

# IMPLEMENTING CUSTOMER RELATIONSHIP MANAGEMENT AT CONSTRUCTIONSKILLS

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ConstructionSkills (CS), Sector Skills Council for the construction industry, has a remit of addressing the skills and training needs of the construction sector. With employers being the key customers for CS it is essential to have a Customer Relationship Management (CRM) programme in place to address employers' training needs. The aim of this study is to investigate the factors that would aid successful implementation of a CRM programme at CS. A succession of in-depth interviews together with a focus group revealed the importance for a commonly agreed understanding of what constitutes a successful CRM programme, which should be communicated effectively across the organisation. It was further found that there is a need for top management commitment and a supportive organisational structure in order to successfully implement a CRM programme at CS. An efficient CRM programme is a prerequisite to CS' proactive engagement with construction employers thus enabling it to be more responsive to their skills and training needs.

Keywords: ConstructionSkills (CS), customer relationship management (CRM), success factors.

## INTRODUCTION

ConstructionSkills is the Sector Skills Council (SSC) for the UK's construction industry. As SSC it represents the voice of the industry which is set-out in the Sector Skills Agreement (SSA). The SSA outlines how the SSC and employers will work with training providers and funders to secure the necessary supply of training in the sector. The SSA covers the following areas: recruiting qualified new entrants; qualifying the existing workforce and improving business performance (ConstructionSkills, 2007). Moreover, CS retains its status as an Industrial Training Board (ITB), which empowers it with a statutory right to impose a levy on construction employers which is then re-distributed in the form of training grants in order to support training activities within the industry.

CS promotes three core values in its dealings with its customers, (employers), namely: simpler, faster and closer. In practice, these translate into: simpler to deal with, faster to respond and closer to customers (so as to understand and anticipate their needs). Its overarching aim is to help in meeting the industry's skills needs to support its growth and future development. This becomes particularly significant when consideration is given to the fact that the construction industry is becoming an increasingly substantial contributor to the UK GDP. For example in 2004, the value of construction activities

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contributed 6.5 percent to the UK GDP as opposed to 5 percent in 1997. It is therefore important to ensure that the construction industry is able to further economic growth (UK National Accounts, 2005).

As an organisation, CS needs to continuously enhance its interfacing and communication with its customers; an essential activity if the industry is to address its perennial problem of skills shortages. Customer Relationship Management (CRM) could be seen as a sound opportunity for CS to better engage with employers to address their SSA priority areas. Latham (2008) argued that there is a need to embed a culture of CRM across the organisation in order for CS to improve how it manages its customers. Indeed the development of a CRM programme could be seen as a means for attaining CS' business objectives. Thus, the aim of this study is to investigate the factors that would aid successful implementation of a CRM programme at CS.

### **Defining CRM**

The roots of CRM are wholly born out of relationship marketing (RM) and a number of contributors to the relationship marketing literature emphasise the role of multiple stakeholders (Payne *et al.*, 2006). RM is primarily concerned with managing relationships with multiple stakeholders, whilst the primary focus of CRM should remain with the customer. However, it is recognised that CRM does need to be considered in the context of its interface with other key stakeholders (Ryals and Payne, 2001).

Defining CRM is of great importance to provide a strong foundation in order to support this research within the Construction Industry. Current market perceptions concerning a CRM definition often surround themes such as, a system orientated approach, relationship marketing supported by technology, a business strategy that aims to increase customer profitability, putting customers at the heart of the business or creating win/win relationships between customers and stakeholders.

The uncertainty of a clear definition could be related to the changing history of CRM, referencing changes in the market influences. Within the academic literature, RM and CRM are often used interchangeably (Sheth and Parvitiyar, 2001; Kennedy *et al.*, 2006) which does strengthen the importance of the customer aspect as opposed to the definition surrounding CRM as an IT solution (Schweitzer, 2003).

### **Success factors of CRM**

Implementing CRM can be attributed to the organisations' readiness in developing a customer-focused business strategy as it is only at this point that mutual benefits for both the organisation and customer become evident (Hansotia, 2002).

