

Dissertation Briefing **to Northwestern Polytechnic University**

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1. Dissertation Title

Critical Successful Factors
For the Adoption of
U.S. Customer Relationship
Management Solutions
in Chinese Markets:
Exploratory Research
in Taiwan and Shanghai

2. Research Area and Objectives

■ Research Focus:

- The dissertation focus is **CRM** & its **applicability** in **China** and Chinese **culture**.
- To identify the **CSFs** to implement **U.S. CRM** solutions in **Chinese Markets**.

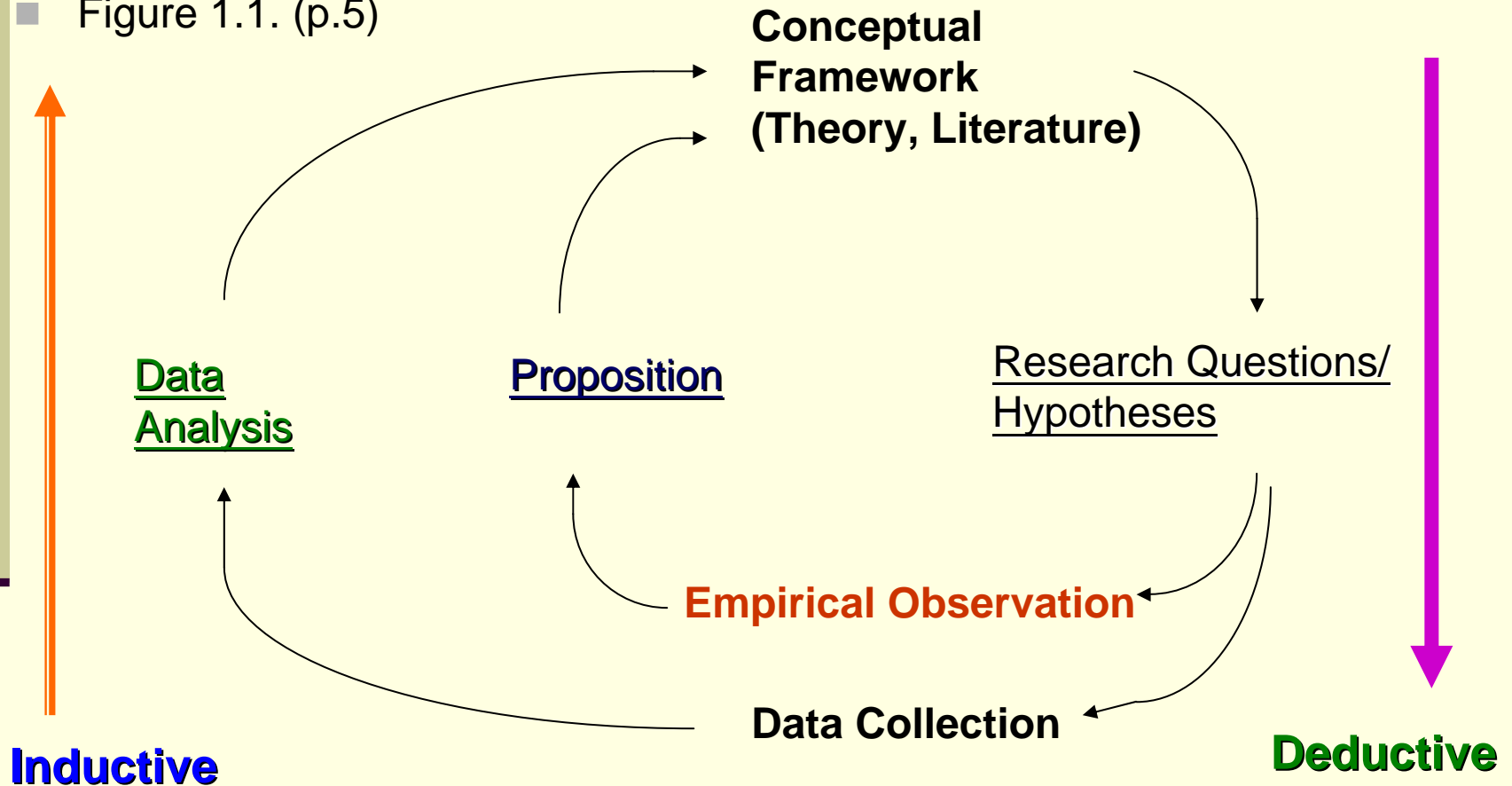
■ Research Purposes:

- **RP1: To crystallize the CSFs for the contemporary U.S. CRM solutions.**
- **RP2: To develop a conceptual model of the CSFs for implementing the U.S. CRM solutions in Taiwan and Shanghai.**
- **RP3: To identify and compare the CSFs for implementing the U.S. CRM solutions in Taiwan and Shanghai.**
- **RP4: To recommend a business approach in Taiwan and Shanghai for the U.S. CRM vendors and for Chinese users.**
- **RP5: To suggest future CRM relevant researches in other Chinese markets like Hong Kong and Singapore.**

