

INCREASING THE PERFORMANCE OF BUSINESS PROCESS IN ROMANIAN SMES THROUGH CUSTOMER RELATIONSHIP

Oualid Kherbach
Politehnica University of Timisoara, Romania
oualidkherbach@gmail.com

Abstract:

Nowadays, the necessity of continuing activities and fierce competition among the enterprises and maintaining the competitive advantage is attention to customers that due to their direct relationship with organization actions are valuable source for opportunities. Customer relationship management (CRM) has the potential for achieving success and growth for organizations and is a widely implemented strategy for managing a company's interactions with customers and to build sustainable relationships with them. Rapid development of customer relationship management applications have seen the trend that more and more SMEs (small and medium-sized enterprises) are seeking to implement CRM in order to survive and compete with large companies. There is evidence that Customer relationship management (CRM) have become a strategic direction for many SMEs. BPM is a very important factor that has a positive impact on successful CRM implementation. The overall objective of this paper is to analyze the importance of adopting an Customer relationship management solution as a way to enhance the performance of SMEs.

Keywords: customer relationship management (CRM), competitive advantage, small and medium sized enterprises

1. INTRODUCTION

Globalization has started to erase boundaries between countries and a growing number of enterprises compete today on a global market. The increasing competition has led enterprises to focus on managing customer relationships and to realize that customers are the nucleus of the business world and the success of companies depend on their ability to manage their relationship with their customers (Alireza, F et al 2011) in order to efficiently maximize revenues. Customer relationship management (CRM) is the key competitive strategy businesses need to stay focused on the needs of the customers and to integrate a customerfacing approach throughout the organization. By using information and communication technology, businesses are trying to get closer to the customer so that they can create long-term relationships. Thus, deploying CRM initiatives has become very common(Frank,. B. et al 2006).

To compete successfully in today challenging business environment, manufacturing companies should effectively integrate the internal functions within their companies and effectively linking them with the external operations of suppliers, supply chain members and final consumers. They need to focus on supply chain management practices that have impact on enhancing SCM activities and ultimately performances.

The need for long-term relationships between customers and suppliers has been suggested by the literature. According to Muhammed, K. Ö. and Nereida and (2013), the literature of supply chain management suggests the marriage with customer supplier relationships.

To survive in the global market, focusing on the customer is becoming a key factor for Romanian companies big and small. CRM can help companies to succeed in the world of Business. Not only large, multi-national companies, but also Romanian SMEs are increasingly seeking to implement CRM in order to find a competitive advantage on which to base their business' prospects for longevity. Small and medium-sized enterprises (SMEs) are the driving force of most economies,(Paul,.H. and Morgan 2014) particularly in times of economic downturn. This places increased significance on quality research shedding light on the unique factors underpinning the management of SMEs (e.g. Connelly et al., 2010). Romanian SMEs have limited resources, limited expertise and limited impact on their environment, all of which impact of their ability to carry out marketing in particular (Doern, 2009).

The implementation of Customer relationship management is part of the Knowledge-Based Economy project and it aims to stimulate even small and medium-sized enterprises to use the new technologies so as to develop businesses by promoting electronic trade and e-business networks.(Capilnean, M. 2005).

The main purpose of this study is to analyze the importance of adopting an customer relationship management (CRM) solution in Romanian SMEs as a way to enhance the performance of the enterprise.

2. LITERATURE REVIEWS

2.1. The Origins and definition of CRM

Origins of the term CRM can be traced back to the late 1990s and early year of the 21th century, CRM was offered up as the next wave of marketing. The tools and techniques that would make traditional marketing obsolete. Since the beginning, many definitions have appeared with different meaning and sometimes even the meaning of the acronym CRM varied from Customer relationship management to Customer relationship marketing (Buttle, 2009, p. 3). The Customer Relationship Management (CRM) concept is closely associated with Relationship Marketing (Bull, 2003, Christopher, Payne and Ballantyne, 1991, Dibb and Meadows, 2004,). It is hard to verify who the first to define CRM was. Some sources claim that Lehtinen together with colleagues were one of the first to describe and thoroughly research CRM (Lehtinen, 2007, p. 18-19). According to Lehtinen (2007) CRM came into being together with development of marketing which gradually became more personal until it transformed into direct customer marketing, also known as one-to-one marketing, which aims at individual customers. Berry found in 1983, relationship marketing was popularized in the late 1980s and early 1990s. This was due to intensified competition, which largely resulted from the energy crisis

of the 1970s, the economic stagnation following the energy crisis, and the emergence of services marketing (Jagdish, N. S. and Atul, P. (2002).

