construct (Tellis 1997) followed by its actual application in describing the case.

In this situation, our research was to understand the process of organisational change and development, with the implementation of CRM. From a literature review of organisational process change, we decided on Van de Ven and Poole (1995) work, as they had reviewed 200,000 titles, perused 2000 abstracts, read 200 articles that were useful in identifying 20 different process theories of organisational development or change, and categorised these into four process theories – evolutionary, dialectic, life cycle, teleological – as shown in Figure 1.

The evolutionary and dialectical theories are applicable to multiple cases, while the others are applicable to a single revelatory case. The theory of evolution is concerned with global changes in organisational population (see also Carroll and Hannan 1989). Singh and Lumsden (1990) apply this approach to explain strategy making within organisations.

In the dialectical theory, stability and change are explained by reference to the balance of power between entities. Change occurs when opposing values; forces or events gain sufficient power to confront one another. The life cycle theory suggests that change is ongoing and that the developing entity contains within itself an underlying form, logic, program or code which regulates the process of change and moves the entity from a given point of departure towards subsequent changes.
The teleological theory explains development in organisations by relying on the philosophical doctrine that purpose or goal is the final cause for guiding the movement of an entity. This theory underlies many organisational theories of change, including functionalism (see Merton 1968), decision making (March and Simon 1958), epigenesis (Etzioni 1963), learning (March and Olsen, 1976) and most models of strategic planning and goal setting (Chakravarthy and Lorange 1991).

Therefore, we chose to apply this teleological theory, to describe the development process within the organisation – a single entity, with the initiation/implementation of CRM process and subsequent changes. We found that applying this theory to the descriptive case not only clarifies the impact of CRM implementation, but also helps in understanding the organisational change process.

Figure 1. Process theories of organisational development and change (Van de Ven and Poole, 1995: 520)
CRM in Context

Chaffey (2002) defines CRM as an approach to building and sustaining long-term business with customers. Urquhart (2002) suggest that the concept of CRM has been claimed by software providers and accountants, as reflected on an increased spate of interactive voice response (IVR) systems. Many of the call-centre and complaint management systems come under the portfolio of CRM initiatives. However, with the continued automation, CRM lacks the critical ingredient – a personal contact. Customers in need of service should be able to access a single point of contact to communicate their needs effectively (Ryan 2002). For example, a call centre system may be highly efficient, but the organisation needs to integrate it with its business strategy, so that the consumers needing an immediate response can reach a person, instead of an automated voice response. Fortunately, an increasing number of business owners, managers, supervisors and staff are recognising this flaw as a loss in sales, opportunities and relationships (Urquhart 2002).

Better customer processes lead to higher levels of customer-related operational excellence and in turn, better Return of Investment or ROI (Barua et al 2001; Lee et al 2001). Calculating an accurate ROI from CRM is one of the hardest tasks due to the intangible variables that affect the results (Hewson 2001a; Newell 2000). Some of the costs and many of the benefits will not be known until the program has run a significant course (Galimi 2001). The maximising of benefits is highly dependent on the organisation changes having taken place to take full advantage of the added customer knowledge (Hewson 2001a). The long-term impact on both market position and customer value must have had time to become evident (Trepper 2000). Benefits of CRM include increases in revenue, decreases in costs and the ability to respond to competition or changes in the market place (Hewson 2001a). According to an Accenture survey, executives say that better data and customer insight obtained through CRM can increase sales by as much as 20 percent (Accenture 2002).

A survey conducted by Cap Gemini Ernst & Young of senior marketing executives in European firms revealed that 34% of companies view CRM as top priority in the corporate strategy and 65% are expected to increase their IT budget to support CRM efforts in 2002. 44% of large US and European organisations have CRM operational and 33% is in planning or implementation stage (Petrissan 2000). Companies, implementing a customer-related incentive system, report being ahead of their competitors in terms of profitability, suggesting another possible link between CRM programs and profitability. Customer satisfaction, customer retention and customer profitability are the most commonly used measurements for which employees receive rewards. Less often cited are more sophisticated CRM metrics, such as share of customer and lifetime value (Peppers & Rodgers 2000).

