Original Article

CRM scorecard-based management system: Performance evaluation of Saudi Arabian banks

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ABSTRACT Customer relationship management (CRM) is one of the most important business strategies for evaluating the performance of an organization. The attitudes of customers towards an organization are based on its performance and on customer satisfaction. For this, companies are investing a huge amount to implement CRM strategies and infrastructure to attract the attention of customer in today's competitive business market. To achieve such a target, a company must have a measurement system to manage and assess the effectiveness of CRM initiatives. One of the most effective performance measurement methods is the Balanced Scorecard. In this article, we propose a CRM scorecard for the measurement, evaluation and enhancement of CRM systems in Saudi Arabian banks to improve customer satisfactions and loyalty. The CRM scorecard is used to evaluate the strategy and performance of the developed business solutions. The proposed scorecard contains important measures based on research and CRM practice in Saudi Arabian banks.

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INTRODUCTION

The balance scorecard (BSC) is a tool to measure the operational activities of small- and large-scale companies and their association with each others in terms of strategies and vision.^{1,2} The BSC is an integrated model with a new function for evaluating the performance of organizations. It focuses on organizational strategies and the creation of balance for perspectives (financial, customers, internal processes, and learning and growth), and manages and evaluates complex organizations.² The BSC supplements traditional financial measures with criteria that measure the performance from three additional perspectives: those of customers, internal business processes,

and learning and growth.³ Customer relationship management (CRM) is a customer-oriented business philosophy that involves analyzing, planning and controlling customer relationships by means of modern information and communication technologies.⁴ It therefore enables companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they will need for future growth. The BSC is actually a supplement to the financial measure.³ CRM is the utilization of customer-related information or knowledge to deliver relevant products or services to customers.^{5,6} An important element of the scorecard approach is the cascading of the scorecards from corporate

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levels of an organization through to individual units, and the integration of the individual business unit scorecards to inform the scorecard at the corporate level. The two-way process ensures strong alignment.⁷ In order to support decision-making in strategy management, Yan Peng *et al*² use the BSC approach in establishing the right performance measure software system – Balance Scorecard Management System (BSCMS) for organizations performance evaluation. Organizations have struggled to achieve a balanced approach to performance management that complies with the requirements of the ‘Balanced Scorecard Collaborative Functional Standards’, and are concerned with the key functions that must be performed by a software system in order to support the BSC management process.² Academics and practitioners have tried to find the drivers of CRM success or failure through their own perspectives for many years. While some researches focused more on IT-related factors,⁸ others emphasized organizational factors such as human resources, organizational structures and reward systems⁹ or business process-related factors.¹⁰ However, though these studies have their own managerial implications, they are not appropriate for investigating the causes of CRM success or failure from an

integrative perspective. Therefore, rather than conducting an ad hoc post-analysis of CRM successes or failures, firms are recommended to have an evaluative organizational mechanism to manage, control and assess the effectiveness of CRM implementation and operational practices.¹¹ Effective companies need to identify the problems of customers and enhance the cohesion between customers and their organization. In past years, CRM has become an integral aspect of many organizations.¹²

RELATED WORK

The most conspicuous lesson from the literature is that every organization needs to have a strategic framework for monitoring and measuring its business strategies, as management should co-exist with measurement.¹¹ Customer understanding is the core of CRM. It is the basis for maximizing customer lifetime value, which in turn encompasses customer segmentation and actions to maximize customer conversion, retention, loyalty and profitability.¹² As described above, the BSC is the best way to measure and manage CRM. In Figure 1, Kaplan *et al*’s,³ four perspectives are shown for bank scorecards, that is, the financial

Figure 1: Translating vision and strategy: Four perspectives.

Table 1: Mean and the mean of the relevant rankings in each of the perspective

<i>Measures</i>	<i>Mean</i>	<i>Mean of the relevant ranking</i>
Clients and citizens	4.15	3.63
Social responsibility	3.80	3.25
Internal processes	3.50	2.86
Learning and growth	3.41	2.71
Financial	3.12	2.55

perspective, customer perspective, internal business, and learning and growth perspective.

Toraj *et al*¹ described six hypotheses in their study. Based on the first of these, it is believed that there is a significant difference among the importance rates of the perspectives in performance evaluation of public organizations. To test this hypothesis, two tests were used with a 5 per cent significant level. Table 1 shows the mean and the mean of the relevant rankings for each of the perspectives.¹

Zhang pointed out that business value is the common value shared by most people in an organization. It is the core component of business culture, imbuing employees with the same beliefs, ethics and work principles. Business value is also the success factor of business.¹³

METHODOLOGY

In this article, the CRM practices in major banks (X, Y, Z bank) in Saudi Arabia are presented to examine how they measure the performance of CRM systems.

Saudi banks' practices

Saudi banks have implemented the Oracle CRM system since 2004, and its software is based on an operational CRM that comprises service models, sales applications (sales online) and marketing. These banks do not use the BSC as a measurement system to evaluate CRM performance. However, they use some measures to make this evaluation, including the financial and non-financial metrics shown in Table 2.