3. The Research Wheel

(Rudestam & Newton, 1992)

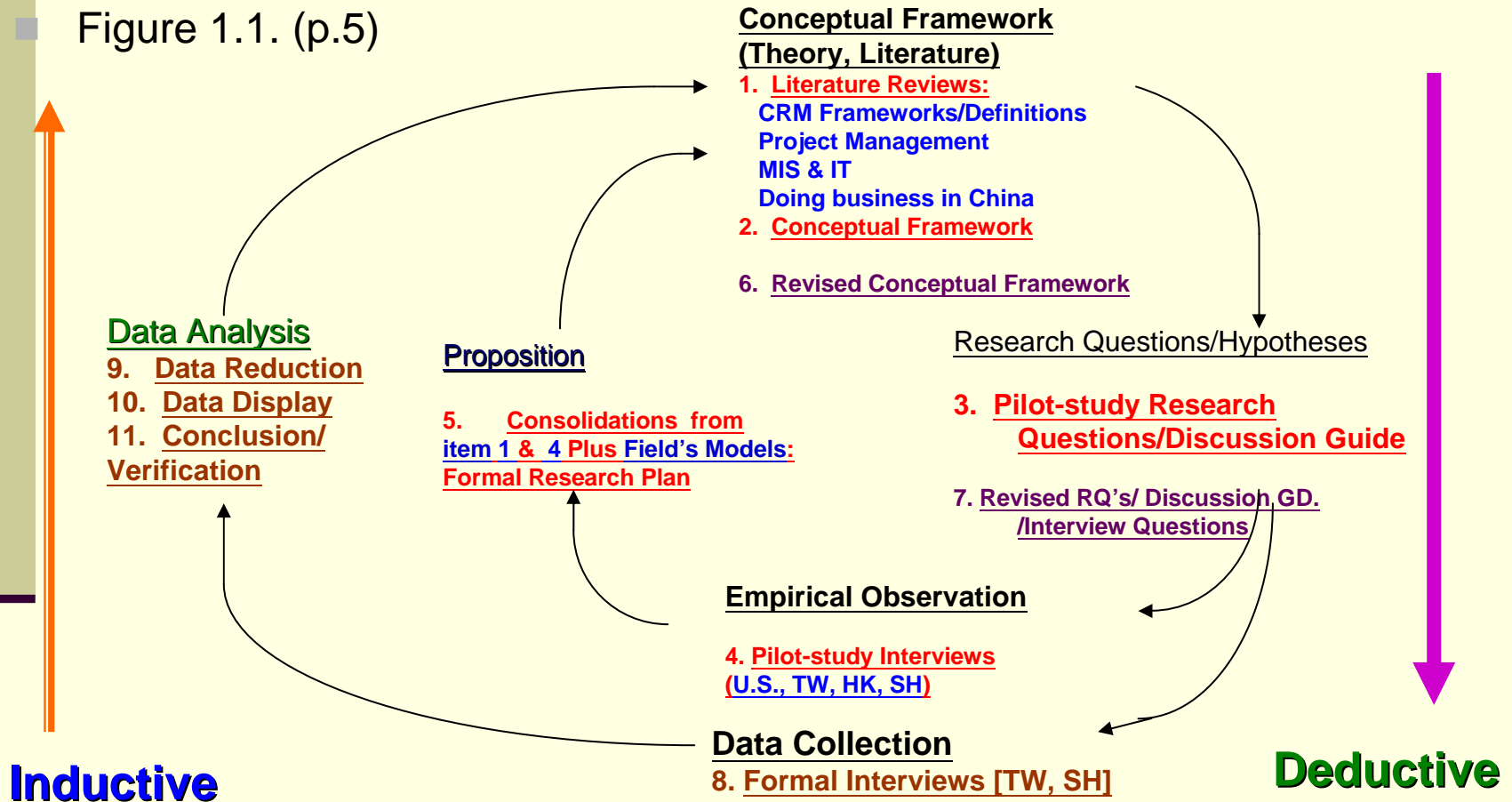
■ Figure 1.1. (p.5)



3.01 Dissertation Application

of The Research Wheel (Rudestam & Newton, 1992)

Figure 1.1. (p.5)