However, according to Hewson (2001b), the enchantment with IT-led CRM has resulted in too many badly conceived and poorly executed projects. There are few outstanding successes and a mass of inconclusive, if not failed, initiatives. In the early 1990s, it was easy to get productivity gains from traditionally poor operational activity in sales, marketing or service. Nonetheless, Hewson (2001b) agreed that with changed market conditions, improved technology and better implementation understanding, the past has become a poor guide to the future. Maciver (2001) quoted Forrester research in saying that there has been a lack of coordination and structure in many organisations’ approaches to CRM, with multiple projects springing up with different parts of the business in the absence of any overriding strategy. A straw poll of Forrester’s 1000 clients seem to have revealed that only 45% have established a centralized responsibility for CRM projects. The outcome of that is costs of running CRM are
escalating and companies need to take immediate steps to centralise their CRM strategy in order to reap some form of ROI. Advocated CRM programs may create exceptional economic value if conceived and executed well.

Customers are being treated as the most valuable asset by organisations, as they are worth more than products or physical assets owned (Kalakota & Robinson 2001, Newell 2000). However, the traditional product-based business model will need to be revised to focus on the relationship with customers at an enterprise-wide level (Hewson 2001a). This change is focused towards achieving a customer-centric business model to support the business strategy of profit growth based on customer retention and new markets (Newell 2000). A firm can create and add value to the relationship, differentiate itself and be more attractive to customers. However, the CRM strategy requires other enterprise-wide changes to be made in order to maximise business values including process re-engineering, organisational change, incentive-program change and a totally revamped corporate culture (Kalakota & Robinson 2001, Newell 2000, Thompson 2000).

It is vital for this new business strategy to be led by top executives within the organisation who endorse this cross-departmental philosophy. Technology alone is insufficient to deliver this value (Kalakota & Robinson 2001 Hewson, 2001(a), Newell 2000). A recent survey conducted by Accenture and market researcher Wirthlin Worldwide, found that 75% of top Fortune 1000 executives surveyed cited flawed execution plans as the leading cause of CRM failure, while 55% said inadequate support from upper management was the main cause of CRM failure (Picarelle 2002, Accenture 2002). It is evident that CRM is increasingly becoming an integral part of business strategy, for the value it adds to the business.

**Applying Teleological Theory to the Case**

**The Organisation in Context**

The Organisation in this research is a utility provider in Victoria (Australia) with over 1 million customers in its geographic region. It has approximately 500 employees, across 5 divisional groups. The organisation is not in direct competition with other utility companies for market share, being a regional monopoly. However, it is able to compete with others in the industry based on the level of customer satisfaction. In line with global practices in aligning customer service with their strategies, this organisation’s current Business Plan has a strong customer-oriented focus. The business plan reflects a 5-year strategy that emphasizes a “Good Neighbour” approach, where the company aims to position itself as a good neighbour within the community or geographic region to which it caters to. This implies being considerate to all within the geographic region of the organisation and taking responsibility for assets and actions, while providing excellent customer service.

Although the organisation is under no market threat and is more or less a monopoly in its region, it has decided to integrate CRM strategy into their business aiming at a global comparable service standard, at par with current best practices. In our descriptive case study that follows, we apply the Vanden Ven and Poole (1995) theory of teleological change process.

**Setting & Envisioning Goals**

The organisation has key performance indicators or KPIs to meet at the end of every financial year. Some of these KPIs are affected by the number of customer complaints received by the
company. Many of these KPIs are divisional-based (rather than corporate-wide) and many of the 27 branches within the 5 divisions were responsible for handling customer complaints. In terms of the first teleological cycle, the stage was set with KPIs to be achieved.

**Implementing Goals**

As most KPIs were divisional-based, therefore several departments within each division had set up their own system to keep track of customer complaints. With regards to the teleological cycle, this process involved implementing goals, specifically to achieve KPIs. In total, there were 17 separate systems used to record and manage complaints across all divisions. These 17 systems included both computer-based systems (e.g. Excel spreadsheets, Access database), as well as paper-based systems.

