

## CRM ELEMENTS AND INTEGRATED GROWTH OF THE ORGANIZATION

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### **Abstract**

*The primary elements described in various literatures are varying. Different researchers have indicated CRM elements from their research perspectives. In the context of Indian Heavy Industry, four most vital CRM elements are Process, People, Customer and Technology. True CRM normally involves changing internal processes, organizational structures, compensation incentives, and employees' skills and behaviors. None of these goals is easy to achieve — top management must drive the necessary changes through a formal program of initiatives, while ensuring that communication is tactful and unites the enterprise around common CRM objectives. Changes will need to be gradual — they may take years to achieve, and they won't happen by themselves.*

*This paper discusses role played by CRM elements in “Integrated growth” of the organization. The attempt has been made to appraise the CRM elements – Process, People, Customer and Technology that has contributed in the integrated growth of the Organization. Here “Integrated Growth” refers to the overall growth of the company from various like a) Top line growth (Revenue growth rate), b) Bottom line growth (PAT growth rate) and Market share values. Here the overall increase in the top-line is considered as a measure to define the integrated growth of the firm. The research study found that among four elements, Process and people elements plays very vital role in the overall growth of the firms in the Indian Heavy Industry.*

### **Introduction**

CRM is more much more than a survival tactic in today's marketplace. If implemented successfully, CRM results in a number of benefits to an organization like increased sales revenue, increased margins, improved customer satisfaction ratings and decreased administrative costs (sales, marketing etc.). CRM is a viable way to run a customer –oriented business .It is only a matter of time before CRM would be a rule rather than exception in the Indian Heavy Industry.

The effects and benefits of CRM are multifold. As an organization deepens its commitment to managing its customer portfolio as a set of relationships, two imperatives emerge: knowing more about customers' needs and preferences, and increasing the frequency of interaction. Relationships are difficult to sustain without some degree of dialogue. And this increased dialogue must produce a return, not just raise the cost of managing the customer relationship. Moreover, as the company grows, it should endeavor to grow the value of its customer based faster than the cost of supporting it. One way is to determine the most cost efficient and customer-effective way to route a customer through the business. When implemented correctly, CRM an organization can expand access and level of interaction with the customer which is profitable in the long run. However, there are several reasons why implementing a customer relationship management (CRM) solution might not have the desired results. Lack of commitment, poor communication and weak leadership top the list.

The present study focuses on the role of CRM elements in helping organizations in creating unique competitive advantage to fight with cut – throat competition in market place. The aim of the research study is to examine those customer relationship elements in the context of growth of the organizations. There are inherent company specific factors that help organizations to survive and grow. Therefore the main aim of the study is to find out how customer relationship management elements support the growth for the heavy industry in particular.

### **Scope of the Study**

The scope of the research will be limited to the organizations from the Indian Heavy industry segment. The study tries to find answer to the questions like what specific role CRM plays in

enabling organizations to create a unique competitive advantage? Which are the customer relationship elements in the context of the growth of the organizations ? Which are the inherent company specific factors that help organizations to survive and grow further? What role technology and process plays in ensuring customer satisfaction and lead to customer retention.

The present study is confined to major twelve organizations covered in Indian heavy industry. To achieve a real insight on the research topic, sufficient care has been taken in selecting firms from Indian Heavy Industry. To achieve this goal, a specific selection criterion was adopted. Accordingly out of the 12 organizations, 4 are navratna PSUs performing extremely well and other 4 are non navratna PSUs which are not performing as good as navratna firms. Also to get the insight on how the private firms are performing, 4 leading organizations are selected from private sector. Since most of these organizations have multiple units / divisions, depending up on the resources, research activities are conducted and are confined to Bangalore, Vishakhapatnam, and Surat etc. Limited literature available in the context of Indian heavy industry has been reviewed and used where ever possible during the current study to understand CRM practices followed by them. The research was conducted mainly in and around Bangalore and in few cases outside the city.

### Review of Literature

The complex nature of research demands thorough, sophisticated reviews. A thorough, sophisticated literature review is the foundation and inspiration for substantial, useful research. In this chapter researcher has attempted to study and examine the available research studies, some of the company data and industry reports which has provided a basis for the proposed study. Literature review explains the need for the proposed work and appraises the informational gaps in secondary data sources.