3.02 The Central Literature Reviews

- **Between the Firms and Their Customers – CRM**
 - Relationship Marketing
 - CRM Frameworks and Its Definitions
 - Vendors' Concerns: Customer Lifetime Value and Customer Equity
 - Customer-Centric Approach: CMR
 - Concepts of Service in CRM
- **Project Management Skills in CRM Implementations**
 - Project Management Fundamentals
 - Critical Successful Factors
 - Virtual Project Management
- **MIS and IT Relevant to CRM**
 - CRM Technological Initiatives
 - The System Life Cycle
- **Doing Business in China: Various Organizational Behaviors**
 - Cross-Cultural Challenges in China and Taiwan
 - Categories of China Business Entities
 - Business Readiness for CRM
 - One Key Organizational Culture – Guanxi (關係)

Literature Review – Relationship Marketing

(Gummesson, 2004; Peppers and Rogers, 1999; Feurst, 2000; Newell, 2003)

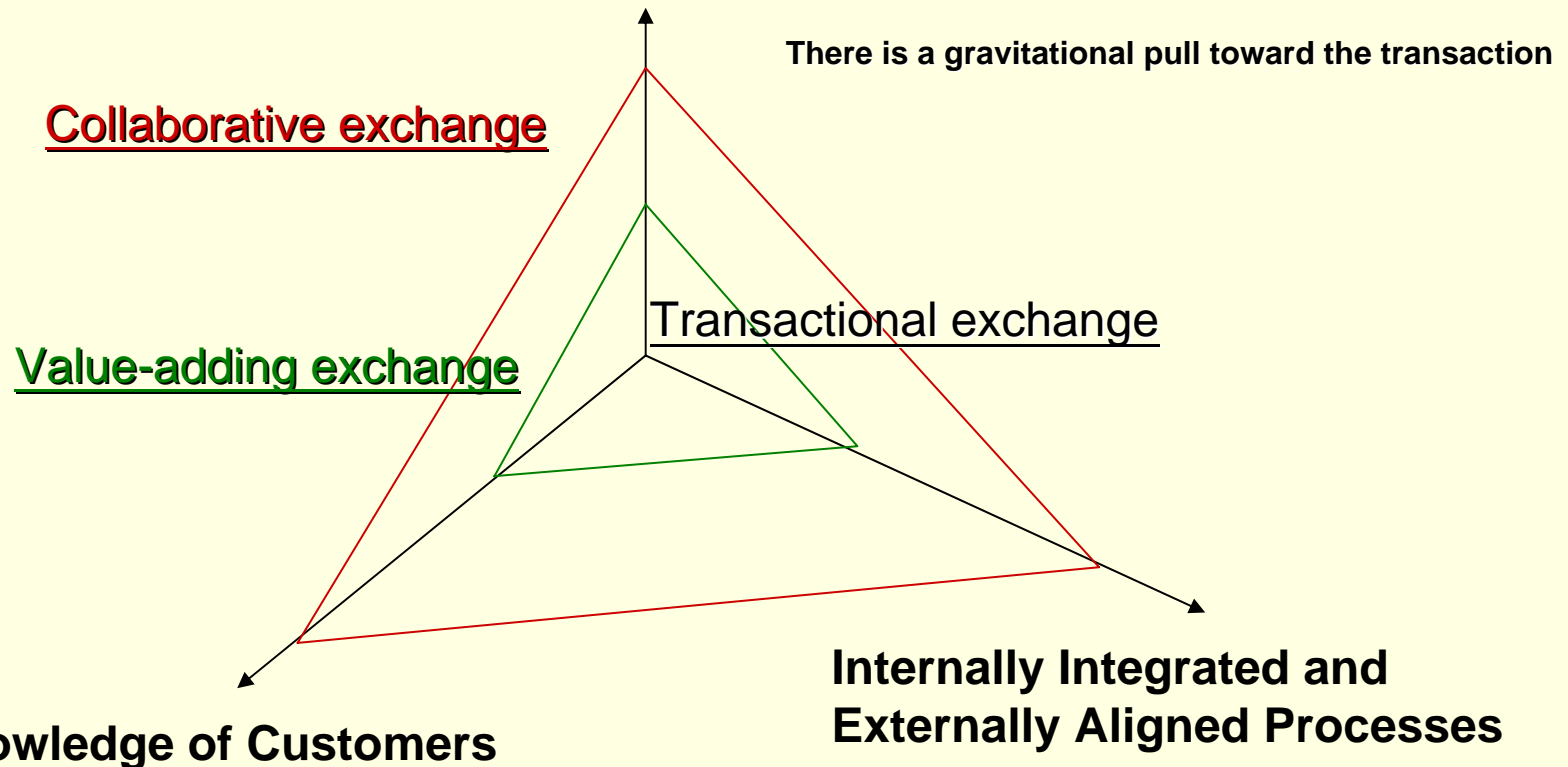
- Identify **individual** customers and establish **how to reach** them;
- **Differentiate** the customers with regard to **values and needs**;
- **Interact** with the customer efficiently and effectively;
- **Customize** your offerings;
- Build learning relationships with your customers through **dialogue**.