Therefore CRM implementation requires companies to change their view of marketing. defined by Dohnal as: "a process of identifying, establishing, maintaining, improving, and if necessary timely termination of economic relations with customers and other concerned subjects for the mutual benefit of all involved parties, which is achieved by mutual fulfilling of obligations and values. CRM was the single solution that would solve every marketing problem. Simply install the software, plug in the customer data.

Understanding and meeting customers' needs is a very important weapon to be competitive. Following Wilson, Daniel and McDonald (2002), today's customers are more educated, live longer, and more influenced by the global culture than those of the 60s and 70s when our view of marketing was formed. That is to say, customers are more conscious and they know what they want. If a company can handle that, they might prosper. It is evident that the management of customer relationships is very important for organizations.

Nowadays, the cross-functional approach to marketing requires an organizational culture and climate that encourages collaboration and cooperation between departments (Alam and Khalifa, 2009). There is a major change in the way companies organize themselves, as businesses switch from product-based to customer-based structures. A key driver of this change is the advent of CRM which is underpinned by information and communication technologies (Sevki, O. and Rifat, I. 2006). Some definitions of CRM from expert's view are presented in table (1).

CRM is an active, participatory, and interactive relationship between business and customer. The objective is to achieve a comprehensive view of customers, and be able to consistently anticipate and react to their needs with targeted and effective activities at every customer touch point (Piccoli et al., 2004). and CRM is a concept that enables an organization to tailor specific products or services to each individual customer and some know it as a managerial approach which includes identifying, attracting, developing and maintaining the successful relationship with customer in order to increase profitability. Research showed that 5% increase in preserving the customer will lead to 95% increase in the value for organization (Greenberg, 2002). CRM is a strategic necessity for all organizations because its effective implementation increases the satisfaction of customer, loyalty and attraction and more sale and buy (Wu et al., 2007). General process of developing and maintain the profitable communication with customer is by delivery or presenting a higher value to customer and achieving his satisfaction (Kotler, 2004).

Ghahfarokhi and Zakaria (2009) stated that CRM is a business philosophy that supplies a vision to your organization in order to deal with your customers. However, the objective of a company is not really to prune its customer base but to identify the programs and methods that would be the most profitable as it creates value for the firm and the customer. Hence, our definition of CRM is that Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value.

Table 1: Definition of CRM from different point of view

CRM	Researchers
It is the process of mixing processes and technologies related to the customer	Bernhardt, K.L 2000
It is the method of using software and technology for automatic management and improving the operation	Greenberg, 2001
Organizational approach is for understanding behavior of customer to attract the customer	Suifder, 2001
It is a concept that enables an organization to tailor specific products or services to each individual customer. In the most advanced scenario, CRM may be used to create a personalized, one-to-one experience that will give the individual customer a sense of being cared for, thus opening up new marketing opportunities based on the preferences and history of the customer.	Wilson et al. 2002,

It is the information that helps companies to understand the needs of customers and evaluate their behavior against operational processes	Christopher, 2003
It is the general process of preserving profitable customers	Payne, 2004
Integration of sale, marketing and services' strategies and preventing 1D view about customers	Ngai, 2005
definition that CRM is merely a strategic process by which the institution's more profitable customers are chosen.	Kumar and Reinartz, 2006
It is clear that this definition only concerns about short-term CRM, and not long-term CRM	Ramaseshan, 2006,
stated that CRM is a business philosophy that supplies a vision to your organization in order to deal with your customers	Ghahfarokhi and Zakaria 2009
It is: a system that manages information and processes pertaining to the relationship and interactions with your customers.	Magaña and Whitehead 2010

2.2. CRM life cycle

After reviewing the existing research literature in the area, we share with the above authors that CRM projects involve a complex combination of many business and technological factors. This situation calls for the formulation of adequate strategies for the adoption and implementation of CRM systems within a company. Developing a CRM system life-cycle can contribute to the better comprehension around this type of enterprise system, we agree with Paulissen et al. (2005) that a tentative CRM system life-cycle can be based upon a previous one presented for ERP systems by Esteves and Pastor (1999). In the next paragraphs we describe life-cycle proposal.