Ed Thompson, in his research article titled Applying Gartner's Eight Building Blocks of CRM, Gartner, Publication Date: 23 July 2009 ID Number: G00169547 talks about a framework that contains the elements necessary for a successful CRM initiative. The eight components are: vision, strategy, customer experience, organizational collaboration, processes, information/insight, technology and metrics.

<b>1. CRM Vision : Leadership, Market Position and Value proposition</b>	
<b>2. CRM Strategy : Objectives, Segments and Effective Interaction</b>	
<b>3. Valued Customer Experience</b> Understanding requirements Monitor expectations Satisfaction versus Competitiveness Collaboration and Feedback Customer Communication	<b>4. Organizational Collaboration</b> Culture and Structure Customer Understanding People : Skills and Competencies Incentives and Compensation Employee Communications Partners and Suppliers
<b>5. CRM Processes : Customer Life Cycle and Knowledge Management</b>	
<b>6. CRM Information : Data, Analysis and one View across channels</b>	
<b>7. CRM Technology : Applications, Architecture and Infrastructure</b>	
<b>8. CRM Metrics : Value, Retention, Satisfaction, Loyalty and Cost to Serve</b>	

Source: Gartner, July 2009

The author also explains the eight building blocks in the model are the fundamental components of an effective CRM initiative. Beneath each component are a variety of interlinked capabilities. A key feature of this framework is its emphasis on the need to create and maintain a balance between the requirements of the company and the customer.

The CRM strategy is created by auditing the business's current position regarding customers' value, loyalty and satisfaction, segmenting customers, setting customer objectives, including acquisition,

retention and development, Defining metrics for monitoring the execution of the strategy — for example, satisfaction, loyalty and cost to serve, outlining the strategy for the customization by product segment, pricing, communication and contact, channel, customer service and segment management and specifying the customer infrastructure required (including skills, organization, IT, analysis and data) to give direction to the other operational strategies.

### **People**

People tend to focus on the things that they can understand and influence — technology, customer data, processes or the organization. Thus, CRM initiatives are often inwardly focused and provide little value to customers. They fail to take into account that value must be created for both sides in relationship management. The challenge is to balance the benefits for the organization with the customer benefits and to avoid being too inwardly focused.

### **Processes**

Enterprises frequently fail to recognize that their customers are having poor experiences, because their functionally fragmented processes fail to deliver a seamless macro process. CRM demands a fresh approach to business processes, rethinking how they appear to the customer and re-engineering them to be more customer-centric and to deliver greater customer value. This entails working outside-in and listening to the customers' views. Not all processes matter equally to the customer, so discovering which are important is a critical starting point .

### **Customer Information**

Customer information is key to CRM. It must be acquired, stored, analyzed, distributed and applied throughout the enterprise — and, potentially, to its business partners — in a timely fashion. It is the basis of customer knowledge and effective cross-channel interaction. Achieving quality information requires hard work "behind the scenes." Most enterprises' CRM information capabilities are poor, because they have numerous fragmented databases and systems, and they lack an ongoing data quality or master data management strategy.

A strategic approach to customer information is required at the start of any CRM initiative. Organizations need to determine where they will source different kinds of customer information, how they ensure that there is a strong data governance and data quality framework, where and how they generate the right customer insight, and, overall, how they create a customer information and insight "blood supply" for the organization. A key foundation for this blood supply will be the creation and maintenance of a single view of the customer for operational and analytical purposes.