Literature Review

Managing Marketing Relationships (Day 2000)

- Three elements of market-relating capabilities

Customer Relationship Orientation



Literature Review — Shoemaker (2001)

A Framework for Examining IT-Enabled Market Relationships

- Based on the concept of **Day (2000)**
- **Selling mode is determined by the customer's need for value creation. (Rackham and DeVincentis, 1999)**
 - **Intrinsic value customers** are best served by **Transactional selling mode. [ERP]**
 - **Extrinsic value customers** are best served by **Consultative selling mode. [KM]**
 - **Strategic value customers** are best served by **Enterprise selling mode. [CRM/SFA]**
- **5 touch points** with customers affected by technology:
 - **Sales force, Retail/wholesaler partners, Web, Phone & Fax.**
- **Web Relationships:**
 - There are **Awareness sites, Open market Catalog sites, Extranets, Business Partner portals** (Friedman and Furey, 1999).

Literature Review (Zeithaml, Rust & Lemon, 2001)

Customer Profitability Management – Customer Pyramid

- The Customer Pyramid

“Firms need not serve all customers equally well.”

- The four tiers framework:

Platinum, Gold, Iron, Lead

- The idea is **not to reduce the price and thereby lower the profit margin.**

- **Customer Alchemy:**

to turn Gold to Platinum,

to turn Iron to Gold, and to **Fire the Lead!**

Literature Review –

Customer-Centric Approach: CMR

- **Law, Lau and Wong (2003):**
 - Customers should be the major focus, and companies are actually dealing with customer-managed relationships.
 - Not an one-to-one, but an **one-network-one** relationship.
 - Need a **co-creative** approach to integrate the CRM and CMR.
- **Newell (2003)** introduced another ‘CMR’:
 - “It’s time to recast the discipline of CRM as one of greater **customer empowerment**. Customer management of relationships (CMR) makes doing business better for the customer” (p.7).
- **Dorsch, Carlson, Raymond & Ranson (2001):**
 - The **Customer Equity Management** concept treats customers as the company’s investors.
 - Customers invest resources [i.e. **Commitment, Status, Information, Services, Money, and Goods**] in the firm and may realize a return.

Literature Review (Bitner, Brown & Meuter, 2000)

Technology Infusion in Service Encounters

Service Encounters is defined as **the moment of interaction between a customer and a firm** (Winsted 1997).

To examine the ability of technology to effectively

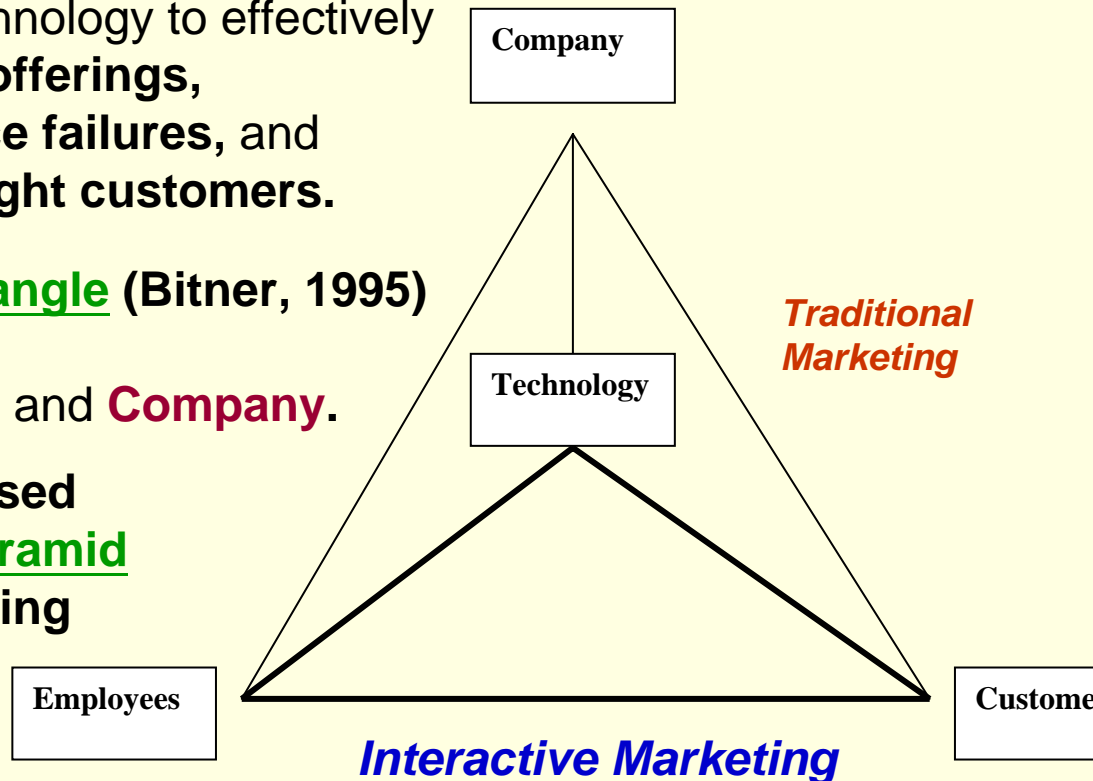
- (1) **customize service offerings,**
- (2) **recover from service failures,** and
- (3) **spontaneously delight customers.**

