

BUSI-5806

Managing Change
Customer Relationship Management in
Butane Industrial Company



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APRIL 2008

INTRODUCTION

CRM is a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of IT and relationship marketing strategies to deliver profitable, long-term relationships. Importantly, CRM provides enhanced opportunities to use data and information to both understand customers and implement relationship-marketing strategies better. This requires a cross-functional integration of people, operations, processes, and marketing capabilities that is enabled through information, technology, and applications. [16]

The marketplace of the twenty-first century bears little resemblance to bygone eras characterized by relatively stable customer bases and solid market niches. Nowadays, customers represent a moving target and even the most established market leaders can be ousted quickly from their dominant positions. The urgent need to find alternative routes to competitive advantage has been driven by profound changes in the business environment, including: the growth and diversity of competition; the development and availability of new technology; the escalating expectations and empowerment of the individual; the advent of a global operating environment; and the erosion of conventional timeframes in this electronic-enabled era. These changes have reinforced the adoption of wider business horizons and more customer-oriented perspectives.

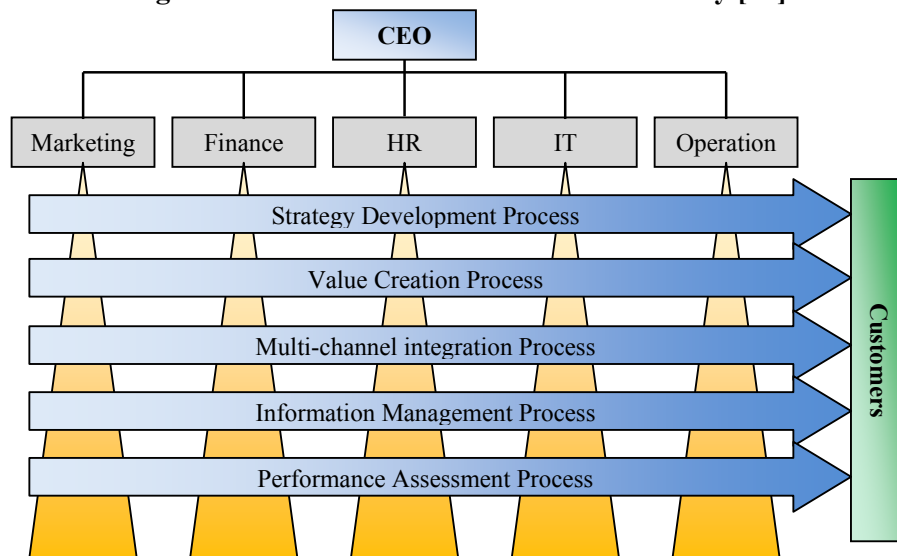
CRM involves a profound synthesis of strategic vision, a corporate understanding of the nature of customer value within a multi-channel environment, the utilization of the appropriate information management and CRM applications and high quality operations, fulfillment and service, CRM emphasizes that managing customer relationships is a complex and ongoing process and a response to and reflection of a rapidly changing marketing environment.

FIVE KEY CROSS-FUNCTIONAL CRM PROCESSES

Successful CRM requires a cross-functional approach, involving not only marketing but also the entire enterprise. Developing a cross-functional approach to CRM requires first determining the key processes that need to be addressed and second identifying the key issues or questions that need to be addressed by the organization for each of these processes. These are:

- The strategy development process
- The value creation process
- The multi-channel integration process
- The information management process
- The performance assessment process

Figure 1: CRM as A Cross-Functional Activity [16]



These five cross-functional processes are shown in Figure 1 as a cross-functional activity. They are fully oriented towards customers. CRM should be viewed as a strategic set of processes or activities that commences with a detailed review of an organization's strategy (the strategy development process) and concludes with an improvement in business results

and increased shareholder value (the performance assessment process). The notion that competitive advantage stems from the creation of value for the customer and for the company (the value creation process) is key to the success of any relationship. CRM activities for all substantial companies will involve collecting and intelligently utilizing customer and other relevant data (the information management process) to build a superior customer experience, at each touch-point where the customer and supplier interact (the multi-channel integration process).

While these CRM processes appear to have universal application, the extent to which they are adopted will need to vary according to the unique situation of the organization concerned.

PROCESS 1: THE STRATEGY DEVELOPMENT PROCESS

The strategy development process highlights the importance of grounding any CRM initiative in a well thought-out strategy. Most companies today recognize that their future depends on the strength of their business relationships and, most crucially, their relationships with customers. This process demands a dual focus on the organization's business strategy and its customer strategy: how well the two interrelate will fundamentally affect the success of its CRM strategy. A comprehensive review of the business strategy will provide a realistic platform on which to construct the CRM strategy and generate recommendations for general improvement.

