CHAPTER 23.

EDUCATIONAL AND TRAINING MODEL FOR IMPLEMENTATION OF E-CRM STRATEGY

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Abstract

In developed market economies led by fast development of IT and database software, like EU and USA, priority of business activity is two-way strategic communication between companies and their consumers. Customer relationship management (CRM) is a relatively new concept, which aims to enable more effective and efficient implementation of company objectives through analytical review of customer needs. While there are numerous software packages that support it, CRM is not technology itself - it should be a fundamental change in organizational culture. The development of appropriate software allows CRM system to become automated process, but it does not imply successful implementation. Effective CRM strategy can not be integrated overnight. Changes must occur at all company levels which must take shape in accordance with the principles of CRM. Despite high expectations, as many as 50-70% of CRM initiatives fail to deliver expected outcomes. High failure rate is a result of fast and unplanned implementation of CRM. In this paper we define and analyze six most common reasons for the failure. Further on, by using several models we present a new „CRM E&T model" which provides safer implementation of CRM.

Keywords: CRM, strategy, education, training, ET Model

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INTRODUCTION

In the modern market economy, along with development of computer technology, Internet and database software, key business activities is becoming two-way communication between companies and consumers. Managing relationships with the consumer (customer relationship management - CRM) is a relatively new concept which is increasingly developing due to changes in management, strategic business planning and personalized services, consumers.

Development of new information technologies affects changes in business transactions from push to pull strategy specification, and changes in the position of customers in a value chain. Customers, as the main company assets are becoming more demanding and sophisticated in their shopping behavior. Hence it is necessary to consider the basic dimensions of Customer relationship management which can significantly improve competitive position: Customer selection (identification), Customer acquisition (attraction), Customer retention (holding), Customer growth (maintaining long-term relationship).

The CRM concept includes capabilities, methodologies and technologies that enable the company to operate in improved customer relationships. The purpose of CRM is to enable more effective (and efficient) implementation of company goals through a more analytical understanding of real customer needs. CRM focuses on creating and maintaining lasting relationships with customers. Although there are several commercial CRM software packages on the market which support CRM strategy, CRM is not technology per se, but rather a fundamental change in organizational philosophy with emphasis on the consumer. These software packages with appropriate hardware enable CRM system to become an automated process, with a goal to provide not only information but also to serve as an important support system for decisions making and analyzing market trends. However, successful CRM strategy can not be implemented overnight by simple installation and integration of a software package. Changes must occur at all levels, including company policy, employees' training, marketing systems, information management and other. This means that all business aspects must comply with the principles of CRM.

Core of CRM is alignment of business strategy, organizational structure, company culture, customer information and information technology, in order to meet customers' needs in all contacts with them and achieve business gains and profits. Business strategy that gives a client the central role is able to provide an answer to a question that many companies often do not know - how many clients they have and which of them are really profitable.

For this reason, in this paper we analyze potential problems in the implementation process of CRM and present education and training (ET) model, which aims to simplify and make efficient implementation of e-CRM to a company.

THE ROLE OF CRM

The aim of introducing the concept of CRM is to optimize customers' management lifecycle, increase company profitability, and meet customer needs in order to achieve the highest degree of loyalty. Multi-dimensional vertical and horizontal analysis of information collected during each transaction or interaction (purchase, technical support and other activities), delivers lot of information about customers which will serve a basis for future customer oriented strategy. Thus, CRM should not be viewed only as a technological improvement, but as an informational-technological solution that gives opportunity to create unique customer database and improve it in time. Technology influences principles of communication, and communication influences customer relationships.

Target audience along with customers includes stakeholders and interest groups. For that reason CRM could be viewed as a tool which improves synergic effects of all marketing communications. Implementation of CRM improves competitive advantage, facilitates competition, and opens foreign markets. It also helps anticipate what is necessary to change in order to become a system which will stay along with the needs of increasingly demanding global market. Prerequisites for the creation of anticipative and rational CRM companies are seven skills of rational people (customer awareness, entrepreneurial thinking, adaptability, initiative, innovation, cooperation and influence).

CRM strategic framework is interaction of four inter-related functional business processes (Domazet, 2010, pp 196-197):
1. Formulation of company strategy (business strategy and customer strategy);
2. Value creation through customer perception and awareness;
3. Integration through multiple channels (multi-channel management which includes sales force, output information, phone and direct marketing, e-commerce, mobile commerce, etc.)
4. Campaign successfulness evaluation through monitoring.

Integrated CRM improve synergic effects of processes to a greater level than each process individually would achieve. The role of CRM is integrative since business processes are viewed as integrated set of activities which provide company growth through:

- Identification, understanding and effectively customer relations
- Targeted sales of existing products and services to new and existing customers,
- Development of new attractive offers, price discounts and marketing programs for customer,
- Retention and sharing of profit with the most profitable customers.

According to Llamas-Alonso et al the effects CRM implementation may be multiple (2009, p.11):
- More effective segmentation of target groups,
- Analytical forecasting of market trends,
- Faster response to market changes,
- Profitability analysis of individual customers,
- Ability to direct sales to highly profitable customers,
- Improved quality of services and sales opportunities,
- Longer customer retention,
- Shorter sales cycles and higher profitability of the sale process,
- Synchronization and analysis of information gathered from various sources,
- Improved efficiency and flexibility of operations,
- Intensive development of competitive advantage and company reputation as a strong business partner.