The Services Marketing Triangle (Bitner, 1995)

3 key constituents:

Customers, Employees and **Company.**

Parasuraman (1996) proposed The Services Marketing Pyramid with **Technology** representing the fourth end point.



Literature Review – Project Management: CSFs

- **Pinto and Slevin** present a table of “**Critical success factors (CSFs)** in order of importance” (Meredith and Mantel, 2000, p.547):
 - **Project Mission**: initial clearly defined goals and general directions.
 - **Top Management Support**: Willingness of top management to provide the necessary resources and authority/power for project success.
 - **Project Schedule/Plan**: A detailed specification of the individual action steps for project implementation.
 - **Client Consultation**: communication, consultation, and active listening to all impacted parties.
 - **Personnel**: recruiting, selection, and training of the necessary personnel for the project team.
 - **Technical tasks**: Availability of the required technology and expertise to accomplish the specific technical action steps.
 - **Client Acceptance**: The act of “selling” the final project to its ultimate intended users.
 - **Monitoring and Feedback**: Timely provision of comprehensive control information at each stage in the implementation process.
 - **Communication**: The provision of an appropriate network and necessary data to all key actors in the project implementation.
 - **Trouble-shooting**: Ability to handle unexpected crises and deviations.

Literature Review – Project Management CSFs: CHAOS 10

- CHAOS Ten with their importance percentage weight is:

(Standish Group International, Inc., 1999)

- User Involvement 20 points
- Executive Support 15 points
- Clear Business Objectives 15 points
- Experienced PM 15 points
- Small Milestones 10 points
- Firm Basic Requirements 5 points
- Competent Staff 5 points
- Proper Planning 5 points
- Ownership 5 points
- Other 5 points (p.4).

Literature Review – Doing Business in China

Categories of China Business Entities

- Before China's economic reform and open door policy in **the late 1970s** (Su & Littlefield, 2001; Gold, 1985, Seligman, 1999). , China was an entirely **communist** country. **Government owned all** the business organizations.
- Dunfee & Warren (2001): 3 groups of Chinese BZ. organizations:
 - **Privately-owned organizations,**
 - **State-owned organizations,**
 - **Collective hybrid companies.**
- Another grouping approach (Kwong & Lee, 2000) is:
 - **Rural enterprises group:**
 - “Township and village enterprise (TVEs; xiangzhen qiye):
 - Government-operated TVEs (i.e. township-run enterprises (TREs) and village-run enterprises (VREs))
 - The Joint household enterprises
 - The Privately owned enterprises
 - China government owns and manages the **State-owned enterprises (SOEs)** or the **State-owned industrial enterprises (SOIEs)**.

Literature Review – Doing Business in China

Business Readiness for CRM in China

- Cooper (2000): key points to do business in China:
 - To cultivate relationships & build trust among Chinese partners and officials
 - To find suitable Chinese management
 - In house training for promising young Chinese workers
- “China is not yet for cross-the-board e-business because [of] the lack of
 - Technical infrastructure,
 - Consumer acceptance,
 - Management commitment,
 - Legal protection in China” (Chang & Li, 2003; Rosen, 1999)