CRM comprises three phases: acquiring, enhancing, and retaining. Each phase supports increased intimacy and understanding between a company and its customers. These three phases are:

1. Acquiring new customers: the company acquires customers by promoting product and service leadership. and redefine the companies competitive edge and innovations and offer a superior product backed by an excellent service.
2. Enhancing the profitability of existing customers: the company enhances the relationship by encouraging excellence in cross selling and up selling, thereby deepening and broadening the relationship and Providing a value proposition represented by offering a greater convenience at low cost (one-stop-shopping)
3. Retaining profitable customers for life: Retention focuses on service adaptability delivering not what the market wants but what customers want. (Kalakota et al 1999, p.175)
 - a. Retention focused on service adaptability
 - b. Delivering not what the market wants but what the customer wants
 - c. Providing a value proposition that offers a proactive relationship that works on the best interest of the customer

Each phase impacts customer relationships in different ways so that focus and strategies vary from phase to phase. They are described in below table (2).

Table 2: Focuses and strategies of CRM phases

Phase	Focuses	Strategies
Acquire	Differentiation	<ul style="list-style-type: none"> • Innovation • Convenience
Enhance	Bundling	<ul style="list-style-type: none"> • Reduce cost • Customer service
Retain	Adaptability	<ul style="list-style-type: none"> • Listening • New products

Source: Kalakota et al 1999

2.3. Customer relationship management for SMEs

This theoretical background includes a brief description of some relevant SMEs characteristics to consider in a CRM adoption. These unique characteristics distinguish SMEs from large businesses and have an impact on Customer Relationship Management (CRM) (Berry, 2003,). SMEs and CRM Initiatives Despite the differences between SMEs and large enterprises, the adoption of CRM in SMEs cannot be considered as a miniaturized version of larger organizations (Sahel, F. and Amir, M 2015). For most SMEs, customer service and customer relationships are major sources of competitive advantage . Some of the major characteristics of SME are the number of employees, sales volume, unique product, innovation, better and more complete customer service, new job creation, flexibility, day-to-day operational activities Hence, it helps a company to be more responsive to customer needs; which, in turn, improves the company's ability to deliver better customer service. limited resources financial, human as budget (Özgener & Iraz, 2006), specialist expertise (e.g. marketing) (Sahel, F. and Amir, M 2015;), Information and Communications Technologies - Owner-manager dominance: The owner-manager makes the majority of the decisions on his own (Özgener & Iraz, 2006; Wahlberg.)

In the following, implementation of CRM among SMEs is discussed further. In particular, common problems of SMEs concerning customer service and benefits CRM can deliver related to these issues are outlined. Moreover, the adoption of CRM among SMEs so far, and reasons that stop SMEs from executing CRM are illustrated.

Karkoviata (2001) argues that CRM helps small companies to improve their ability to combine, integrate, and process customer information. It not only assists companies to be more responsive to customer's needs, but also comprehensive customer knowledge provides whereas an opportunity to survive in the local and global market, focusing on customers is a key factor for organizations which are small, medium and large. In addition, acquiring a new customer is five times more than the cost of retaining an old customer (Payne, 2004). That's why customer retention is important for SMEs because of their limited resources . There are six reasons to implement CRM.

Table 3 :Focuses and strategies of CRM phases

Reasons for implementing CRM
Improving customer satisfaction level
Retaining existing customers
Improving customer lifetime value
Providing better strategic information to sales, marketing, finance etc
Attracting new customers
Cost savings

Source: Xu & Walton, 2005, p.959)

2.4. Factors influencing CRM implementation

The factors considered to have an influence in SMEs CRM implementation can be classified in 3 major groups such as : organisational , technical and data quality.

Organisational factors refer to those factors that influence directly or indirectly the structural , operational , human and management sides of the business entity of the SME , and include :Benefits , staff ict skills , managerial ict skills , organisational sides , internal barriers , customer response / attitude (Wilson et al , 2002).