**Dissatisfaction**

Although the 17 systems had met the needs of individual departments, they failed to provide a corporate view in terms of reporting and did not allow for transparency of data across all divisions. This made it difficult to compile a history of customer contact and there was no consistent approach to handling complaints across the business. In addition, there were external pressures to improve the way that complaints were managed within the organisation. Since April 2001, all energy and water utility companies in Victoria came under the watchful eye of an industry Ombudsman (Vic Gov – Ombudsman 2002). The Ombudsman’s purpose was to help resolve customer complaints against utility companies. Every customer complaint lodged with the Ombudman’s office incurred a financial penalty for the organisation, ranging between A$60 to A$2500. The lack of a centralised system to capture complaints made it difficult to track and manage customer correspondence on a corporate level. This became an issue particularly with managing Ombudsman complaints, as they require urgent attention. Tracing 17 systems was extremely time-consuming and inefficient. Referring back to the teleological cycle, this is where the business entity became dissatisfied.

**Search & Interact**

With brainstorming and discussions, the need for a centralised system to manage consumer complaints became evident. The Manager of Customer Advocacy and the IT Project Manager, who formed the initial project team, discussed the most appropriate way of obtaining the desired solution. The main driver was to find a system that would provide functionality in terms of: efficient and effective managing of customer complaints through a centralised system, allowing for tracking of complaints from start to finish, allowing for identification of root causes of complaints to help identify areas of improvement to increase customer satisfaction, and provide reporting for various purposes. The overall aim was to improve customer service, take precautionary steps to minimise expensive Ombudsman complaints and be able to manage complaints at a corporate-level. 

The project team had set out to investigate third-party products that were available in the market. This involved networking with contacts within the industry on what systems are being used and obtaining recommendations. The recommendations included both large and small products. The larger products in the market were eliminated from the shortlist as the associated size, costs and functionality were not appropriate for the organisational needs. The shortlist consisted of two third-party products and the option of developing the product in-house. This process of the teleological cycle involved searching and interacting.
Setting & Envisioning Goals

An IT Project Proposal and a Business Justification document were submitted by the two managers to the senior management, recommending the need for a Corporate Complaint Management system (CCMS). These documents explained the issue and the need to have a CCMS, and justified the business benefits (See table 1).

<table>
<thead>
<tr>
<th>CCMS Business Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>The CMS creates a bridge across disparate systems by integrating all complaints from various systems into the one. This will aid in internal reporting and provide transparency of data (complaints) across all disparate systems. This will in turn support the growing emphasis on probity, customer protection and external regulation (EWOV, ESC, Privacy).</td>
</tr>
<tr>
<td>The CMS will provide a structured, clear and consistent approach in the logging and handling of complaints. It will also allow for a more effective case handling between diverse parts of the business, where in the past was not possible.</td>
</tr>
<tr>
<td>The CMS becomes the driver for other customer contact systems, AP&amp;C, QOS with the ability to track integration. (Avoid costs in implementing a separate system to track complaints for AP&amp;C).</td>
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<tr>
<td>The CMS aims to turn raw data into information for decision-making and action, which could also assist in transforming information to facilitate knowledge management. This can be achieved through root cause analysis, which is valuable to business improvement, by providing qualitative data for corrective action.</td>
</tr>
<tr>
<td>All closed complaints in the CMS will be given a customer satisfaction rating and this will allow the company to measure the performance of the customer interaction and to provide data for setting KPIs (i.e. best practice as indicated by Anderson Audit)</td>
</tr>
<tr>
<td>The CMS will allow the responsibility for action and escalation to be clearly defined and monitored to promote internal resolution focus, which supports the principles adopted by SEWL.</td>
</tr>
<tr>
<td>The CMS is estimated to reduce the time spent on operational activities (filing, archiving, matching complaints between systems) by the Customer Advocacy, by allowing the Customer Advocacy to focus more on pro-active and strategic duties and responsibilities. In total, the company spends more than $80000 (about 23 hours a week) in managing ombudsman complaints. This does not include other customer complaints that have not been alerted to the ombudsman. [$80000 is calculated according to time &amp; salary of employees to manage complaint &amp; other associated costs, e.g. communications &amp; travel costs]</td>
</tr>
<tr>
<td>A complaint can, not only be alerted to the industry ombudsman’s attention, but it has the potential to harm the overall reputation of SEWL. The CMS aims to provide efficient and effective handling of complaints to minimise such risks. In this aspect, the CMS has the ability to save the company over $1million in rebuilding the company’s image, customer confidence and employee satisfaction. [The $1 million is calculated based on the company Marketing &amp; PR advertising budgets &amp; the time and salaries of employees required to rebuild the image of the company.]</td>
</tr>
<tr>
<td>The CMS will eliminate the need for pink forms used by Customer Service Group operators to report complaints. This will save the company more than $1500 per year, but more importantly will increase operator’s time (by 4000minutes a year) to answer more calls, which will in turn reduce call-waiting time for customers and improve customer service. [$1500 calculated as 450 pinks forms p.a. x 10min of operator’s time in filling up x $operator’s pay per hour + cost of printing paper)</td>
</tr>
</tbody>
</table>