Research conducted in 2009 in EU has confirmed that the companies which have implemented CRM have: the growth of almost 60% faster than competition without developed CRM; market growth by 6% yearly, higher selling price by 10%; return on investment (ROI) of 12%; increased customer loyalty by 5% and increased profitability by 25% - 85%. Companies that have not developed CRM concept on average lose 50% of their customers every five years, out of which about 65% are lost because of poor services and communication, which is extremely expensive since the cost of acquiring new customers is five times higher than the cost of retaining the old ones (Domazet, Zubović, 2007, p. 82).

The basic requirements for successful implementation of CRM are: a good knowledge of business and competition; knowledge of end consumers, a market way of thinking, synchronized company behavior - an integrated approach to managing channels of communication, sales, and database development. These assumptions form the basis of a conceptual framework for developing a strategy CRM strategy (Payne A, Frow P. 2005, p.171).
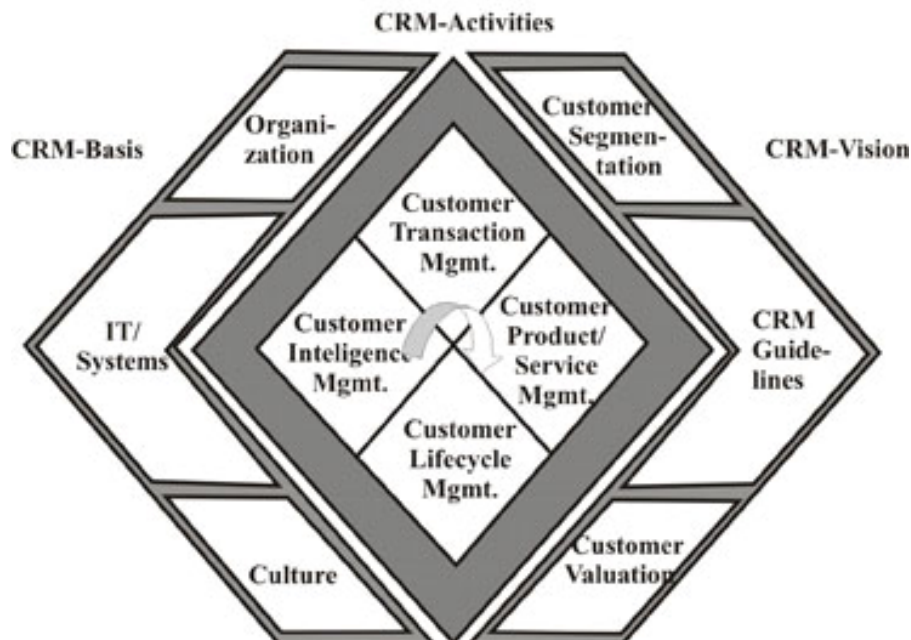
CRM VALUE CHAIN

Customer relationships management as a process includes: defining bid value, segmentation, targeting and positioning, operations and delivery systems, measurement and feedback, external and internal market which is shown in Graph.

Graph 1: CRM chain

INTERNAL MARKET MANAGEMENT
(Internal planning of marketing, culture, climate and employee loyalty)

Segmentation, targeting and positioning	Business operations systems and delivery	Measuring and feedback
* customer preferences identification	* mass adatapting	* process review and consultancy
* sectoral profitability analysis	* partnership	* customer satisfaction studies on products/services
* creation of package values	* process reengineering	* employee sastisfaction studies

EXTERNAL MARKET MANAGEMENT
(external planning of marketing, CRM)

Source: Adapted on Lovreta at all (2010, p 180)

Graph 2: CRM diamond

CRM-Activities

CRM-Basis

Organi-zation

Customer Segmen-tation

CRM-Vision

Customer Transaction Mgmt.

IT/ Systems

Customer Inteligence Mgmt.

Customer Product/ Service Mgmt.

CRM Guide-lines

Customer Lifecycle Mgmt.

Culture

Customer Valuation

*Source: Adapted on Mack O, Mayo M i Khare A. (2005, p. 100)*

This strategic approach to organizational design is explained by Mack et all (2005) where they organized elements of a successful CRM strategy into a Diamond framework as presented on Graph 2. It focuses on vision, activities and basic business activities as key factors of successful implementation of CRM in a business environment.

Finally when compiling the above, Buttle (2001) presented "The CRM value chain (Graph 3) as a proven model which businesses can follow when developing and implementing their CRM strategies … The model is grounded on strong theoretical principles and the practical requirements of business".

The ultimate purpose of the CRM value chain process is to ensure that the company builds long-term mutually-beneficial relationships with its strategically-significant customers. Not all customers are strategically significant. Indeed some customers are simply too expensive to acquire and service. They buy little and infrequently; they pay late or default; they make extraordinary demands on customer service and sales resources; they demand expensive, short-run, customized output; and then they defect to competitors.

CRM value chain indicates to primary and secondary activities in building long term relationships with customers, in order to achieve higher level of their satisfaction as the basis for long-term loyalty.