PROCESS 2: THE VALUE CREATION PROCESS

The value creation process is concerned with transforming the outputs of the strategy development process into programmes that both extract and deliver value. The three key elements of the value creation process are: Determining what value the company can provide for its customers (the value the customer receives); determining what value the company can extract from its customers (the value the organization receives); and, by successfully

managing this value exchange, maximizing the lifetime value of desirable customer segments.

PROCESS 3: THE MULTI-CHANNEL INTEGRATION PROCESS

The multi-channel integration process focuses on decisions about what is the most appropriate combination of channels to use; how to ensure the customer experiences highly positive interactions within those channels; and, where customers interact with more than one channel, how to create and present a single unified view of the customer. For designing channel it is necessary initially addresses the nature of industry structure and channel participants.

PROCESS 4: THE INFORMATION MANAGEMENT PROCESS

The information management process concentrates on the collection, collation and usage of customer data and information from all customer contact points. This process enables the organization to construct complete and current customer profiles that can be used to enhance the quality of the customer experience.

PROCESS 5: THE PERFORMANCE ASSESSMENT PROCESS

The performance assessment process covers the essential task of ensuring the organization's strategic aims in terms of CRM are being delivered to an appropriate and acceptable standard and that a basis for future improvement is established. There are the two main components of this process: shareholder results, which provide a macro view of the overall relationships that, drive performance; and performance monitoring which gives a more detailed micro view of metrics and key performance indicators (KPIs).

CRM IN BUTANE INDUSTRIAL COMPANY

In 1964, Butane Industrial Company (BIC) was independently commenced as the first and largest producer of gas cylinders and gas burning appliances in Iran. In 1988, BIC began the

production and distribution of the third generation of its gas burning appliances and within 7 years managed to multiply its water-heater production tenfold. Again, in keeping up with customer lifestyle, BIC began the production of wall-mounted combination heater and boiler . Today, BIC has more than 3,000,000 customers in IRAN. [17]

Butane's products such as water heater and combi boilers require sales consultation, installation, annually maintenance and other after sales services. Therefore, to manage service persons to do these affairs for customers and gathering their feedbacks and complaints, Butane requires new department to manage these tasks. Moreover, the main domestic competitor introduced its call center in that year.

In addition, the new obligation for acquiring ISO 9000:2000 made top management to establish a call center department. Also, they always seek for some ways to remove the gaps between Butane's R&D and their consumers. It is good to mention that there were many other deficiencies, which top management's consultants made Butane to expedite the implementing critical strategies in entire organization to transfer Butane to the customer-oriented organization.

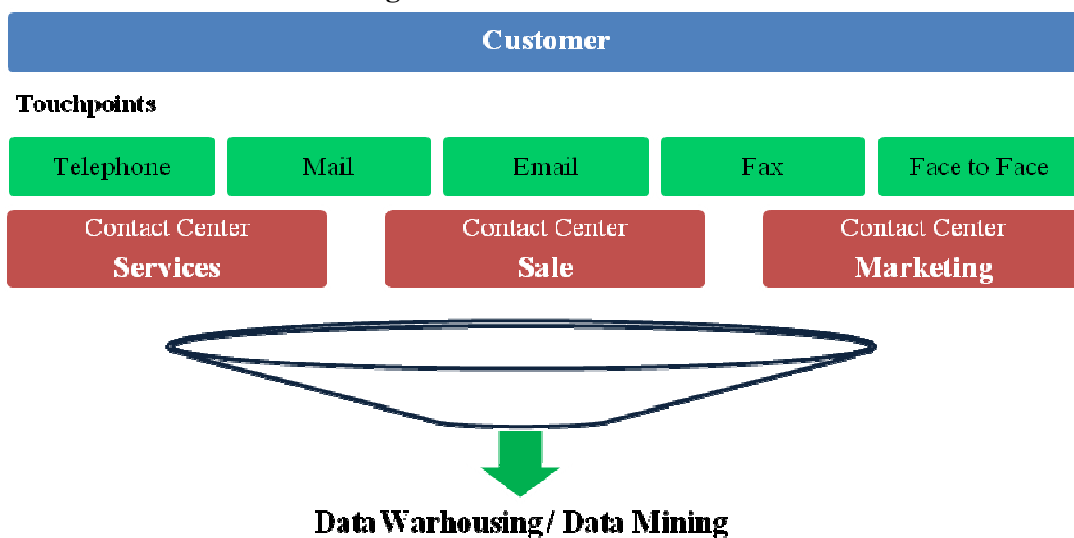
From financial aspects this change contains plenty amount of investment, but according to above reasons Butane top management pursued to implement new strategies in entire organization.