Literature Review – Doing Business in China

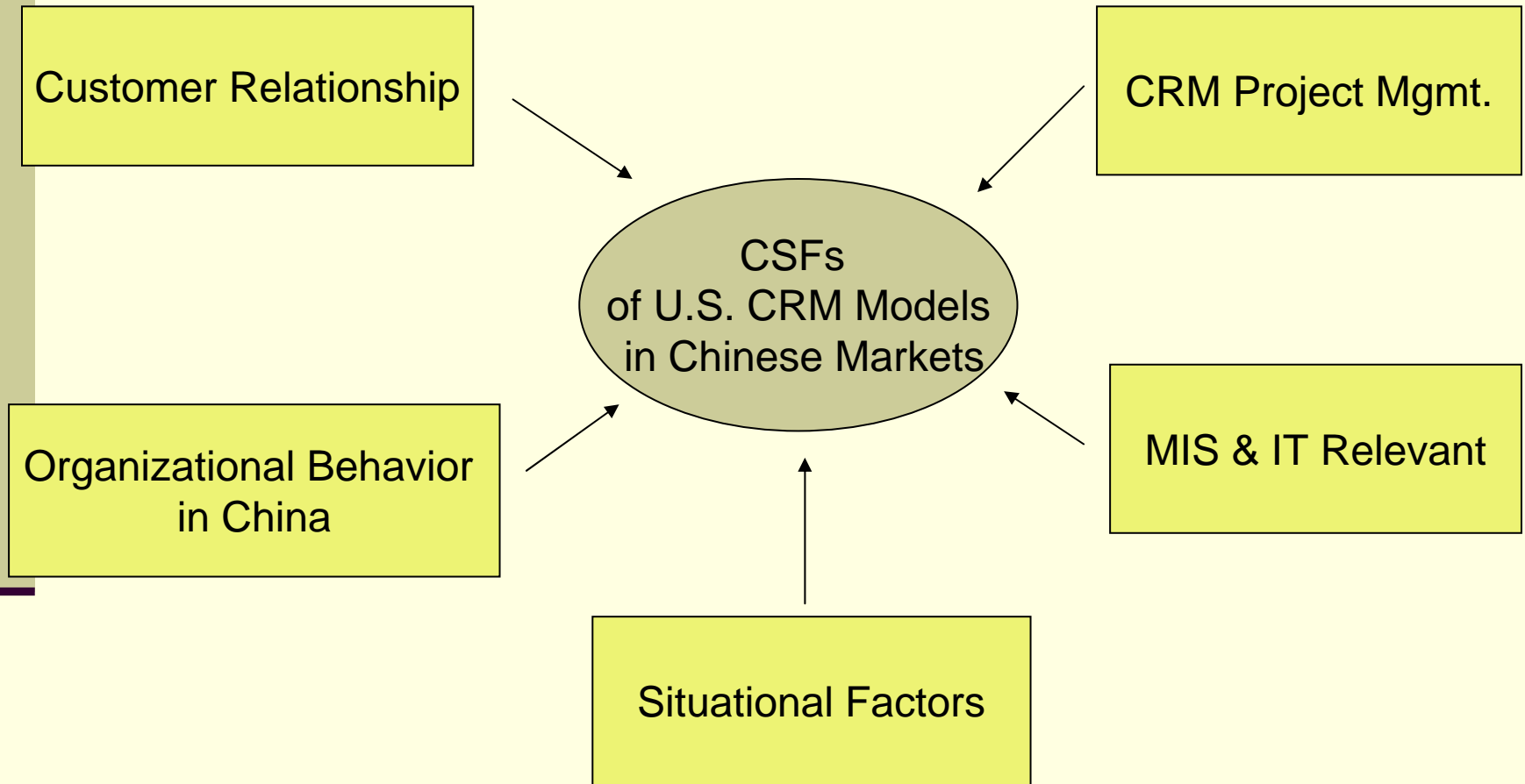
Business Readiness for CRM in China

- Chang and Li (2003):
 - China's weak readiness for e-business
 - The cultural preference for **personal face-to-face contacts** in China does not help China in developing e-business there.
 - There is **no online payment system** available in China because of the lack of **personal and institutional credit systems** in that country.
 - Most of the legacy firms in China do not have adequate **computer information systems** in house.

Literature Review – One Key Organizational Culture- Guanxi (Su & Littlefield, 2001; Dunfee & Warren, 2001).

- There are two types of *Guanxi* (Su & Littlefield, 2001):
 - Favor-seeking *Guanxi* (人情):
relatives, school-mates, teachers, comrades-in-arms, townsmen, and fellow workers.
 - Rent-seeking *Guanxi*(利益):
nepotism, patronage, faction, *hou-men Guanxi* (back-door deals) and *jiu-rou Guanxi* (wine and meat).
- Taking **power** into consideration, “*Guanxi* in mainland China thus can be socially reorganized into two categories:
 - *Quanli Guanxi* (power-dependence relationships emphasizing rent-seeking)
 - *Qinyou Guanxi* (kith and kin relationships emphasizing favor-seeking)” (Su & Littlefield, 2001).
- “*Guanxi* involves relationships...creating obligations for the continued exchange of favors” (Dunfee & Warren, 2001).