Graph 3: CRM value chain
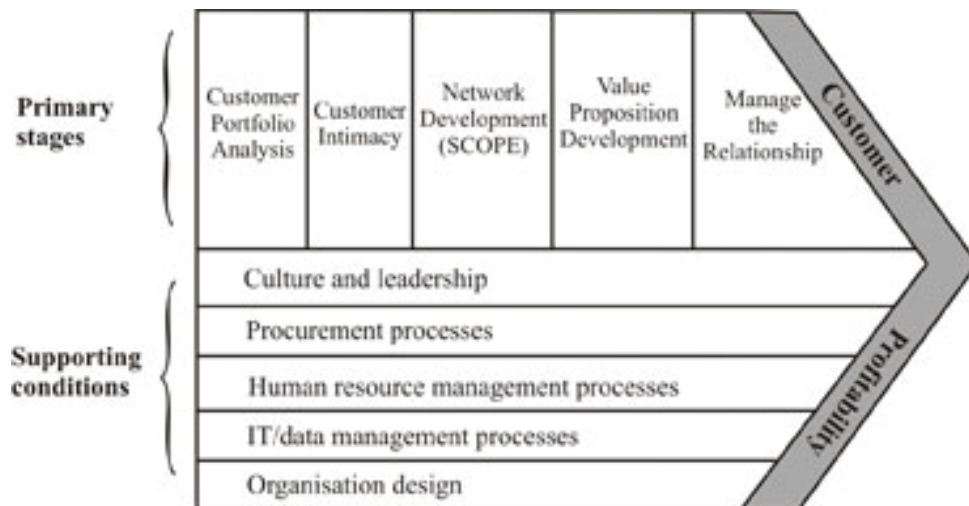
Source: Buttle F (2001)

Five primary activities in CRM value chain include:

1. Consumer Portfolio analysis - an analysis of the customer database aiming to offer different products to them.
2. Understanding the consumer – activities on understanding individual or groups of consumers and building database accessible to all stakeholders whose decisions and activities may affect the attitudes and behavior of consumers.
3. Networking - building a strong network of relationships with employees, suppliers, partners and investors who understand the requirements of target consumers. Central role in the model is given to consumers, which is surrounded by other elements: suppliers, owners, investors, employees, and other partners. Management and coordination, according to these elements, can ensure the structuring, communication and delivery of preferred products to consumers.
4. Development of products/services value - development of proposals which create value for both consumers and the company.
5. Managing relationships with customers - with a focus on structures and processes.

Supporting activities are aiming at: culture and leadership, procurement processes, Human Resources, data management process and company organizational design. In this paper we will specifically focus on the Human resources activities in CRM.

PREREQUISITES FOR CRM IMPLEMENTATION

There are different approaches to defining what necessary elements are for CRM strategy to be successfully implemented. According to Zubović, Bradić Martinović and Džopalić (2010) requirements for creation of high quality CRM models are:

- Customers satisfaction and loyalty
- Data protection
- Business intelligence tools
- Enterprise resource planning
- Creation of integrated business systems

Satisfaction, loyalty and creation of long-term value for customers

Customer satisfaction can be defined as a "customer response to the assessment of perceived differences between expectations and actual product performance, as he saw them after purchase (Veljković 2009, p. 101). Satisfaction is required for continued cooperation between customer and company and it is the main, but not

the only prerequisite for existence of loyalty. Customer satisfaction is the key to retain existing and attract new customers (Maričić 2008, p. 480).

Companies have to trace customer response to their offer, no matter if it is positive or negative. If customers are satisfied and the preference is expressed through re-purchase of products/services over the long term, we can talk about loyalty. The buyer who is loyal in addition to buying our product is spreading positive promotion and helps the company to attract new customers. An important role in creation of loyalty plays customer's trust and commitment to company brands. It is important to note that loyal customers for company are at the same time lost customers to its competitors.

The traditional approach to marketing focused more on sales than on development of long term relationship with customers. If focus of attention is on what happens after sale, on how customers see and use company's products/services and on how satisfied and loyal they are, company can create loyal customers and keep existing ones at the same time with successful and profitable business activities.

Value of customers for company is defined by the concept of Customer Lifetime Value – CLV. It represents a net present value of future profits expected from customer's purchases during his lifetime. By applying the appropriate discount rate we can estimate "gross" lifetime value. From that amount we should subtracted the sum of the expected costs of attracting customers, customer retention expenses, sales costs and expenses of serving the customer and thus obtain a net profit realized from a customer in a lifetime.

Privacy protection as the basis for customer confidence

Personalized CRM is based on the principle that each customer should be treated separately. It refers to each physical person who buys products for personal consumption as well as to all companies which purchase products to create their own products/services (for further reproduction). For that principle to be implemented successfully it is necessary to gather data about each customer, load it into information system, process it and store so as to create a model which can provide desired information about customers. In order to for customers to be willing to give information we need from them, they must be sure that their privacy is protected from abuse.

Companies should devote great efforts to show their customers that they understand the problem of privacy. For the company is important to inform each customer, preferably in written form about attitudes towards protection of privacy, about how collected data will be used and to ensure that none of the data will be

available to third parties. Confidentiality and privacy as the elements of information security policy in business intelligence systems can be achieved by information security policies and procedures, encryption and security tools (Vujović 2005, p. 421).

In developed countries security of data, information systems and telecommunications became one of the priority tasks of legal systems. As the information technology is developing so is the security issue transferred from national to an international plan. International organizations and associations are slowly dealing with these problems, and in certain cases they form special teams to monitor and address growing risks and opportunities brought by new technologies.

Some of the issues (data protection, privacy, etc) are found in the Universal Declaration of Human Rights, European Convention on Human Rights, the Universal Postal Convention, the International Convention on Telecommunications, and so on. This has created a framework to adapt laws to the needs, changes and demands of modern information development in the international level (Drakulić 1996, p.12).