ESTABLISHING CRM IN BUTANE

Mentioned model designed and used for implementing CRM initiatives in Butane Company. To implement the project according to this model initially a new department so called "Customer Relations Center" was established in 2000, summer. Primarily, this department audit company in sight of CRM maturity assessment, and then it commenced surveying customer need and favors.

At first, it focused on processes of multi channel design and customer information. Consequently by using customer information and analyzing their data, process of company assessment from the customer point of view started. As a result, these data assessment influence value creation and strategy development process. According to the following figure three major activities -communicational, operational and analytical activities- occurred in the “customer relationship center”.

Figure 4: Butane Co.’s CRM



DEALING WITH CRISIS

In fact, CRM initiatives uncover many deficiencies in After Sales Services, R&D and QC departments. They thought that this department is not qualified to monitor their activities. Actually, managers felt their power is weakened. Moreover, organizational culture is not ready for CRM’s reports. Indeed, employees are ready to look at criticisms as the improvement opportunity.

All these matters made political flows to restrain against the new change. In this case, Butane’s top management asked from a consultation group to suggest a solution to revive the CRM department and coordinate whole organization with it.

CURRENT SITUATION/FORCE-FIELD ANALYSIS

The consultants at first tried to analyze the organization and its need for change. At first, they evaluated resources such as tangible and intangible properties to assess an organization chance of coping with changes. Second, they evaluate processes because they work as the patterns of interaction, coordination, communication and decision making employees use to transform resources into products and services and have critical role in organization change. The visible processes, like manufacturing, and background processes, like how to plan the budget, are defined as the main abilities and disabilities of an organization. However, these factors are the visible side of an iceberg, and other critical and hidden factors lay under Butane's organizational culture. According to these evaluations, we have characterized our force field analysis by 6 driving forces and 5 restraining forces as follows:

Driving Forces

1. Top management support

The support from top management was perhaps the strongest and the most crucial driving force for this change. Despite resistances that persisted at different organizational levels, top management could foster this change by providing a sincere support to all change leaders.

2. Market competition

Many industry leaders have adopted CRM as the prerequisite for improving relationship with their customers. Butane Co. could not ignore this as it would fall behind this competition if the CRM was not implemented properly and in a timely manner.

3. Customer feedback

Obtaining a feedback from customers to stay informed of their complaints is another driving force for this change. The company requires a proper feedback mechanism that enables to perform efficiently in terms of the customer satisfaction.

4. Meeting international standards

Obligation to meet ISO 9000:2000 standards was another factor that forced this change to take place. Without CRM implementation the company would not be able to meet those standards. The notion that the company would not accomplish desired level of quality without meeting standards sheds light on the ISO 9000's significance.

5. R&D division

CRM is the only channel through which R&D could communicate with customers. Indeed, CRM plays an intermediary role where the communication between customer and R&D department is missing.

6. Consultants

The company's consultants who were watching the situation from different perspectives were also great motivators of this change. They advised that by taking this change the company would revolutionize its structure and culture as they believed that CRM implementation is a transformational change that alters many ways in which the company operates.

Restraining Forces

1. Departmental forces

Different department within the organization resisted the change since they believed that CRM would cause departmental conflicts. The conflict may arise when departments fight over the resources when CRM is established.

2. Managerial conflicts

Despite top management support, there is tremendous amount of debates among the middle managers as to accepting new system. The reason is that middle managers think that their rewards and efforts would be undermined as a result of implementing the new system.

