

Company-Level Problems in the Introduction of CRM Systems at Hungarian SMES

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Abstract— The literature on introducing CRM (*Customer Relationship Management*) systems is not very thorough and even the few that exist focus mainly on large enterprises. The failure rate of IT projects can reach 50% so it would be really important for SME (Small and Medium Enterprise) actors to discover the reasons for failure and to develop methods that help with the success of the project. In our research we interviewed CRM developers for their experience to get to the bottom of the reasons for failures. The results show that the success of introduction depends on both parties, the tasks can be described well with a phase model.

I. THE RELEVANCE OF THE TOPIC

The situation of Hungarian micro- and SMEs has become very difficult as the result of the economic changes of the last years. The open European market, the economic crisis and the ever increasing competition demand fast reaction, which prove to be a serious challenge for these enterprises, which face a lack of capital and other resources. Szabó reveals in a research paper that the innovation activities of the Hungarian SMEs fall behind and need significant improvement compared to those in other countries. [7] Therefore, companies in the SME sector pay an increasing attention to serve their customers at a high level. In order to this aim, they often seek an IT solution.

Should a company decide for an IT supported client management, it should be aware of starting a long, costly, but most probably valuable investment? The introduction of the system has several phases, and each phase will present different challenges.

This situation is serious and the problem is real – this is proven by the fact that software has appeared on the market which aims specifically to develop and track internal structural changes as a result of a CRM introduction. However, will buying a new piece of software really help a company that struggles with the rationalization of internal procedures?

“Today it is unnecessary to convince organizations to buy computers since they have already bought them. Today it is unnecessary to convince people to buy computers since they have already bought them. Today it is unnecessary to convince anyone to use computers, as everyone is using them. They are using them more or less in order to be faster in something: in mailing, in browsing, etc. Somehow everyone has learned it through much practice. Nevertheless, we should not forget about the generational differences, the different approach of digital natives and digital immigrants” [9].

II. INTRODUCTION OF CRM SYSTEMS

During the research the first aim was to work out a methodology, a new model that will give a useful support to SMEs with special regard to the whole procedure which consists of the followings: (i) selection among the alternatives (ii) preparation for the introduction, (iii) and the process of operation. These steps should be independent from the IT software and the field of operation.

Some, eg. Mester states that the gain of the development of CRM can be enrolled into two groups. On one hand side we can point out that the distances among services or products are getting shorter and shorter, i.e. these products tend to be more similar to each other from some point of view. That is the reason why competitors are forced to try to customize their IT solutions and try to provide unique services. These new services can be evaluated as continuous attempts that try to fit the customers needs better than ever. The other advantage that can be derived from the usage of CRM is an ability for analyzing the data collected about the customers. [5]

The CRM introduction means a long-term relationship with the developer/distributor company, as well as a constant financial burden for the enterprise. Not only due to the infrastructure maintenance costs and the cost of the yearly software license – new solutions appearing on the market are also forcing an enterprise eager to achieve or to maintain a competitive advantage to take IT development into consideration. Competitive environment and competitors definitely make necessary efficiency and strategy or the so-called management whose goal is not merely to control. [4]

During our research we aim to concentrate exclusively on the Hungarian micro- and SME sector. The reason for this is the fact that large enterprises operate under different environmental conditions (capital strength, creditworthiness). We are not researching public service providers, telecom service providers or companies in the banking sector, which are typical CRM users.

The real CRM softwares contain solutions for customer analyzes so that the SME's are able to carry out deeper researches and investigations. Database built from the data collected about the customers or clients will enable the companies to create clusters based on pre-defined attributes and variables and to calculate client life value (CLV) based on weighted averages. [2]

The number of CRM suppliers is rather large, and the competition in this sector is strong. Willingness to respond to questions – given the expected length of the interview

and the intent to protect insider information – was rather low.

Alshawi et al. made research concerning the factors which affect SME actors concerning the acceptance of CRM. The research has revealed that the data quality, the organizational changes and the technical questions basically determine the relationship to the system. [1]

In the light of the importance and relevance of the topic, we set out the following aims.