Each measure has a target and determined weight. The financial perspective has the most weight (40 per cent). The customer perspective has 35 per cent, while the process perspective has 15 per cent and the capability 10 per cent.

Table 2: Measures used by Saudi banks

<i>Perspective</i>	<i>Measures</i>
Financial	<ul style="list-style-type: none"> • Sales • Cost/Sale
Customer	<ul style="list-style-type: none"> • Customer satisfaction score • Market share
Process	<ul style="list-style-type: none"> • Time to resolve complaints
Capability	<ul style="list-style-type: none"> • Training days

This measurement is conducted quarterly to help influence specific decision-making processes with regard to how to manage the customer relationship.

FINDINGS AND RESULTS

In this article, we proposed a CRM scorecard. A CRM scorecard is a critical component of an organization's information system, and is used to evaluate the strategy and performance of the developed business intelligent solutions. The proposed scorecard contained important measures based on research and CRM practice in Saudi Arabian banks. The three important factors of CRM perspectives are Financial, Process and People, as shown in Table 3. We measured these factors according to three patterns of value. These values will be in percentage (%), in number (#) or simple values with no sign. The infrastructure of the CRM scorecard shown in Table 3 contains the following important perspectives: IT, people, management strategies, people and environment. In current business practices, IT is very necessary for any organization. Through the use of the Internet, anyone can communicate directly with the organization. The customer can voice his/her complaints about products and services through the software system, which can be read by the administrator of an organization and be acted upon according to the rules of the organization.

Banks and organizations are always interacting with customers, and therefore customer satisfaction is crucial. Customers will be satisfied when their expectations about their relationship with the company, the value of the products and services, and the brand are met. Because customer satisfaction positively influences customer retention and secures future

Table 3: Proposed CRM scorecard

<i>CRM prospective</i>	<i>Successive factors</i>	<i>Measures</i>
Customer	Customer behavior	Behavior (%)
	Customer satisfaction	Satisfaction (%)
	Customer loyalty	Recency Frequency Monetary Value (RFM)
	Customer value	Complaints by customer (#)
Financial	Profitability	Net sale per employee, Net sale in (\$)
	Customer equity	Profit per customer, Customer equity
	Shareholder value	SHV
Process	Customer retention	Response time (Wait time), Complaints resolved on first call (%) Retention rate (%), Delivery time, Customer churn rate, Reject rate by delivery, Trouble tickets cleared. ¹¹
	Customer expansion	Share of wallet (%), Core customer ratio (%), Cross/Up-Sell Rate, Value per order. ¹¹
	Customer acquisition	Leads per channel, Acquisition (#), Visits on web (#), Win-back (%), Profitability of new customer, Response rate, Sales success rate (Hit ratio), Customer contact rate. ¹¹
<i>Infrastructure IT</i>		
	CRM technology	Customer database (#), Available information (%), Customer report (#), Customer queries record (#).
People	Management attitude	Cooperation (%), Experience exports,
	Employee behavior	Behavior through survey (%),
Management strategies	Employee satisfaction	Employee satisfaction (%)
	Rewards system	Rewards per employee (#)
Environment	Training	Training days or months (#)
	Management	Management satisfaction (%), Employee complaints about management (#)
	Partnership	Partner's behavior (%), vendor diversity
	Market orientation	Extracted knowledge from the customer database (#), Number of customer surveys (#).

revenues,¹¹ companies proceeding with a CRM strategy should measure the satisfaction with the focal brand, as well as the relative satisfaction with the competing brands. The details of the CRM scorecard are presented in the proposed model in Table 3.

Proposed model

Table 3 shows the overview of the CRM scorecard to evaluate the effectiveness of the CRM system.

RECOMMENDATIONS

The selected CRM measures must reflect the performance according to the defined objectives. These measures must incorporate both financial and non-financial metrics, and give adequate importance to human relationships and

intangible assets. It must be ensured that the chosen measures are both necessary and sufficient; generally there must be no more than two objectives per object.

CONCLUSION

Despite the benefits of CRM, many CRM initiatives fail. For this, a measurement system to manage and assess the effectiveness of CRM initiatives is required. In this article, we presented and described a CRM scorecard that shows how to improve the efficiency and performance of an organization. The research conducted for this study is aimed at enhancing customer satisfaction and loyalty in Saudi Arabian banks through the presented scorecard system. Although the same contents and measures exist, those in the presented table were

compiled after in-depth study and survey of Saudi Arabian banks.

FUTURE WORK

The BSC is the best way to measure the performance of an organization. In future, we will use another model of the BSC for the evaluation of an organization. The material will be obtained through a long survey and the results will be implemented in a thorough manner. The use of technology will be a very strong factor for our future research. The customer will interact directly with the organization without any hesitation and the appointment system will be enhanced: the customer will make appointments online without going to the concerned organization.

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