The growing need for information and fear from their abuse has led to the necessity of its special treatment. Technical capacity of storage, processing, transmission and use of data are all larger. Number of users of data is continuously growing, as well is the number entities about which and from which data is collected. Expansion of IT technology has imposed the necessity of applying different methods to ensure safety of data.

Internet as a specific electronic media, offers technologically new approach to business activities, which requires innovation in legal regulation. Widespread use of e-commerce created a need to regulate basic concepts, procedures, messages integrity, authenticity of signatures, security of operations and a many other issues. Regulation of electronic signatures, quality of products and services, customer protection and intellectual property, and the fight against computer crime are some of the issues to be covered by changes in legal system.

Determinants of Business Intelligence

According to Ćirić (2006, p. 21) Business Intelligence (BI) represents the all potential use of data and information in the enterprise for making better business decisions in accordance with the identification of new business opportunities, especially when decisions are complex and non-routine, as it is the case with CRM. Business Intelligence refers to applications and technologies needed for consolidation, analysis and enabling of access to large amount of data which

should simplify better business and strategic decisions making (Rainer, Turban 2009, p. 268.)

BI systems enable company to know their customers behavior and their reactions, competitors' and business partners' expectations, as well as history of events from external and internal environment. The possibility of understanding and presentation of obtained information in a clear and rational way is of a vital importance for management decisions making.

The main objectives of introducing BI solutions are: faster access to data, generating various reports, accuracy and clarity in presenting the information to multiple users, integrated platforms and applications, secure and personalized custom work, cooperative environment and many others. BI Software supports tracking actions and results of operations and their comparison with pre-defined goals. The data from different systems and applications are converging and integrating in a Data Warehouse (DW) in order to provide analysis of key indicators and trends and indicate the possible deviations from the original plans. DW provides delivery of information to all interested users. The main reason for use of DW is that the analysts can make complex search and perform a variety analyses on given information and predict the effects of decisions and the consequences that they bring along.

There are two types of information systems included in BI:
-    Systems which provide tools for data analysis including decision support systems (DSS), data mining (DM) and multidimensional data analysis (Online Analytical Processing - OLAP)
-    Systems for providing easy access to data in structured form - digital dashboards.

Decision support systems (DSS) are computer based information systems which combine models and data in an attempt to solve semi structured problems with major role played by consumers (Turban et all 2003, p. 445). They are practically a collection of integrated software applications and hardware which represent a standing point for decision making process in an organization. Companies from all business sectors rely on these models, techniques and tools with a goal of finding an answer to everyday business issues. In an effort to clarify the term, DS systems can be separated into seven broad categories, each aiding decision making by different methods: Communication Driven, Data-Driven, Document-Driven, Knowledge-Driven, Model-Driven, Spreadsheet-based and Web-based.

Data mining (DM) provides selection of intuitive information from large databases and represents a powerful technology which has a large potential to

help companies focus on most important information in their data warehouses. This tool should predict future trends and consumer behavior and in such a way help companies to make proactive decisions based on knowledge. Automated analysis of DM help in issues which were traditionally time consuming to resolve. Practical DM is able to find hidden information which is unexpected even to experts.

Multidimensional data analysis (OLAP) is often used when it is necessary to support large amount of repetitive small transactions, which is the case with purchasing analysis. OLAP databases are used to store historical data over a long period of time, often collected from several data sources, and the size of a typical OLAP database is often orders of magnitude larger than that of an ordinary OLTP database. OLAP databases are not updated constantly, but they are loaded on a regular basis such as every night, every week-end or at the end of the month (Chaudhuri, Dayal 1997, pp.65-74). The core of the OLAP technology is the data cube, which is a multidimensional database model. The model consists of dimensions and numeric metrics which are referred to as measures. The measures are numerical data such as revenue, cost, sales and budget. Those are dependent upon the dimensions, which are used to group the data similar to the group by operator in relational databases. Typical dimensions are time, location and product, and they are often organized in hierarchies. A hierarchy is a structure that defines levels of granularity of a dimension and the relationship between those levels. A time dimension can for example have hours as the finest granularity and higher up the hierarchy can contain days, months and years. When a cube is queried for a certain measure, ranges of one or several dimensions can be selected to filter the data.

Digital Dashboards and scorecards are multilayered performance management systems, built on a BI and data integration infrastructure, that enable organizations to measure, monitor, and manage business activity using both financial and non-financial measures. They are full-fledged business information systems designed to help organizations achieve strategic objectives. They help measure the past, monitor the present, and forecast the future, allowing an organization to adjust its strategy and tactics in real time to optimize performance (Eckerson 2006, p. 5). They are user friendly with lots of graphics, and most important they enable managers to access detailed reports on exceptions from rules. Important use of digital dashboard supporting information needs of managers is management cockpit. It is a room for strategic management in which there is a large amount of digital tables which provides to high level managers better managerial abilities.

BI allows the company to make decisions in the right time on the basis of information, which can be source for gaining competitive advantage. In order for BI to operate effectively, the company must have: appropriate hardware and software, secure access to database, large amounts of information and the ability to measure performance.

The information is most often considered as the second most important company resource, along with human recourses, and they both are useless if not used properly. BI allows collecting information on market trends and allows entrance to the market with new produce/service in response to the demands and desires of customers. Knowledge about competitors, business partners, customers, trends, key economic indicators are very important in deciding when is the right time to expand or reduce business operations.