A1. Analysis of the procedure and general issues of the introduction of a CRM IT system from the viewpoint of the supplier in the case of SME users;

A2. Comparison of the introduction practice of CRM suppliers, comparison and analysis of successful and unsuccessful cases of introduction and operation of CRM systems;

A3. Revealing the motivational differences between CRM system suppliers and buyers; this could aid the supplier in formulating its marketing strategy and the buyer in formulating its needs;

The results of the aimed study are expected to help in recognizing and determining the groups of variables within and surrounding IT suppliers and CRM buyer SMEs and that introduction of CRM IT systems as well as the operation will depend on them. Based on this, a theoretical model and methodology could be developed that contributes to the careful planning of CRM introduction and their successful operation.

The implementation of CRM is a complex, long project task concerning multiple areas, in which the company staff and IT suppliers should cooperate. If the implementation of CRM is successful, it causes basic changes in the life of companies. Révész says that these changes mean increasing sales, growing satisfaction of consumers, specific decline of general and marketing costs, improvement and increasing efficiency of coordination among internal processes. [6]

According to a paper published in 2005 by Deák and Mester in Hungary the Hungarian companies have not been ready for the implementation of CRM systems. Almost 45 percent of CEOs share the opinion that customer management is simply the registration of the conscious customers. They state that 2 companies out of 3 are not interested in finding the real reasons for losing clients and a quarter of them do not keep the eye on the changing needs or expectations of customers. Based on their representative survey we can state that the companies are not able to recognize their possibilities. [3]

III. INTRODUCTION OF CRM INFORMATICS SYSTEMS IN HUNGARY

As there is only a limited literature on the introduction and operation of CRM systems, and even that mainly focuses on large companies, we performed a primary exploratory qualitative assessment.

For the purpose of analyzing the Hungarian CRM suppliers, we organized our research around the following primary quantitative assessments:

1. The views of CRM suppliers on the motivations of CRM users to introduce CRM systems and the characteristics of the operation of the CRM. – Online

questionnaire after a previous personal contact in all cases.

A. Results of the qualitative research, research sample characteristics

During our interviews, we contacted and talked to a representative professional of fifteen software developer companies. In all cases we talked to professionals who knew the market, had several years of experience and participated in several CRM introductions. Three of the chosen companies are targeting large or large medium enterprises with their products, developing with a large company environment in mind. Twelve interview subjects were representing software companies who prefer SMEs as clients, their products can be introduced with a smaller investment. Five of the fifteen companies have foreign parent companies (in the US, Germany, or Sweden), they are adopting the software to the domestic market and include their own developments.

As concerns the type of the software used, two interview subjects are distributing cloud-based systems, one distributes solely retail software, one offers retail software and individual development as well, while the other eleven are present on the market with standard solutions. Two companies also offer industry-specific solutions.

The interviewed companies were characterized by two types of data. One was the number of clients, ranging from 3 to 30. The other was the number of employees using the system. Here the answers ranged from tens to 2000; these are approximations as no interview subjects had exact data. The answers were influenced by the fact that several companies could only indicate those clients in their answers who agreed to the use of their name as reference. Additionally, another tendency could be observed: where the distributor has a foreign parent company, that company may offer remote access to its servers. This affects distributors active on the international market. For them it is hard to assess the number of domestic clients, as the parent company of the distributor may be offering remote access to a Hungarian subsidiary of a foreign client. The Hungarian CRM distributor will not know about this, as the license agreement was signed in the country of the parent company and access to the CRM system is provided from there.

B. Circumstances of the qualitative research, expert characteristics

We contacted 57 distributors asking them to fill out our expert questionnaire. We received 31 expert answers. This means that 54% of the distributors (experts) have answered.

The expert questionnaire was sent to 57 CRM system providers who are involved in the introduction, development and support of CRM systems. We were paying attention to possibly contact a variety of experts as concerns the type of CRM systems introduced. Only three of them were of our previous interview subjects. Of the 31 experts, some were introducing installed software while others offered a cloud-based service. There was also a variety in the size of their clients, ranging from micro-enterprises to medium-sized or large companies. All software companies did continuous development, and some of them offered individual development as well.