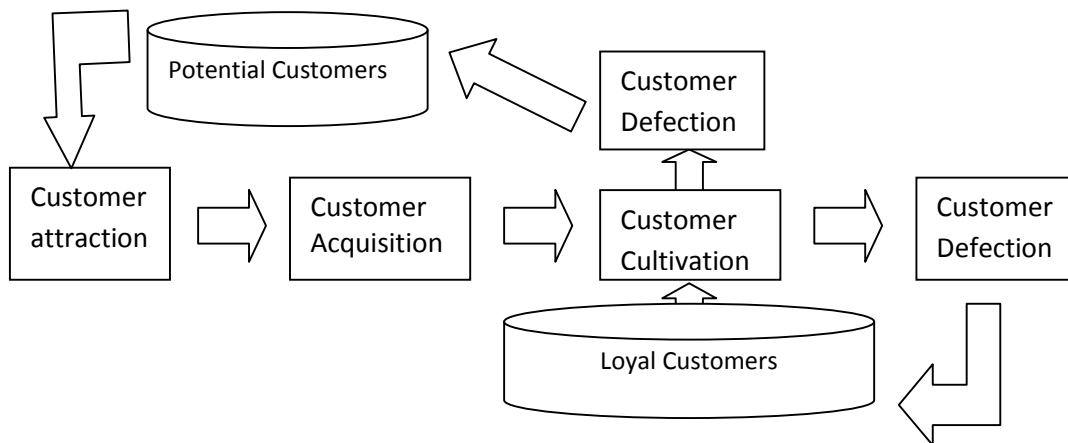
### **Technology**

CRM involves more than just technology — small organizations can often support their CRM strategies without technology. Technology enables larger organizations to behave like the smallest organizations. Unlike ERP, most CRM applications continue to be built, rather than bought, although slowly packaged applications are replacing custom-built applications. Most midsize and large organizations' CRM technology bases are fragmented, because each department buys without reference to the rest of the organization.

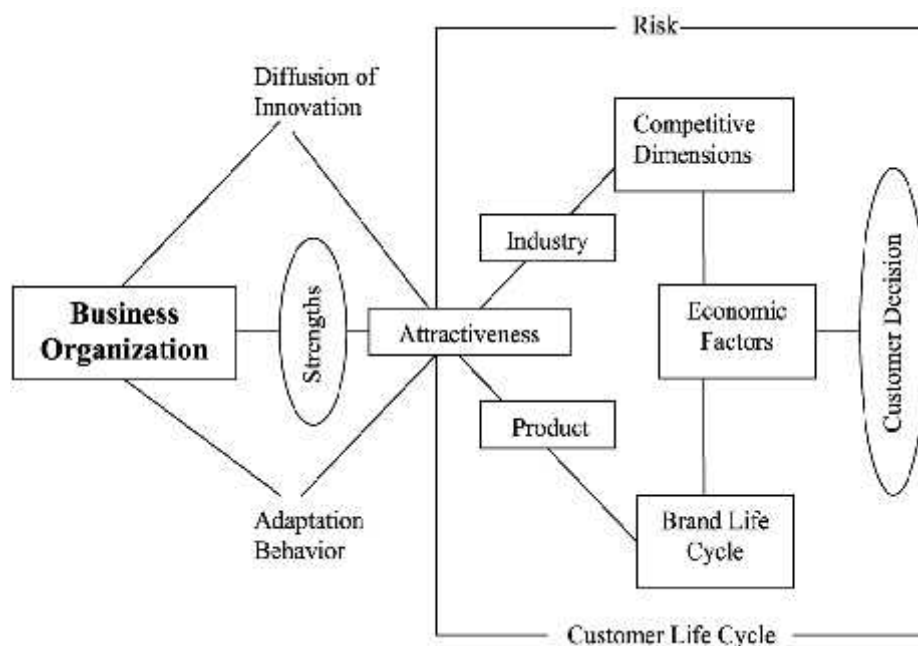
To achieve integration across channels and business units, an agreed-on architectural approach is needed, with policies and standards for sourcing applications. Integration is key to CRM applications, whether they're bought or built, and whether they're a suite, best-of-breed or some sort of hybrid system. Integration is also important with non-CRM applications — financial systems, supply chain management solutions, legacy tools and, frequently, business partners' systems.

Hyunseok Hwang\*, Taesoo Jung, Euiho Suh in their paper titled ‘An LTV model and customer segmentation based on customer value: a case study on the wireless telecommunication industry’ published in *Expert Systems with Applications* 26 (2004) 181–188. indicated that Customer relationship management (CRM) has become one of the leading business strategies in the new millennium. It is difficult to find out a totally approved definition of CRM. We, however, can describe it as ‘Managerial efforts to manage business interactions with customers by combining business processes and technologies that seek to understand a company’s customers’ (Kim, Suh, & Hwang, 2003), i.e. structuring and managing the relationships with customers. CRM covers all the processes related to customer acquisition, customer cultivation, and customer retention.