Referring on human factors , Mendoza et al (2007) affirm that human factor is important since even the best defined process and the most advanced technology , the relation between people still has a determinant role in the implementation of any business strategy .

Technical factors refer to those factors impact the soft and hard part of ICT / CRM , and include : ICT infrastructure , Purchase , implementation and integration costs , System evaluating and selection criteria , vendor after sales support .

Data quality refer to those factors impact directly the concept of data quality and how it s conducted having considered CRM context . Includes , evaluation of the data quality tools / process , customer data types classification and customer data source classification (Wilson et al, 2002)

3. USAGE OF CUSTOMER RELATIONSHIP MANAGEMENT SOLUTIONS IN ROMANIAN SMES

3.1. Customer relationship management solutions in Romanian SMEs

SMEs drive innovation and growth: 99% of the Romanian economy consists of SMEs that together employ over 50% of the country's workforce. Especially in manufacturing, many companies have become the global market leaders in their niche. For very small companies that have less than ten employees, it is possible to know customers but for larger companies, definitely a software support is needed to store the necessary information that can be about customer's product choice. But many businesses have failed to suitably adapt their IT. systems to their dynamic development. In Romania, many SMEs still use outdated IT. software manufacturers and IT service providers must take into account the specifics of SMEs in order to tap the full potential of this market. An increasing number of SMEs needs to modernize, harmonize and professionalize their IT. Therefore, if SMEs want to survive and retain their customers and want to know customers individually, organizations have to implement a CRM system.

The Romanian customer relationship management (CRM) market reached the estimated value of €17m last year. Local software providers claims that the market has a strong potential for further growth. According to a survey conducted by the Romanian customer relationship management (CRM) software provider Synergizer Business Solutions, approx. 30% of small and medium enterprises (SMEs) use CRM solutions. Among main obstacles in implementing this type of software solutions are lack of budget and lack of needs.

The SMEs tendencies of implementing an CRM on Romanian market can be divided in 2 main directions:

- Small and Medium Entreprises which prefer the adoption of an open source CRM
- Small and Medium Entreprises which prefer to replace the current CRM

3.2. Adoption and Advantages of an open source CRM

In an era of financial crisis and expense reduction it is important that companies keep pace with changing technologies and markets, adopting strategies for tracking trends, but which are not expensive. SME's need low cost CRM solutions that can easily adapt to their business model and IT structure, instead of having to adapt their business model and IT structure to the CRM software.(Jun A. 2010)

The open source software is attractive for SMEs that want to implement CRM solutions to manage their own business. The main advantage by adopting an open source CRM is the direct implementation of the system without intermediaries.

- low costs, the purchase of open source software is free and the hardware associated to these systems has lower costs. This is justified, taking into account that those which are looking for open source software are not available to purchase commercial software,as the cost is one of the main elements in choosing a software solution, open source CRM does not involve any fees or cost of maintenance
- Fast and easy implementation: Open source CRM is easier to implement thanks to being open to the community. The open source software provides its source code, enabling organizations to develop new characteristics and integrating them into their applications For example, it is possible the integration of open source databases, open source CRM systems, open source business intelligence tools, etc.
- Simple license management, without license fees, without expired licenses date, etc. is a clear advantage of using open source software. Open source software usually has a support community, documentation, discussion forums and constant updates of its versions, updates, identify and resolve software glitches and bugs.
- Flexibility: Another important point to Open Source CRM software selection is the flexibility and the customization of the software system, which can be very difficult when it's about software owner, because it can involve a big investment for a particular customization documentation,(Boon, L.,et al 2011)

- We highlighted for SMEs the main benefit of using open source CRM tools is the ability to adapt the software to business needs, but in the implementation process can appear also negative elements. For a successful implementation it's necessary that SMEs to conduct an appropriate with opportunity to add new modules developed accordingly to the company requirements. The possibility to access the code allows the company to benefit of the initially features available but also to configure the application taking into account their needs and environment. Today it is very important that companies make cost containment. The SMEs has here good solutions that allow the evolution of business and reduce the expenses.(Marco,. T. and Jorge,. B 2011)

3.3. Replacing the current CRM

Important for CRM systems are the total costs which include cost of consulting, analysis, license, implementation, customization, maintenance, training, integration, support, upgrades and continuous adaptation to processes . Inevitably, all software applications outlive their effectiveness and need to be replaced. Perhaps your company has seen significant growth, your business model has shifted over time, or maybe technology is passing you by. Customer Relationship Management (CRM) solutions are no different, but the decision to replace an enterprise-grade application is not one that can be taken lightl.Though the decision to replace the current CRM platform may be easy, the replacement process is not a very simple thing.(Kim H., A . 2004)

The success of such an approach is decisive based on finding the most suitable specialized partner. Organizations choose the replacement of their CRM for various reasons. The main raised question refers to the ability of the existing system for effectively support the business strategy of the enterprise.