High quality of reports can be provided only if the end users may combine knowledge from various fields. Cooperation between IT experts and business users need to prepare reports which are easily understandable and graphs and tables are clear because end-users do not have knowledge on platform technical capabilities. It is important to understand who the main beneficiaries for each functional set of reports. It often happens that end-users reject innovations because they are not accustomed with working on complete BI solutions. Users need training which requires lot of time and it is expensive. The aim of training is to teach users how to get the most from the database and to actively participate in creating BI reports.

Enterprise Resource Planning

Integrated solution, known as Enterprise Resource Planning (ERP) is the process of planning and management of resources and its application within company. The concept of ERP is often misinterpreted, as it does not plan resources. The main goal of ERP is to integrate all departments and functions throughout the company in a single computer system that can serve all company needs. It is not only the integration of technological components, but of the entire organizational structure. ERP software, therefore, goes beyond the boundaries of functional departments.

This system evolved on the market in the early 1990s. At that time the biggest problem in business activities was getting timely and accurate information. Today we are looking on how to use the information we have. In order to meet market demand, developers have designed software that combines several different requirements. Successful companies are abandoning non-integrated IS that are oriented to individual functional areas and are using software solutions that

integrate the value chain, optimal use of resources and synchronization of planning, organizing, leading and control.

Development of ERP system may be divided into two phases. The first generation of ERP solutions focused on business transactions and has not provided computerized models necessary for real time response to changes in demand, supply, labor or facilities. This problem was solved with second-generation ERP, which began its development at the beginning of 21st century. This generation of software is a web-based and allows both employees and external resources (suppliers and customers) an access to system data in real time.

ERP software is extremely complex for use. Companies often need to change existing business processes in order to fit the format of the selected software. Besides, its implementation process lasts for months, the software is expensive and requires professional consulting assistance which cost large amounts of money, and training of employees to work on it takes long time.

The basic idea of the implementation of Information and Communication Technology (ICT) is based on the need to increase productivity, efficiency and effectiveness in carrying out business activities. The first step in meeting those needs is selection of appropriate IS from a category of business ERP systems. Business IS in this category generally include support for most business functions at all levels, from operational tasks to strategic management, and if properly implemented within the company, may bring positive effects very fast, and pay back money invested in them quickly (Ćirić, 2006, p. 24).

According to Ptak and Schragenheim (2004, p.89) in deciding on ERP software implementation one of the most difficult issues is how to manage expectations - process reengineering. A company that introduces ERP system must be aware that its successful implementation requires change of business practices. This change is most complicated part of the whole process of ERP implementation. It is important to focus not only on the total time of implementation but on understanding why the company needs ERP and how such a system would improve its operations. The success of ERP highly depends on the team working on the project. The software is very sophisticated and expensive and its implementation is very complex. In order to avoid the dropouts of skilled workers it is necessary to develop a good motivational mechanism in order to avoid employment of external consultants for the same job. Once the software is installed, the team members become very valuable for the company because they know much more about all the processes than other workers and managers. Companies can not afford to return team members to their previous jobs because after implementation of ERP more jobs are created, at least in the medium term.

Benefits of implementing ERP solutions can be divided into four categories: market share, customer satisfaction, profit margins, and return on investment stakeholders. However, it requires discipline and skill in project management. The discipline of project management requires clear definition of tasks, individuals responsible for their completion, and milestones to indicate the progress. Project teams should include IT professionals, and both internal and external consultants. If the team is created and led properly, implementation of ERP software can be done on time and within a planned budget.

It is important to note that despite CRM is a module of ERP software, the lines between CRM and ERP are beginning to blur as ERP vendors incorporate CRM functions into their software and CRM vendors add ERP capabilities to their offerings. Both industries are working to develop all-in-one applications to streamline internal operations and customer activities.

Integrated Business Systems

Development of ICT and the occurrence of various software solutions, have led to the development of new business models that extend marketing concepts, strategy and tactics in the market. Companies are increasingly taking place in a dynamic and global environment with numerous partners. Relationships that are established are more complex and customers are more demanding and they have lots of information. Company can be viewed as a system in which several functions are interdependent and IS should be integrated in such a way as to provide information to all functions that are in interdependent relationship. Development of information systems is very complex, as it gathers information needs from all levels of management, and it should standardize all procedures (Vujović 2005, p.160).

Processes which create added value in the company are taking place in a dynamic environment with many competitors, and as these relationships are becoming more complex, so is growing the need to develop new software solutions that will support all processes related to these relationships. The implemented software processes information on demand, supply, forecasting results, available inventory and manufacturing capacity in real time. Deshmukh (2006, p. 33) notes that for that purpose integrated solutions which combine specialized management software (also known as xRM applications) like: Customer Relationship Management (CRM), Supplier Relationship Management (SRM), Partner Relationship Management (PRM) and Employee Relationship Management (ERM) are developed.

These solutions, combined with ERP systems and Supply Chain Management (SCM) enable that value optimization, made within long-term business processes among enterprises, business partners and employees, becomes center part of company's corporate strategy. CRM software has to meet demand and expectations both from the company and the customers and to provide close cooperation with other organizational units and stakeholders.

Introduction of CRM is fundamental change in the quality of interaction with customers. Organizational design is changing in order to have more effective interaction, and to provide greater added value to customers, which will lead to increased profitability. Having the right information at the right time and having effective interaction throughout the supply channel is crucial to survive in the market. It is important that everyone understands that CRM is a new way of doing business. The introduction of CRM will modify traditional behavior toward customers (Newell, 2003).

Despite achieving return on investment in IT, modern companies around the world continue to spend significant amounts of money on IT in order to raise efficiency and improve its competitive position in the market (Picolli 2008, p.22).