The 31 experts had a total experience of 170 years. The most experienced works for 13 years as an expert and six of them has more than 10 years of experience; the average work experience is 5 and a half years. 11 experts worked on the introduction of 3 or more types of CRM systems, while 10 of them had experience yet with only one type.

IV. RESULTS

A. Processing the interviews

Based on the literature we collected the critical points of CRM introductions, the general pitfalls, and we formulated the questions around these.

Characterizing the companies introducing a CRM, the respondents could not indicate a typical industry. They said to have clients both in the manufacturing and the services sector. They mentioned several *motivation factors*. It is primarily the market stress, the serious competition for clients that motivates clients to introduce a CRM system as a need for marketing support arises. Another motivating factor was state aid offered to help IT projects, as well as the cases where sales experts with experience at multinational companies appeared as new employees at SMEs.

There were great differences in product *selection criteria* in the case of various CRM purchasers. Often the client has no expertise in CRM systems and the connected IT solutions, furthermore they negotiate without bringing an advisor or expert along, and therefore their decisions on matters beyond the price will be subjective, superficial and often unfounded. The *economic crisis had no positive results*. Hungarian companies did not recognize the importance of customer retention in this situation. It is mainly companies with foreign parents who have an own *introduction strategy*. At these companies the introduction is performed following a central strategy developed basing on international experience. US, German and Swedish parent companies require a high level of support in this area as well from the representatives in every country. Two of the respondents mentioned an *introduction failure rate* higher than 50%. They are of the view that more than 50% of their clients are not using the system after its introduction, regardless of education, good support and proper preparation. Everyday tasks and user resistance often raise serious issues at the company introducing a CRM. Another serious issue is raised by previously unplanned tasks becoming part of the everyday routine. Concerning the *duration of the introduction*, answers moved on a broad scale, from the current week to one and a half years. Among the auxiliary services offered to the system, education and support were mentioned uniformly. Some mentioned advisory services at the development of the system plan, the assessment of existing hardware and the purchase of new hardware at a good price, periodical updates, patching and remote support.

Based on the experience of the IT suppliers it can be said that there are frequent cases where a CRM is introduced but not used; the reasons for this may be found in using a wrong procurement model. Usually the problem is caused by the non-optimal size of the procurement unit and its members not having the proper professional qualities. Choosing a supplier without an objective set of criteria is a very risky endeavor. The draft contract of the IT companies always foresees potential mistakes to be

made by the purchaser; however, the purchaser often fails to contemplate its own potential and its limits.

B. Results of the of the qualitative and quantitative research

After processing the secondary data and making the expert interviews, as well as reviewing the internal introduction methodology materials of three companies we found that the process of the introduction can be divided into two large parts given the participants. This way (Fig. 1) we can talk about the tasks of the company introducing a CRM (points 1 to 4) and the tasks of the CRM supplier (points A to C).

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| 1.1. corporate maturity |
| 1.2. mapping of financial possibilities |
| 1.3. obtaining management support |
| 1.4. setting up a team |
| 1.5. choosing a consulting firm |
| 1.6. mapping the organisational structure |
| 1.7. describing daily processes |
| 1.8. describing communication processes |
| 1.9. improving internal processes |
| 1.10. developing a CRM strategy |
| 1.11. marketing and sales programmes |
| 1.12. identifying business functions |
| 1.13. describing implementation needs |
| 1.14. precise wording of needs |
| 1.15. criteria of selection |
| 1.16. informing staff |
| 1.17. selection |

Figure 1. Tasks of the company introducing before the introduction

The tasks are further defined by their position in the three well-definable phases of the chronology of the introduction. Thus we can distinguish between tasks before, during and after the introduction. The period before the introduction can however be further split into two large areas, divided by being before or after the system selection. we have formulated our methodology model along these categories. (Fig. 2)