Kotorov (2003) claimed that successful companies take process and system integration seriously and do not rush to produce customer level results without obtaining a 360 degree view of the customer.

When developing the critical success factors for CRM it is apparent within the literature that there is much debate over the exact factors that constitute successful application. For example, Imhoff *et al* (2001) places more emphasis on the organisational culture and structure, whereas Kennedy (2006) places greater significance on the importance of defined business processes. Top management commitment however, is highlighted by the majority of CRM theorists as being

crucial factors (Kennedy, 2006; Goldenberg, 2005; Imhoff *et al.*, 2001; Swift, 2001 and Pine *et al.*, 2000).

The fundamental difference between the levels of importance that individual theorists and practitioners place on CRM success factors could be attributed however to the fact that individual departments within an organisation have differing views as to what constitutes success criterion. For example, success criteria for a marketing department may be their responsiveness to customer needs, whereas a sales department is likely to measure volume of sales.

Imhoff (2001; p.96) proposed five critical success factors which appear to be recurring themes in the literature. These five factors are: 1. implement a customer-focused business strategy; 2. create a CRM-friendly organisational structure; 3. establish a CRM-savvy organisational culture; 4. ensure top management commitment; and 5. define CRM success measures - which are subsequently discussed.

#### *Customer-focused business strategy*

In order to implement a customer-focused business strategy, the following elements should be considered: the importance of defining the customer; customer loyalty and customer value. Reichheld (1996), Imhoff (2001) and Goldman (2004) identify the manner in which these elements influence how and why relationships are developed with particular customers. Defining the customer for all business areas will allow a system to be developed that holds all the information required and all areas therefore become committed to contributing to the system. It will also allow companies to determine the manner of communication that both parties would prefer. Therefore, the customer definition can be considered a basic element of successful CRM development (Imhoff *et al.*, 2001).

The importance of loyalty in building long lasting relationships is indisputable (Brown, 2000; Imhoff *et al.*, 2001). Furthermore, customer loyalty is claimed to be a critical success factor of CRM (Reichheld, 1996; Peppers and Rogers, 1998; Brown, 2000; Newell, 2003). It is widely recognised that customer loyalty is the pre-requisite for long term success and growth (Peppers and Rogers, 1998).

However, Day (2000) argues that obtaining customer loyalty is a demanding task, resource intensive and a long lasting process that requires commitment from the whole company. When a company manages to build loyal relationships, it achieves a durable competitive advantage (Day, 2000).

Customer value is often associated with loyalty and companies are increasingly becoming aware that creating customer value is a critical success factor for a successful CRM strategy (Payne *et al.*, 2000). Furthermore, it is generally agreed that there is a direct relationship between customer loyalty and customer value (Reichheld, 1996; Anderson and Narus, 1998; Thompson, 1998).

#### *Organisational structure*

A CRM friendly organisational structure builds the foundation for the integration of business functions and CRM technologies. The CRM organisational structure can greatly affect the technology (Imhoff *et al.*, 2001) and the emergence of sophisticated CRM technologies can in turn have a strong impact on the organisation's structure.

Due to the cross-functional requirements of CRM to ensure the organisation is committed to implementation, it is necessary to review the structure to align the organisation to its customers. Kaplan and Norton (2001) outline a process approach organised around a small number of cross-functional processes instead of the

traditional functions such as marketing, sales and operations. Ryals and Knox (2001) recognise that CRM requires involvement from the whole organisation not just the marketing department, thus emphasising a cross-functional approach.

All systems and business processes must be integrated to support customer's flow of information. A centralised organisation impedes the co-ordination resulting in lack of updated information concerning the customer. In contrast, a decentralised CRM organisation focuses on enterprise-level processes and systems such as data warehousing, enabling the implementation of a CRM strategy. When all areas are aligned, they reinforce one another with positive results.