Table 1  Benefits of CCMS   (Source: Internal/Confidential)

The CCMS would integrate all complaints into the one system. This would encourage easier tracking of customer correspondence, efficient managing of complaints and allow for better reporting. In addition, it would allow the organisation to build a history of customer contacts, increase customer service, minimise Ombudsman complaints by being more proactive with managing complaints and enquiries, thus reducing potential costs associated with Ombudsman complaints. This proposal was also in line with the new Corporate Business Plan, which emphasized a strong customer service focus to promote high levels of customer
satisfaction. Linking back to the teleological cycle, this stage involves setting and envisioning goals.

**Implementing Goals**

In terms of project implementation, steps were carried out to evaluate and determine which was the best solution for the CCMS. The two vendors in the shortlist were provided with a Request for Information (RFI), which specified the requirements of CCMS and they were invited to give a presentation of their products. The selection criteria were based on functional fit and requirements. It was decided by the project team that a third-party product would be most appropriate for the CCMS. There were risks associated with both third party vendors that required an appropriate risk mitigation strategy to be implemented prior to the business case being approved. A third-party Complaint Management System product was chosen with the focus of managing customer complaints and correspondence. Contract negotiations were then made with the vendor to purchase the product for corporate use.

The project team drew up a detailed project plan, which was developed to determine datelines for each task and availability of resources. At this stage, an IT Business Analyst was brought on board to assist the project team in managing the remainder of CCMS project. The project team identified the business requirements for stakeholders of the system. The stakeholders included key representatives of all branches in the business that had some form of external customer contact or were responsible for managing customer complaints. Meetings were scheduled to elicit requirements from key business representatives. These meetings were also a means of gaining acceptance of the system by key representatives playing an essential part of ensuring that the needs of their respective branch would be taken into account while modifying the system.

The project team had also produced detailed test plans and an issues register for the purpose of managing vendor and project related issues. These test plans were then executed by representatives in each division and signed off according when tests were passed. All bugs identified during testing were then documented and passed on to the vendor to fix. Training was then scheduled for those involved in the pilot phase. It was mainly divided into two types of training. The first type of training was for half an hour. This was mainly targeted to users who were only responsible for logging a complaint into the system but was not responsible for overseeing or managing the complaint. The other type of training involved a more hands-on approach to the system, where users were provided with a 2-hour computer training session on how to manage and track a complaint within the system.

The CCMS was to be rolled out into three main divisions within the organisation. The project team decided upon a pilot phase where the CCMS would be rolled out into one division for a month initially before going “live” in the other two divisions. This would allow time to identify issues with the current business process not already found during testing and allow the project team the opportunity to refine the deployment prior to rolling out to the rest of the business. In relation to the teleological cycle, this phase involved implementing goals.

**Dissatisfaction**

After the first month of introducing the CCMS in the first division, the project team held a feedback session with all employees who had managed customer complaints using the system. In general, users of the system expressed difficulty in navigating within the system. The users did not find the system intuitive in terms of knowing what was the next step and which screens to go to in order to record or manage a complaint. Further investigation found
that these were symptoms of having a functionally rich system to manage a business process that was initiated at infrequent intervals. At this point of the teleological cycle, dissatisfaction was evident.

**Search and Interact**

The project team had taken into account the feedback from those involved in the pilot phase and then proceeded to roll out the system to other parts of the business. In the meantime, regular monthly meetings were carried out to involve users to voice their opinions and feedback on the system. In order to maximise returns with an off-the-shelf package, changes to the system were kept to a minimum and business processes altered to accommodate the system. As expected users have initially found some of the terms in the system confusing, however with more use, these issues were slowly overcome. Hands-on training was provided to targeted users with specific problems and training manuals were improved to accommodate navigational issues faced by users.