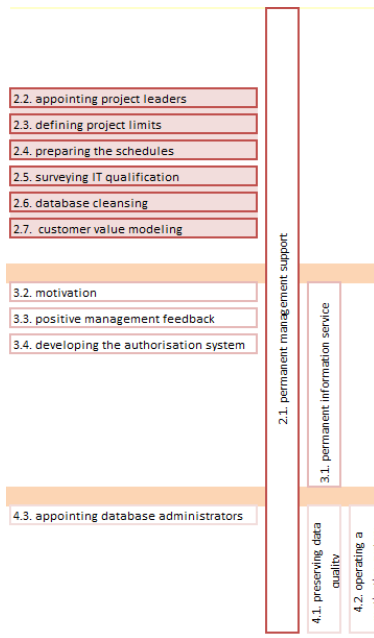


Figure 2. Tasks of the company introducing during and after the introduction

As a first step we defined the phases that determine the tasks of the company introducing the CRM and the supplier. Following the chronological order, we decided the phases of *the introducer side* into 4 main segments (pre-selection phase, post-selection phase, introduction phase, post-introduction phase). Based on the same chronology we divided the phases of the *supplier side* into 3 main segments (post-selection phase, introduction phase, post-introduction phase). (Fig. 3)

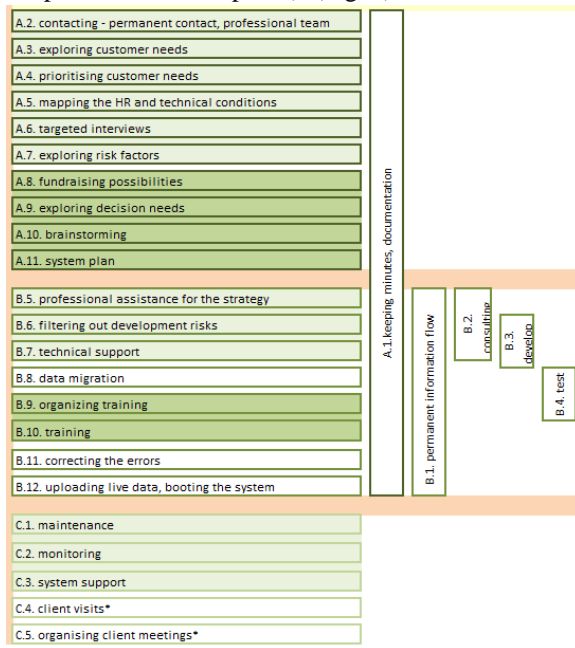


Figure 3. Tasks of the CRM supplier during and after the introduction

One of the aims of our research was to analyze the views of the expert side on the reasons and demands behind a CRM introduction, including the order of importance and sectorial characteristics of these reasons

and demands, as well as the view of the experts on the successfulness of CRM operations.

81% of the experts think that the introduction of a CRM is prompted by an increase in the number of clients at the purchaser. 60% have felt an increase in the number of interested companies as a result of the crisis. Nearly 65% reported a stagnating or slowly increasing number of introductions. This also shows that the purchaser side, even if slowly, but does start to estimate the business advantages of increasing the quality of client service and do show interest in obtaining IT support in this field.

Experts generally do not consider the software to be an industry-specific solution, but there are some fields where there are more purchasers or interested companies. 65% of the experts are of the view that companies in the services, retail and B2B sector and companies with customer service units show demand more frequently for a CRM introduction.

One third of the experts say that the industry they represent does not have an own introduction methodology. This means that they are unable to support the success of the introduction by any conscious, pre-planned way. The remaining 70% has an introduction methodology; however, it is their „own” methodology, meaning that it applies methods valid for the software offered, after the period of the selection. Based on the interviews it can be presumed that suppliers consider planning the introduction steps individually for each company to be a methodology, meaning that there are no pre-defined standard steps in the project.

Reporting on the success ratio of the introduction, more than 40% of the experts said that a half or more than half of the introductions are unsuccessful. Only 13% said that their experience shows full introduction success.