#### *Organisational culture*

A CRM initiative will require a thorough understanding of peoples' values, perceptions, feelings and motivations in order to accept the changes of the system. Approximately 72 percent of all CRM programmes fail due to resistance to change. Horne (2003) posits that "sometimes the failure might be attributed to technology but mainly it is the people and organisations' inability to change and adapt to CRM".

Harding *et al* (2004) supports the importance of ensuring employee buy-in and claims that if employees are able to drive the process design, there is a higher chance that the solutions will be practical and not rejected. Theorists recommend developing a training plan to address skills development and furthermore, the communication tools required to gather ongoing feedback throughout implementation to ensure there is employee alignment with CRM strategy. Kennedy (2006) discusses the importance of ensuring the whole organisation is committed to the success of a CRM programme, highlighting the need for a senior manager to sponsor the project, with a manager and a project team to drive the tactical implementation.

The critical success factor of gaining top management commitment is crucial to the successful implementation of CRM (Newell, 2000; Imhoff *et al.*, 2001; Goldenberg, 2004; Rigby and Ledingham, 2004 and Kale, 2004). Plouffe *et al* (2004) largely focus on CRM from a stakeholder perspective under the overarching theme of "shared understanding" albeit with a note to say that considerable past research supports the notion that a shared understanding across the hierarchy of multiple stakeholders is integral to the organisations' success. Imhoff (2001) proposed two separate themes which could be viewed as being closely linked; the 'CRM-savvy organisational culture' and a 'top management commitment'. The discussion of culture within an organisation when approaching major change includes the ability to gain 'buy-in' or commitment to the project from all levels of the organisation. Top management, therefore, could be included within this success factor as opposed to being regarded as separate or unique.

#### *CRM success measures*

Obtaining top management commitment also links strongly to defining the measures of the CRM project. A survey of chief financial officers and chief information officers found significant differences in how the two types of executives perceived success as it related to the same CRM project (Cook, 2003). It is therefore important to clarify measures that appeal to top management in order to filter positive messaging through the hierarchy of the organisation that the CRM strategy will in fact benefit the whole organisation. CRM implementation requires clearly defined measures in place; key performance indicators and key performance outcomes will help structure the measurement of success. Reichheld (1996; p217) argued that measurement turns vision into strategy and strategy into fact. The use of the term ROI (Return on

Investment) is a commonly used measure in the CRM literature, however as noted in attempting to define CRM previously, there is also controversy around the reliability of ROI in providing an explanation to successful implementation of CRM. Pine et al (2000) claim that a company's customer share and customer sacrifice can be useful measures.

Reichheld (1996) suggests measuring defection rates and Newell (2003) highlights the measurement of increased lifetime value of customers and cross-sell ratios. However, the most popular indicator for measuring CRM efficiency is the Balanced Scorecard approach as developed by Kaplan and Norton. The relationship between the Balanced Scorecard and CRM is clear as both concepts address critical success factors, strategy and customers. Imhoff (2001) highlights 'Success Measures' as an important success factor but fails to address the importance of ensuring the programme is successfully implemented to incorporate success measures in the wider context.

## **RESEARCH METHOD**

The study adopted a qualitative approach to gathering information as this was deemed suitable for addressing the research issue outlined. There were 9 interviewees in total, including two who had a previous involvement of CRM programmes in other organisations which was deemed to provide additional insights into the factors that will aid successful implementation of a CRM programme at CS.

A focus group was also used as a means for gathering additional data from a less formal environment. When comparing the use of focus groups to other methods, the real strength of focus groups is the ability to provide insights into the sources of complex behaviours and motivations in addition to exploring what people have to say. (Morgan and Krueger, 1993). A further advantage of this method is that the discussion equates to more than the sum of separate individual interviews because the participants can query each other and explain themselves to one another. This interaction enables the researcher to observe the extent and nature of interviewees' agreement and disagreement and offers valuable data on the extent of consensus and diversity among the participants; a unique strength of focus groups (Morgan and Krueger, 1993).