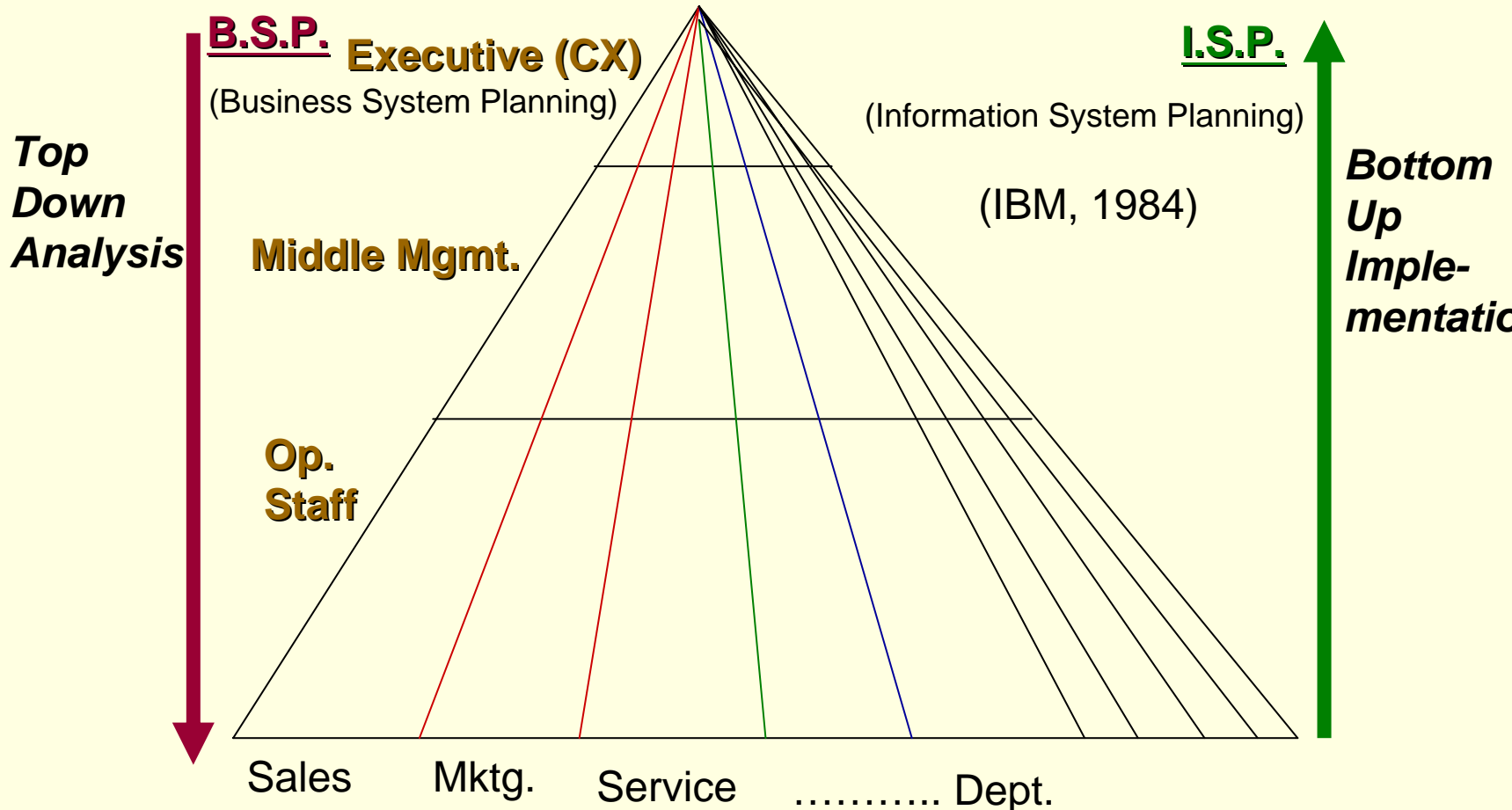
3.03 Conceptual Framework



3.04 Research Questions for Pilot Studies

- **RQ1**: What are the contemporary CSFs of the U.S. CRM implementation models? (to address RP1)
- **RQ2**: What are the CSFs of CRM implementation models in Greater China markets?
(to address RP2 & 3)
- **RQ3**: What are the common and different CSFs in these four geographical areas? (to address RP3)
- **RQ4**: Why these CSFs are critical to Greater China markets? (to address RP4)
- **RQ5**: How these CSFs influence the sales operation in TW, HK & SH when implementing US CRM?
(to address RP4)