CRM FAILURE

Unlike expectations of majority, failure rates of CRM projects according to available statistics are very surprisingly high. This is the basic list of CRM failure stats for the period 2001-2009 is shown below (Krigsman 2009).
- 2001 - Gartner Group: 50%
- 2002 - Butler Group: 70%
- 2002 - Selling Power, CSO Forum: 69.3%
- 2005 - AMR Research: 18%
- 2006 - AMR Research: 31%
- 2007 - AMR Research: 29%
- 2007 - Economist Intelligence Unit: 56%
- 2009 - Forrester Research: 47%

Depending on the source as many as 50-70% of CRM initiatives fail to deliver expected outcomes. It is possible to discover six common reasons for its failure:

1. Strategic Errors
Strategic errors which result in CRM implementation failure include the following issues:

- The right leadership is not in place: a business leader needs to be in charge of the CRM effort not in IT sector. Successful CRM is a major business initiative, not a technology initiative.
- CRM Strategy is not clear: Strategy and vision need to define what customers experience at each interaction, and how will they be handled. The vision needs to be clear to everyone. A major pitfall occurs when business constituents have differing expectations of CRM's benefits. Sharing a common vision is a key.
- The CRM strategy is different from the business strategy: CRM is sometimes seen as a lower level automation step or patch, rather than a top level re-thinking of how customers are served. Your CRM strategy and business strategy need complete alignment.
- Processes are not re-designed: CRM is an expensive way to automate inefficient or ineffective processes. Companies obtain results from newly implemented CRM if they begin with focus on sales processes. The steps taken should include:
  o Defining and developing new market segments
  o Increasing the ability to: Cross-sell, Up-sell, Retain, Acquire, Reactivate, Experience (Enhancement through better customer interaction strategies)
- Customers are not consulted: It is crucial to know what customers think of company before, during, and after the CRM implementation? It is very often the case that the "C" in "CRM" is not consulted in all phases of the initiative.
- Unclear metrics: It's critical to review plan to measure key performance indicators in order to determine the real business value of CRM implementation. The quality of metrics has been a deciding factor in making or breaking many CRM projects.

2. Implementation Errors
- Inability to link channels: It is necessary to consider all customer interactions and processes. It is often happening that projects are focused on some parts of customer experience, but ran into trouble when they were unable to link with or serve well all parts of the customer experience.
- Lack of readiness for continuous improvement: Implementation process of CRM may be bumpy. Company should be ready to redefine strategies, goals, metrics, and learn from feedback. Successful CRM projects are rarely completely successful from the initial outset.

3. People errors

- Introducing CRM to all employees at the same time: Introduction of CRM to all is very difficult. It is better to start with a small team of employees chosen to represent a company. Initial project should make a dramatic difference, with clear key performance indicators for all other employees.
- Changing the system, but not the people: It's easy to focus too much on the new technologies and processes rather than focusing first on the people who will use them successfully. Employee feedback is required and overall buy-in in order to avoid failure. The entire company needs to own "customer-first." They need to see that the CRM vision takes them to a better place than where they are now.

4. Process errors
- Instead of enhancing new processes, changing the CRM system to fit old processes: To avoid the pain of revision, some companies don't take the opportunity to re-engineer and optimize their processes. They look to CRM as a patch rather than one completely new approach to improve customer satisfaction, grow sales, and upgrade productivity.

5. Technology Errors
- Customer data is in more places than expected: As implementation gets underway, key data can turn up in several parallel systems which create confusion. Gathering stage needs to be careful and thorough.
- Different CRM solutions are in place but do not work well together: Often marketing, sales and service departments have different CRM software installed to track the same customers. As a result, these departments can't share data, and have redundant support and administration costs.

6. Customer Management Errors
- Customers do not experience new benefits: Company is implementing CRM in order to satisfy customers. Increased satisfaction among customers along with increased customer value to your business should always be looked upon during planning and implementation of CRM, which is often avoided.
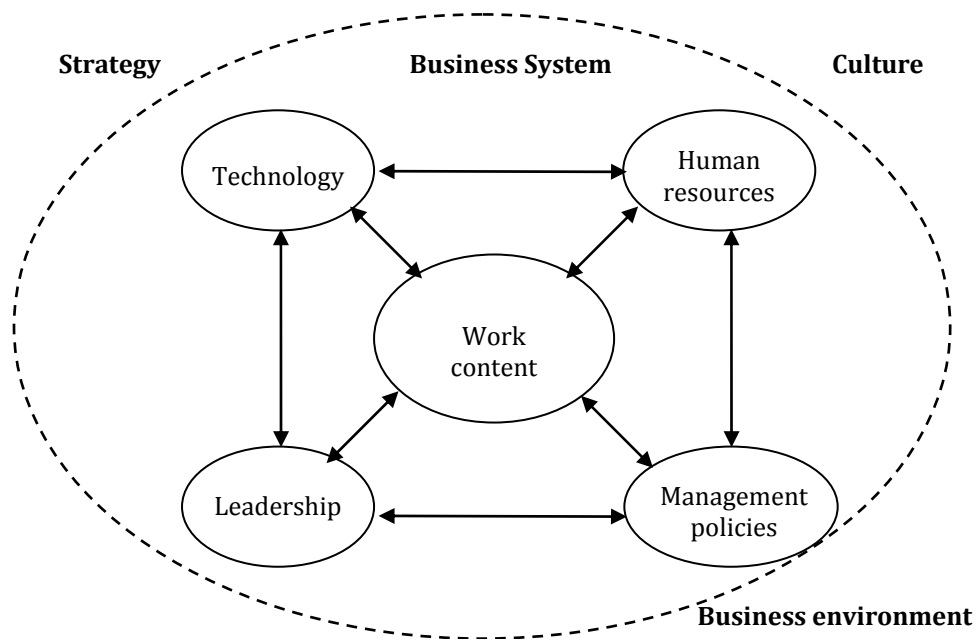
ENTERPRISE ORGANIZATION STRUCTURE