Via a cross-table analysis we examined the correlation between the existence of a methodology and the rate of success. 66 % of those who did not have an introduction methodology reported that they have less than 50% of unsuccessful introductions, while those who had an introduction methodology had less than 31%. A look at the suppliers below 50% success rate shows that more than half of them have no introduction methodology.

Our variance analysis proved that those who reported that they have an introduction methodology said in significantly higher numbers that the motivations to introduce a CRM include the increase in the number of clients ($p=0.003$) and the demand to trace internal procedures ($p=0.024$). Based on the cross-table analysis one can say that in the result of both analyses the continuity correction and the probability ratio both showed significant results. The correlation strength showed values between 0.47 and 0.55 which presumes a correlation of medium strength. Those who have an introduction methodology are more inclined to think that market price is an influencing factor during the selection procedure (73%) compared to those who do not have a methodology. The reason for this may be that distributors with a methodology are most probably offering standard solutions, while distributors without a methodology are selling retail or cloud-based products. No experts indicated fast introduction as an important factor.

The above calculations show well that a large part of the suppliers does not have an introduction methodology.

It is also visible that the lack of methodology lowers the chance of a successful introduction. Those who have an introduction methodology see the reasons for the introduction differently than those who do not have such a methodology. Our interview subjects all said without exception that the introduction methodology of all CRM products they know is the intellectual product of the distributor, supplier or developer, and it does not contain any recommendations for the selection or pre-introduction period. The purchaser does not learn about the methodology directly, it only receives recommendations from the contact person for the steps that follow.

CONCLUSIONS, SUGGESTIONS

Examining the CRM-introductions we can point out that the fear of the unsuccessful introduction is always present during the whole process. From that point of view there is no difference between the vendor and the customer, both are afraid from the failure. Due to these emotional states a shrinking number of introduction would be expected but the data did not confirm these forecasts. After the intense difficulties in the world economy there is a little hope for a growing number. Since there is no data about the population, no representative research can be carried out. The elements of the sample should have been collected on the basis of unknown attributes – that's impossible. According to some guesses of experts the number of introductions varies from ten to twenty per year. This quantity means real introductions, so it does not include those ones that are cloud-based CRM solutions. The differentiation is important because using the CRM systems belonging to the latter group (contrary to the previously mentioned ones) does not mean complete IT support for customer relations. The only piece of work to be done they can be applied for is the sales support, a small part of the wide range of the CRM IT tasks. They are not appropriate for other background service.

In order to avoid introduction failure, both the supplier and the purchaser have important tasks to fulfill. The answers to the expert deep interviews revealed the general procedure of IT introductions and surfaced the general problems which appeared in expert opinions independently of the software introduced. Based on the expert answers, the stages of the introduction could be separated and their division points could be identified. These segments were characterized by the participants involved in them.

As a result of our research we developed a phase model which is able to compare the tasks of the two parties participating in the introduction. The model supports the purchaser side from the moment when the need for a CRM introduction arises in order to perform all background tasks serving the successful introduction, to perform all preparatory tasks. It leads the introducer side through the entire process of the introduction, reminding it of the most important tasks.

A company introducing a CRM is currently not supported by any practical guides. The majority of the software suppliers are unable to give proper methodology support even after the software choice was made. There are no pre-defined strategic steps; the company receives only software-dependent guidelines that are required for the use of the technology. On the other hand the employees' behavior and characteristics have to be considered, if the employer knows the environmental characteristics, the environmental characteristics influencing the implementation will be organized and managed more confidently and purposefully. [8]

The methodology process model created based on the conversations with the suppliers indicates the individual tasks at a timeline, helping the communication, process planning and project task definition of suppliers and purchasers.

No reliable data is available either on the supplier or the purchaser market. Therefore the views of the two sides of each other are based only on experience. Even if the suppliers (understandably) have more experience, this experience cannot be generalized to cover the entire purchaser side. One of the aims of our studies was to reveal the real motivation factors behind the choice and introduction of a CRM system and to compare this to the picture developed by the supplier side.

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