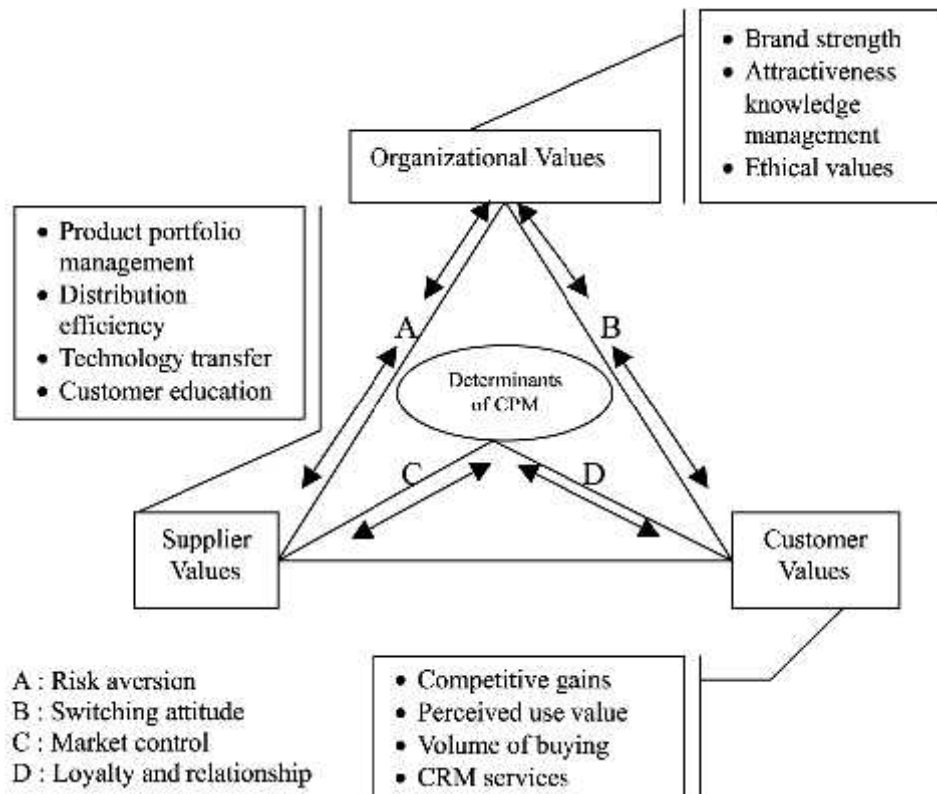
The author s also gave a model explaining the scope of CRM as follow



Rajagopal and Romulo Sanchez of Monterrey Institute of Technology and Higher Education, ITESM, Mexico City, Mexico in their research article which published in *Journal of Business & Industrial Marketing* Volume 20 - Number 6, 2005, pg 307–316, that the customer portfolio models reviewed in the paper conceptually address the functional relationships between the customers and suppliers in the process of marketing.



Market Environment related portfolio model



Value based portfolio Model

### Need / Importance of the Study

“Integrated growth” refers to the overall growth of the company which can be measured in many ways which are listed below:

#### 1. Financial measures

- a. Top line growth (Revenue growth rate)
- b. Bottom line growth (PAT growth rate)
- c. ROCE etc.

#### 2. Market share values

Here **the overall increase in the top-line** is considered as a measure to define the integrated growth of the firm. To understand how CRM elements enable “Integrated growth” of the organization, the CRM – Process that has contributed in the integrated growth of the Organization are to be examined.

### Statement of the problem

To examine role played by various CRM elements in an integrated growth of the firms in Indian Heavy Industry.

### Objective

The primary objective of the research study is to apprise elements of CRM that has contributed in the integrated growth of the Organization.

### Research Methodology

For the study, both primary and secondary source of information are used extensively. Primary data has been collected through structured questionnaires to the respondents the selected organizations. Secondary data was collected from Government reports, Web information and from historical information available. The secondary information was also collected from relevant business journals, magazines, newspapers and internet.



**Sample Size :** 12 Organizations.

**Number of Respondents :** 12 Organization x 10 Respondents/ Organization = 120 respondents .

**Sampling Technique :** The technique for sample selection was selective one and the selection of respondents was convenient . The 12 top companies considered for the study include Navratna and Maharatna companies (Indian Government Owned) BHEL, ONGC, BEML, SAIL, HMT, NTPC and the privately owned companies which include L&T, ABB, BOSCH, YOKOGAWA, and CCI.