The first step in reducing the risk of CRM implementation failure is to understand enterprise organization structure with its key elements (Graph 4):
- Work scope

- Technology
- Leadership
- Human resources
- Management practice and policies

Graph 4: Enterprise organization structure

Source: Adapted on Beer et al (1985, p. 570)

Work content includes the tasks and roles performed by employees. It is a "set of activities undertaken in the development, production and distribution of goods or services" (Sinha and Van de Ven, 2005). Work content includes work scope, control, diversity, needs and feedback that are directly related to work tasks. Work scope varies depending on the horizontal and vertical specialization. Control refers to the level of control that employees have on their operational aspects of work such as speed, setting deadlines for certain actions or adopting strategies. Diversity refers to the aspect of work that shows the level of stability in business activities over time. Needs are the requirements, both physical and intellectual (cognitive) in carrying out business activities. Here we must also include emotional intelligence especially in activities that are cognitively demanding (Glomb et al 2004). Feedback is used to assess how well the work has been done. Some tasks in companies are not automated, so the feedback is more difficult. Although feedback can be very beneficial both for the organization and

the employee, constant surveillance can lead to mental disorders and low impact on the business (Stanton 2000).

Technology – Company operations are heavily influenced by technical and technological subsystems. Technology of work task may directly influence the ability to control the working activities (Mintzberg 1979). In a very controlled and automated technical systems, such as robotized plants or automatic call centers possibility of discretion in terms of how to work performance (speed, order, etc..) is practically non-existent. Some technology systems are so sophisticated and complex, that they completely automate the cognitive part of work, resulting with employees who are no longer aware of any work they do (Wall et al 2002). Different levels of technological improvement enable some tasks to become entirely predictable and on the other hand where it is impossible to predict the result of the work.

Leadership - style of leadership (managers and supervisors) can also shape the content of their work and link it with other elements of the business system. For example a high level of autonomy can be used as a substitute for transactional and transformative leadership behavior (Whittington and others 2004). Oppositely direct involvement of managers or supervisors in the process of allocation of tasks to employees, setting up the dynamics of work and decide on methods of work will directly reduce the level of competence and discretion that employees have. If the jobs and tasks are highly specialized there is a need for the first line of management to act as a linking mechanism in coordinating activities of other individuals. If there is a grouping of activities and tasks within one job, or a work team, the need for coordination of first-line management will be significantly lower.

Human Resources – Successful implementation of business activities is directly depending on the level of dedication to work and skills of employees. The level of knowledge, skills and abilities used by employees influence specialization and the work load. Work roles often do not fully capitalize on existing knowledge, skills and talents of employees (Morrison et al 2005). That is why it is very important to have good knowledge about employees and what they are able to do. CRM value chain and enterprise organization structure emphasize the importance of human resources in business activities. This means that human resources are not only important in implementing organizational strategies, but they are also important in the implementation process. Several researchers have described the importance of process of human capital creation for improvement of competitiveness (Baker et al, 1997; Paauwe, 2004; MacMillan i Tampoe, 2000, Zubović 2010). Human capital is created in a process of lifelong education and training.

Management policies and practice - Each group of tasks and responsibilities must be accompanied with a spectrum of appropriate management practices and policies. Scientists recognize that different approaches to business systems are often associated with different "loads" of human resource management practices (eg Pil and Mac Duffie 1996). Models of team effectiveness usually represent the factors of organizational context (training, information and reward systems) as key inputs to effective teamwork. In other literature on human resource management, the value of rigorous selection techniques, the uncertainty of earnings, extensive training and development, guarantee for staying at work and other methods of pressure on the workers under harsh criticism. (Eg Pfeffer 1998 and O'Reilly and Pfeffer 2000).

Five elements of organization structure must be well analyzed before implementation of CRM in an organization. Each of five elements contains certain level of interaction between people who are operating in the company. It is crucial that ERP software as integral part of CRM include all these interactions in its structure.

CRM EDUCATION AND TRAINING (E&T) MODEL

Programming of activities in education and training in an organization include a set of planned activities with a goal to ensure a good preparation for the implementation of training and education (Pržulj 2007, 221). Strategically planned education and training will create more skilled, innovative, productive and loyal employees. In this way, organizations can gain competitive advantage over their less progressive competition. If combined with new technological solutions implemented in software packages such strategic approach can significantly reduce the risk of CRM implementation failure.

The aim of training is to enable all employees to achieve and maintain the skills necessary to perform their role in the new business processes. While the government through public funding of education is in charge of providing new entrants to the labor market with adequate qualifications, for continued training organizations and individuals are responsible. Fitts and Posner (1967) defined a system of three phases for acquiring skills. Phases occur in the following format:
- Cognitive phase in which the individual understands the nature of the work and how it performs
- Associative phase in which the individual associates inputs with the appropriate activities without interference of external environment
- Autonomous phase in which the individual performs tasks independently without control.