We recommend the following elements which we consider are necessary to identify and to select the most suitable CRM solution for SMEs

- The final decision of replacement must resist to future changes:
- The referred solutions must be solid:
- The software package is perfect adapted to the business environment

4. CONCLUSIONS

Importance of SMEs in the economy is widely recognized and indisputable. Therefore, they must be supported in their development efforts in research and innovation purposes. Small- and medium-sized enterprises generally have limited sources and channels for reaching customers; consequently they are concerned about keeping customers. Besides, it is a fact that for these enterprises, human behaviors have a very important role in customer relations. by implementing an CRM system solution, organizations can tailor specific goods and services to each individual customer by using customer identification. In order to satisfy customers, CRM is an indispensable technology enabler. In this paper we analyzed the importance of adopting an CRM solution as a way to enhance the performance of SMEs, particularly on Romanian markets. Also we underlined the benefits of this implementation and we recommended the most important elements for selecting a suitable CRM software system for SMEs.

REFERENCE LIST

1. Alam G.M, & Khalifa MTB (2009). The Impact of Introducing a Business Marketing Approach to Education: A Study on Private HE in Bangladesh. *Afr. J. Bus. Manage.*, 3(9): 463-474.
2. Alireza,. F., Mostafa,. M. T. & Kazem,. M.(2011) Customer relationship management in small-medium enterprises: The case of science and technology parks of Iran. *African Journal of Business Management* 5(15),. 6160-6168.
3. Alshawi, P.-C. Chang, & M. Ringgaard. 2011. Deterministic statistical mapping of sentences to underspecied semantics. In *IWCS*, 15-24. Retrieved from <http://www.aclweb.org/anthology/W11-0103>
4. Bernhardt, K.L., Donthu, N., & Kennett, P.A. (2000). A longitudinal analysis of satisfaction and profitability. *Journal of Business Research* 47, 161–171.