3. Culture

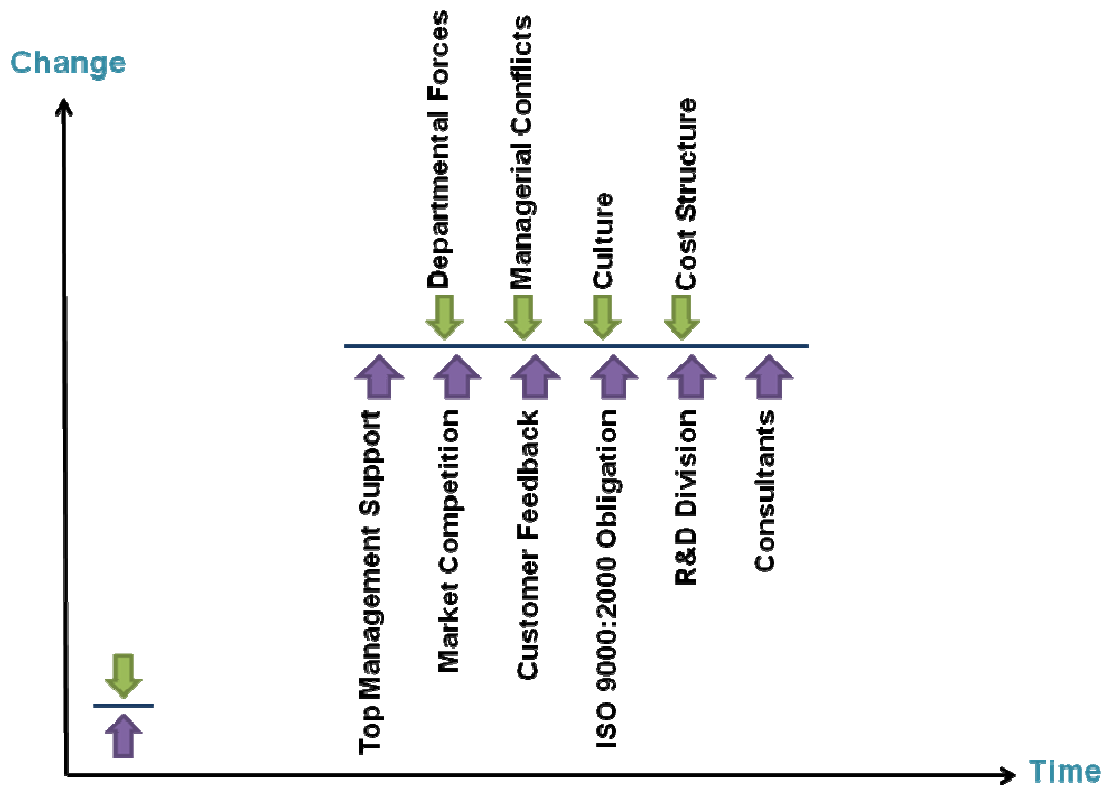
The company's culture is one of the most important factors resisting this transformation. Implementing CRM requires the fundamental change in the organizational culture. The most important of all is the change in a way employees used to treat the customers.

4. Cost structure

As CRM implementation is considered as a capitalized expenditure, it changes the company's cost structure. Such a change is not easy since it will affect other components of the company's cost structure. Making such transformational change in the cost structure and problems arising out of that is a great restraining force in CRM implementation.

Following diagram depicts the restraining and driving forces discussed above:

Figure 5: Force Field Analysis



NEW RECOMMENDATIONS

We as the consultations group recommend the following for future actions:

HOW TO IMPLEMENT THE CHANGE

By assigning Professional Implementation Team for CRM:

Butane management team should make a CRM team within the organization. It means selecting employees from different departments and putting them in CRM department and at the same time outsource CRM consulting team as well. Each member is professional in specific area and knows the strength and weakness of his department better. By this, the efficiency of the CRM team will be doubled. The CRM consulting team provides direction and helps them implement this new processes in the whole organization. Of course it is not an easy job to pursue this change in the organization but that is a process that has to be done.

HOW TO SUSTAIN THE CHANGE

By Establishing Strong Organizational Culture:

Culture is not something that you can change during the night and put it on the paper the day after and ask everyone to follow it afterward. Culture is a long term phenomena that has been created by strong and powerful influencers in the society as general influencer and in the organization as smaller society. Also culture itself can be affected by different factors such as environmental effects. In the Butane Co. case we have the same situation, and it is management decision that wanted to make customer satisfaction the main principle of the organizational culture. Whatever decision is going to be made should be in a way that results in customer satisfaction and the whole organization should be managed based on customer orientation.

HOW TO LEAD THE CHANGE

Possessing Change Leader Skills:

If you want to make a change in your organization as a leader, you have to use change leader skills to overcome the issues created as a result of the change. There are many skills that a good change leader should have.

The most important thing a leader can bring to a changing organization is passion, conviction, and confidence in others. It happens many times that a manager plans a change and he hopes everyone know the answer to the reason behind it without letting them know about it and widening the horizon that what will happen after that. One of the main characteristics that a change leader should have is tuning in to the environment. As a leader you can't possibly know enough or be in places to understand everything happening inside and more importantly outside your organization. But you can effectively collect information that suggests new approaches.

The other one is learning to persevere. One of the mistakes that leaders make is leaving the change in middle and say it becomes a failure. The reality is they did not follow the process of change till the end. That is the reason.

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