Unlike in CRM value chain model presented by Buttle (Graph 3) which only partially focuses on training, CRM E&T Model (Graph 5) has education and training as an important segment of CRM implementation process. In order to reduce risks of CRM failure this model is designed to promote strategically oriented implementation of CRM strategy with special attention to education and training in three key elements: ERP, motivation and strategies. It is a combination of CRM diamond (Graph 2), CRM value chain (Graph 3) and business enterprise organization structure (Graph 4) models, taking in account prerequisites for successful implementation of CRM.

Graph 5: CRM E&T Model
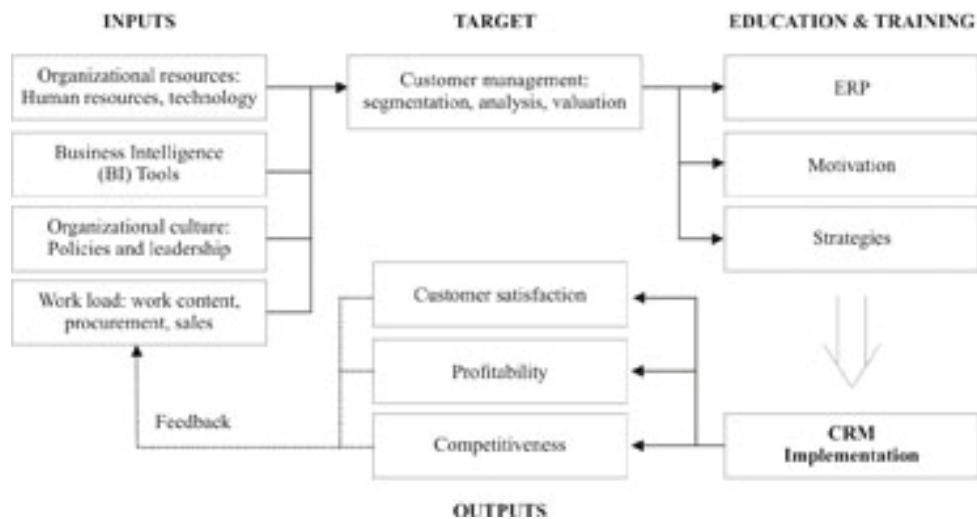
Graph 5 shows the complete process of CRM implementation, which apart technological innovation represents a change in overall organizational behavior and culture. This process is presented as a cycle in which it is necessary analyze all *Inputs* including: organizational resources, a complete system of Business Intelligence, organizational culture and business processes. These inputs are used to promote CRM's primary role - to view customers as a key figure (*Target*), which must be carefully segmented, analyzed and evaluated. As noted above, unlike other models, in this model we included the phase of education and training. A complex system of ERP in any case must not be implemented without quality staff training in its use. Also, it is necessary to conduct training on the motivation of employees for a complete change in the way that CRM is a business.

Sector of HRM must play an essential role in the process of *Education and training*, in order to avoid employees' negative response to the new business

system. For that reason company management together with HRM sector needs to motivate employees and communicate with them how important part of the team they are, and how the innovations in the work design are designed for the benefit of the whole company, by gaining new and retaining old consumers with less efforts, while improving business results. Basic HRM tools in the process of motivation for quality implementation of CRM are: strategic rewards, internal communications and coordination, improved environment, education and training and strengthening of motivation systems. It is also necessary to inform employees about new strategies the company is planning to adopt and create training programs for effective achievement of the objectives and company strategies.

Only after training is completed company should move to implementation of CRM. Such systematic introduction of CRM should result with expected *Outputs* which include: customer satisfaction, increased profitability and improved competitiveness. In this way all three outputs can be achieved simultaneously, with a significantly reduced risk of CRM implementation failure.

Finally the process of CRM should not be viewed as one-time activity, but rather as a continuous process. *Feedback* obtained in analysis of achieved *Outputs* needs to be constantly aligned with company *Inputs* to ensure that CRM can be improved in real time.

CONCLUSION

The basic role of CRM is to integrate company activities through more effective segmentation of target groups, analytical forecasting of market trends, faster response to market changes, profitability analysis of individual customers, ability to direct sales to highly profitable customers, improved quality of services and sales opportunities, longer customer retention, shorter sales cycles and higher profitability of the sale process, synchronization and analysis of information gathered from various sources, improved efficiency and flexibility of operations, intensive development of competitive advantage and company reputation as a strong business partner.

Requirements for creation of high quality CRM models which will include all activities are: customers' satisfaction and loyalty; data protection, business intelligence tools, enterprise resource planning and creation of integrated business systems. As many as 70% of CRM initiatives fail to deliver expected outcomes due to six reasons: Strategic Errors; Implementation Errors; People errors; Process errors; Technology Errors; Customer Management Errors. The first step in reducing the risk of CRM implementation failure is to understand enterprise

organization structure with its key elements - Work scope, Technology, Leadership, Human resources, Management practice and policies. Five elements of organization structure must be well analyzed before implementation of CRM in a company.

In this paper we have combined several different models and created new CRM E&T model which focuses on formulating strategies, motivating employees and implementing advanced ERP systems. Major difference is that this model requires three different types of training to be performed before CRM implementation. CRM E&T model envisages the possibility for improvements, so the feedback is in each new cycle used as input element for the system. Technology and software solutions in the field of CRM are changing rapidly and it is necessary to introduce them into updated model.

We have to point out that modal is not tested in practice, and empirical research on a sample of firms which plan to introduce CRM is necessary in order to compare failure rates.

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