## **FINDINGS**

The results of the interviews and focus group depicted the success factors as illustrated by Imhoff (2001), placing a differing emphasis on each of the factors and how they will enable successful implementation of a CRM programme at CS. In addition to the factors identified by Imhoff (2001), the empirical findings emphasised two further factors; technology and the importance of process during the implementation stages of the programme. The results of this study are discussed in light of the literature.

### **Customer Focused Business Strategy**

The customer focused business strategy is supported by theorists such as Kalakota et al (2000) and Reichheld (1993) as this literature links further into the concept of customer loyalty and the two are seen to integrate due to the idea that a customer focused business strategy aims to attract loyal customers.

Customer loyalty is recognised as a critical success factor of CRM (Reichheld, 1996; Peppers and Rogers, 1998; Brown, 2000 and Newell, 2003). The empirical research from this study recognised the importance of customers within CS and the necessary

action that must be taken to create a loyal customer base for the range of products and services without relying on the mandatory relationship that ConstructionSkills has with levy payers within the construction industry. A customer-focused business strategy will help to achieve this loyal customer base with the aim of delivering satisfaction to the customer.

### **Organisational Structure**

The organisational structure is viewed as a success factor when implementing CRM Payne and Frow (2006); Kaplan and Norton (2001). It is emphasised that a cross-functional structure is required to engage the whole organisation in CRM activities as opposed to just the marketing department (Ryals and Knox, 2001).

This reflects the results of the interviews where the majority of responses claimed that CRM should not be owned by one single department but the whole organisation should feel 'ownership' of the programme. Kennedy (2006) supports this view in suggesting that firm planning is required to implement CRM to redefine the functional silos within an organisation in order to ensure the focus is on the customer and that CRM is seen holistically across the organisation.

### **Organisational Culture**

The majority of responses from the research have identified culture as a success factor when implementing CRM, supported by Leach (2003) and Eichorn (2004). The discussion around culture involved considerable dialogue around the importance of buy-in and the candidates felt that a customer-focused organisational culture would be more susceptible to become committed to a CRM programme. Employee commitment and buy-in can be determined as a key attribute within the cultural aspect of CRM success factors, while it is important to include employees, especially end-users at every possible opportunity with the development of the strategy to ensure their commitment and support following the implementation of the project.

### **Management Commitment**

Top management commitment becomes critical as part of changing organisational culture and ensuring buy-in and commitment to the programme. Candidates in the focus group claimed that visibility of the CEO is essential to keep the organisation engaged and committed, while others in the group felt that so long as Senior Managers were also doing what they expected their subordinates to do, then they would feel more encouraged. Crosby (2002) reiterates the importance of the leadership team taking ownership of the strategy and ensuring all resources are available and in place to make customer relationships a reality. Eichorn (2004) claims 'Leaders must walk the talk'. The focus group highlighted the need for top management commitment and the group felt very strongly about this being a success factor when implementing CRM. This factor resonates as a critical success factor as suggested by Imhoff (2001); Newell (2000) and Goldenberg (2004).

### **Success Measures**

The success measures of CRM are important to define; the literature suggests that defining success measures to top management helps to filter positive messaging through the hierarchy of the organisation thereby establishing buy-in (Cook, 2003). The focus group agreed in principal the need for measures, however it was felt that some key performance indicators (KPI's) drive a significant number of activities

within CS and the candidates were cautious to ensure CS don't achieve a KPI at the expense of good service.

## Conclusion

This research aimed to identify and investigate the success factors for the implementation of a CRM programme at CS. It was found that there was a need for a structured process to support the implementation of CRM to ensure all parties involved have a common understanding of how they need to input a clear strategic plan to underpin the organisational, cultural and process changes in order to support the application of new technology. The success factors identified and supported by the empirical research are also regarded as continuous themes that must be addressed throughout the implementation and beyond; ConstructionSkills need to adopt a long-term perspective to strategically embed CRM within the organisation. It will require continuous commitment to improve the organisation's processes and cultural alignment to ensure satisfying return on investment results and long-term success for the organisation. This should be seen as an important step for effectively responding to the industry's skills and training needs.

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