Some lessons were learnt in this pilot phase:

- The project team had decided to nominate at least two local experts of the CCMS in each division so that staff members can seek advise from a representative in their department to help assist them with any issues pertaining to the CCMS.
- Since it was not always possible for the project team to change the names of buttons and screens to make the system user-friendlier, being a third-party off-the-shelf product, a quick reference guide was provided to all users that illustrate a step-by-step guide to using the system. This was in addition to the detailed user manual that was provided at the training sessions.
- As there was a general concern that a lack of practice with the system would result in difficulty in navigation, users of the CCMS would be provided with a “test” version of the system, where they would be able to practice and explore the system without the fear of getting lost and making mistakes in the actual “live” system.
- Refresher training would also be provided to all staff who feel that it would be necessary to recap their initial training or to raise any issues relating to the CCMS.
- In general, users would require an adjustment period in terms of familiarising themselves with a new system. However if users felt that their needs and opinions were taken into account, such as by holding meetings with key representatives at the development phase and during feedback sessions, this is likely to increase the users’ acceptance of the system.

Apart from the lessons learnt from this project, there were several benefits observed from using the CCMS. There has been organisational savings in terms of cost and time efficiency. Paper-based systems were now replaced and managed electronically corporate-wide and made more visible to all areas of the business. Less time was required to manage complaints, as the system was able to meet the needs of the users in terms of recording and tracking complaints.

Users have also been able to link complaints from the same customer or root cause. This would in turn assist in identifying any patterns in terms of complaints and to allow for opportunities for improvements in areas of the business. In addition, this information will allow staff to take precautionary steps in preventing such problems from arising in future so as to minimise Ombudsman complaints where possible. The CCMS has provided users with very “rich” functionality in terms of reporting purposes. Users, such as managers, are able to
manipulate data to generate reports for various purposes, such as end of month reporting or for weekly statistics.

<table>
<thead>
<tr>
<th>Iterative Stages</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting/Envisioning goals</td>
<td>Achieve the KPIs at the end of financial years through reduced consumer complaints</td>
</tr>
<tr>
<td>Implementing Goals</td>
<td>17 computer based customer management systems implemented</td>
</tr>
<tr>
<td>Dissatisfaction</td>
<td>Difficulty in tracking and managing complaints</td>
</tr>
<tr>
<td>Search or Interact</td>
<td>Brainstorm for an effective solution</td>
</tr>
<tr>
<td>Setting/Envisioning goals</td>
<td>Strategy based on CRM and efficient response to consumer complaints</td>
</tr>
<tr>
<td>Implementing Goals</td>
<td>CCMS implemented integrating all systems</td>
</tr>
<tr>
<td>Dissatisfaction</td>
<td>Not user friendly</td>
</tr>
<tr>
<td>Search or Interact</td>
<td>Brainstorm for solution</td>
</tr>
<tr>
<td>Setting/Envisioning goals</td>
<td>Several steps for successful implementation of CCMS and subsequently, high focus on CRM</td>
</tr>
</tbody>
</table>

… the iterative process continues …

Table 2  An application of teleological iterative process to the organisation

This cycle continues on to keep on improving the users’ acceptance of the system with regular feedback sessions and to identify any improvements. In this descriptive case, the organisation has used a Complaint Management System for effective CRM and the transformation process within the organisation has been evident, as can be seen by the application of Ven Den Ven and Poole (1995) theory of teleological change process.

Conclusions

The organisation described in this case has been through two iterative cycles while implementing the CRM process within. The CRM initiative and implementation has been due to understanding of customer needs, aligning these needs with organisational KPIs, and tangibly, by implementing an effective and integrated Complaint Management System. Although a complaint management system may not be named a CRM tool, within the business strategic context and deriving from its definitions, it is a tool that facilitated effective CRM within the organisation. It is apparent that the organisation is aligning its strategies towards a complete CRM process.

From the research viewpoint, this organisation appears to be taking into account the current business best practices and has decided to take on the facilities offered by new technological innovations. Although, not losing market share – the organisation has learnt that cost effectiveness and maximisation of ROI is possible through implementing an efficient phased CRM process, aligned with business strategy. Farsighted organisations are moving towards a complete CRM implementation process, both through business process transformation and by deploying technological innovations.
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