5. Boon, L., Khain, K., Kee, Ho and Rosnah, I.(2011). A review of Customer Relationship Management System Benefits and Implementation in Small and Medium Enterprises. *Mathematics and Computers in Biology, Business and Acoustics*. pp. 247-253.
6. Buttery, E. A. & Leung, T. K. P. (1998) The difference between Chinese and Western negotiations. *European Journal of Marketing*, 32, 374-389.
7. Buttle, F.(2009). *Customer relationship management: concepts and technologies*. Oxford: Elsevier,. ISBN 978-1-85617-5522-7
8. Capilnean, M. (2005). E-Business o provocare continuă pentru IMM-uri. *Jurnalul Centrului pentru Dezvoltarea Intreprinderilor Mici și mijlocii Maramureș*. .2,
9. Christopher, B. (2003). Strategic issues in customer relationship management (CRM) implementation. *Business Process Management Journal* 9 (5), 592–602.
10. Christopher, M., Payne, A. & Ballantyne, D. (1991) *Relationship Marketing*, Butterworth-Heinemann, Oxford.
11. Connelly, B.L., Ireland, R., Reutzell, C.R. & Coombs, J.E. (2010). The power and effects of entrepreneurship research. *Entrepreneurship Theory and Practice*, 34, 131–149.
12. Dibb, S. & Meadows, M. (2004). Relationship marketing and CRM: A financial services case study. *Journal of Strategic Marketing*, 12, 111-125.
13. Doern, R. (2009). Investigating barriers to SME growth and development in transition environments: a critique and suggestions for developing the methodology. *International Small Business Journal*, 27, 275-305.
14. Dohnal J.,(2000). *Customer Relationship Management*. Praha: Grada Publishing, ISBN 80-247-0401-3.
15. Esteves, J. & Pastor, J. (1999). An ERP lifecycle-based research agenda. 1 *International Workshop on Enterprise Management Resource and Planning Systems EMRPS*, Venice, Italy: 359-371.
16. Frank,. B. Ralf,. M. & Yuhui,. G. (2006). Use of supplier-customer relationships by SMEs to enter foreign markets. *Industrial Marketing Management* 35, 652 – 665.
17. Ghahfarokhi, A.D., and Zakaria, M.S. (2009) The impact of CRM on customer retention in Malaysia, *Pro. of International Conference on Electrical Engineering and Informatics*, August 5-7, Selangor.
18. Grinyer, P. H. & Yasai-Ardekani, M. (1981). Strategy, Structure, Size and Bureaucracy. *Academy of Management Journal*, 24, 471-486.
19. Jagdish N S., & Atul P. (2002). *Relationship Marketing in Consumer Markets: Antecedents and Consequences*. *Handbook of Relationship Marketing*, edited by Jagdish N Sheth and Atul Parvatiyar Response Books, New Delhi, 171-208.
20. Kalakota, Ravi and Marcia, Robinson (1999), "E-Business: Roadmap for Success", Addison-Wesley.
21. Karkoviata, L. (2001) Making the customer king. *Asian Business*, 37, 47-78.
22. Kim H., A . (2004) *Process Model for Successful CRM System Development*, IEEE Software. IEEE Computer Society Press.,pp. 22-28
23. Kumar , V. & Reinartz , W.(2006). *Customer relationship management: A databased approach* N. Y.: Joh Wiley.
24. Lehtinen J.R.(2007). *Active CRM. Customer relationship management*. Praha: Grada Publishing, 2007. ISBN 978-80-247-2439-3.
25. Luis., E. M. Alejandro, M. Maria, P. & Anna C. G. (2007). Critical success factors for a customer strategy. *Information Software Technology*, 49, 913-945.
26. Marco,. T. & Jorge,. B.(2011). Open source crm systems for smes. *International Journal of Managing Information Technology (IJMIT)* .3, .4,
27. Magaña, A. and Whitehead, M.,(2010). *Implementing SugarCRM: 5.x.Install, configure, and administer a robust Customer Relationship Management system using SugarCRM*. . 12.
28. Muhammed,. K. Ö. & Nereida,. H. (2013).*Customer Relationship Management and Supply Chain Management*. *World Applied Programming*. 3, 3, 126-132..
29. Ngai, E.W.T. (2005). Customer relationship management research (1992-2002) an academic literature review and Classification, *Marketing Intelligence & Planning*, 23(6), 582-605.
30. Paulissen, K. & Milis,. K.(2005). *Customer Relationship Management Research*. Voids in the current literature. *Proceedings of the 11th Americas Conference on Information Systems AMCIS*
31. Paul,H. & Morgan,. M. (2014). From e-CRM to s-CRM. Critical factors underpinning the Social CRM activities of SMEs. *Small Enterprise Association of Australia and New Zealand. 27th Annual SEAANZ Conference Proceedings* 16-18 Sydney,.1-23.

32. Piccoli, G., A. & Powell B. I. (2004). Virtual teams: team control structure, work processes, and team effectiveness. *Information Technology and People*, 17, 359 – 379.
33. Ramaseshan, David, B. Subhash, C. J. Charlotte, M. and & Joseph, P..(2006) Issues and perspective in global customer relationship management., *Journal of Service Research*,. 9, .2, 195-207.
34. Sahel,. F. & Amir,.M. (2015) Effect of Customer Relationship Management (CRM) on Performance of Small-Medium Sized Enterprises (SMEs) Using Structural Equations Model (SEM). *International Journal of Academic Research in Accounting, Finance and Management Sciences*. 5..2, 42–52.
35. Swift,R.S.(2001). *Accelerating Customer Relationship: Using CRM and Relationship Technology*. Prentice Hall, New Jersey.
36. Wilson , H.. Danial E . & Mcdonald M.(2002) . Factors for succes in customer relationship management systems , *Journal of Marketing Management*. 18.1 , 193- 219.
37. Xu M & Walton J. 2005. Gaining customer knowledge through analytical CRM. *Industrial Management & Data systems*, 105.7, 955-971