**Tools and Techniques for Data Analysis:** SPSS, Cross Tabulation, Pearson’s, Kendall’s and Spearman’s correlation, Linear Regression etc are used for data analysis and interpretations. Also, for these companies an intensive study was conducted and following data has been worked out

### 1. Quantitative inputs

- a. Importance given by each of the companies to the 4 main elements of CRM
  - 1.Process
  - 2.People
  - 3.Technology
  - 4.Customer
- b. Retained customers in each company.

### Data Analysis

#### CRM resulting in “Integrated growth” of the Organization

In order to understand the impact of CRM on integrated growth we need to initially define “Integrated growth”. By integrated growth we mean the overall growth of the company which can be measured in many ways which are listed below

#### 1. Financial measures

- a. Top line growth (Revenue growth rate)
- b. Bottom line growth (PAT growth rate)
- c. Return on Capital Employed ( ROCE) etc.

#### 2. Market Share Value

While considering the overall increase in the top-line as a measure to define the integrated growth of the firm following information emerged.

	Sales		
	2011	2007	YOY growth (%)
BHEL	44,002.76	19,058.33	23.27
L & T	44,055.55	17,983.37	25.11
NTPC	55,216.69	32,817.30	13.89
ONGC	66,487.19	57,190.17	3.84
ABB	6,638.16	4,621.89	9.47
BOSCH	7,149.69	4,212.79	14.14
BEML	2,802.61	2,618.79	1.71
YOKOGAWA	603.40	331.48	16.15
SAIL	47,156.25	39,722.59	4.38
CCI	239.66	136.54	15.10
HMT	200.86	233.11	-3.65

CRM initiatives can be on 4 fronts as mentioned earlier: process, people, customer and technology. We now run a **multivariate regression** in order to understand how each of these from impacts the growth of the organization.

Results are shown below:

Model Summary <sup>b</sup>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig.F Change	
1	.876 <sup>a</sup>	.767	.611	5.6109994	.767	4.924	4	6	.042	2.065
a. Predictors: (Constant), Technology, People, Process, Customer										
b. Dependent Variable: YoY %										

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-51.056	34.711		-1.471	.192		
	Process	1.561	.792	1.613	1.971	.096	.058	17.212
	People	.927	1.182	.589	.784	.463	.069	14.485
	Customer	-1.424	1.053	-1.381	-1.352	.225	.037	26.803
	Technology	-.005	.173	-.008	-.029	.978	.540	1.850
a. Dependent Variable: YoY %								

The R<sup>2</sup> value that was got at the end of the model was .767.

The final equation that we have got through this model is

$$\text{YoY growth\%} = -51.05 + 1.561 * \text{Process} + .927 * \text{People} - 1.424 * \text{Customer} - .005 * \text{Technology}$$

## Findings

1. 76.7% of the data can be explained by the above model
2. Technology has **negligible impact** on the YOY growth
  - a. This can be explained by the fact that technology in most of these industries is highly standardized and hence the differentiation cannot be brought about by technological advancement
3. Clearly **process and people** appear to be having the **maximum impact** on the growth of the company when compared to the other parameters.
  - a. This clearly explains that the only way there is differentiation in this industry is through having excellent processes in place along with good employee retention that would keep the customer contacts intact.
  - b. Customer relation has to be given highest priority
  - c. Employee retention has to be given 2<sup>nd</sup> highest priority

Thus, in Heavy Industries process and people are the 2 major parameters where the company needs to follow CRM practices to improve their overall performance.

### Recommendations/Suggestions

Since in the firms coming under Indian Heavy Industries, process and people are the 2 major parameters. The companies need to follow CRM practices to improve their overall performance.

### Conclusions

This research study high lights the crucial role played by CRM elements in “Integrated growth” of the organization. The attempt has been made to appraise the CRM elements – Process, People, Customer and Technology that has contributed in the integrated growth of the Organization. Here “Integrated Growth” refers to the overall growth of the company from various like a) Top line growth (Revenue growth rate), b) Bottom line growth (PAT growth rate) and Market share values. Here the overall increase in the top-line is considered as a measure to define the integrated growth of the firm. The research study found that among four elements, **Process** and **People** elements plays relatively more vital role in the overall growth of the firms in the Indian Heavy Industry.

### Limitations

Two major limitations to study were

1. The biased opinion of the respondents and
2. The authenticity of the public data available in firms web sites.

### Scope for Further Research

There is a wide scope for the further research in CRM area for Indian heavy Industry since not much work has been observed.

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