3.05 Model One from Field Experience

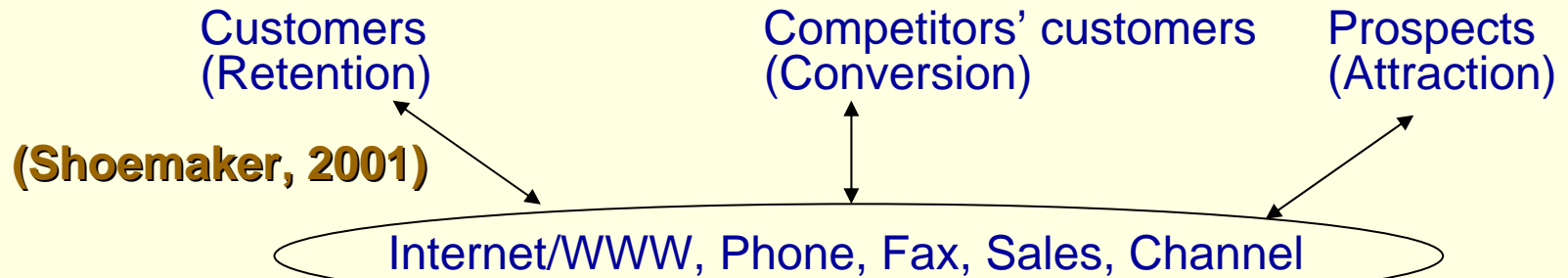


3.05 Model Two from Field Experience

- Key Elements of a MIS Implementation proposal:
 - Hardware
 - System Software (OS, DB, DC, HLL, Utility, ...)
 - Application Software (CRM, ERP, AR/AP/GL, HR, ...)
 - Structure Installation Program (SIP)
 - Training, Committee, Facility, Installation, Data conversion, ...
 - IT Vendor Service & Support
 - Financial Justification
 - ROI, Cost, Budget, Quantified Tangible/Intangible benefits, ...

3.05 Model Three from Field Experience

Markets (B2B, B2C, B2B2C,.....)



CRM					
SFA	EMA/PRM	CSS	SCM	KM	ERP/MRP
Sales	Marketing	Service	Operations	Finance	Accounting
Middleware					
SAP, Oracle, Siebel, Remedy, Salesforce.com					
Database					
Oracle, MS SQL, DB II, Informix,.....					

4. Research Methodology

- **Patton (1990) introduces:**

There are three basic approaches to collecting qualitative data through open-ended interviews:

1. **the informal conversational interview,**
2. **the general interview guide approach,**
3. **the standardized open-ended interview** (p. 280).

- **Pre-pilot interview uses approach #1.**

- **Pilot Studies Part I & part II interviews use approach #2.**

- **Formal Research interviews will take approach #3.**

4.01 Pilot Studies Design

- **Pilot Studies help to point direction and to formulate the formal interviews.**
- **Pre-Pilot Study: March 1, 2004**
 - **One informal interview with a CRM expert in San Jose, CA.**
 - **An open-format interview to collect the preliminary CRM field knowledge and the qualitative research experience.**
- **Pilot Study Part I: March 7, 2004 ~ March 12, 2004**
 - **San Francisco Bay Area interviews * 4**
 - **Objective: (to address RQ1)**

To explore the understanding of the CSFs of the contemporary US CRM implementation models in practice.
- **Pilot Study Part II: March 15, 2004 ~ April 10, 2004**
 - **Greater China Area interviews * 12**
 - **Objective: (to address RQ2, 4, 5)**

To explore the understanding of the CSFs of the contemporary US CRM implementation models in TW, HK & Shanghai

4.01 Some Findings of Pre-pilot & Pilot Study Part I

Organizational Behaviors in China:

(Comments by S.L.)

- ‘A good CRM’ is “the one that can **realize customer value the most** in the CRM application. **HOWEVER, This concept is totally changed in China.**
- Most [of the businesses in China] are controlled by the government. All its products, its decision making, its marketing direction, and its internal structure are **top-down [controlled]**. It is not like in the U.S. that **the one who pays is God.**
- “I discovered that the moving of [CRM] products from the U.S. into China is **a big waste!**”
- The **management systems in China** do not match the CRM software design... **China doesn’t need such a complex product** like the [CRM] solutions from the U.S [now].

4.02 Some Findings of Pilot Study Part II

Mr. H.C.'s inputs about CRM in China

- To understand **who and where your real customers are** is the most key thing above all when discussing CRM in China.
- The three kinds of customers in China are:
 1. **The end user consumers**
 2. **Strategic large accounts**
 3. **Channel companies for foreign vendors**
- The ones with “**repeat buying behavior**” and **keeping on paying you** are your **real customers**.
- “The concepts from the U.S. or from Taiwan will **definitely be fail in China**. China is a much more complex place than EURO is. The business models of Shanghai will not work anywhere else in China but only Shanghai.”
- **Guanxi** is why **channel** is so important in China market.
- “**The CRM solutions from the U.S. are totally useless in China**. All the CRM software packages from the U.S. will be dead solutions when moved into China markets.”

5.01 Formal Research Design

- Plan to have 30 Qualitative Interviews
- **Objective**: (to address RQ2, 3, 4, 5, 6, 7 in next page 5.02)
To examine the CSF to implement U.S. CRM models for sales operations in Taiwan and Shanghai
- **Data Triangulation**: (Patton, 1990, p.187) to cover the Situational Factors (ref. to P.14 Conceptual Framework):
 - **Customer segments**: B2B or B2C
 - **Organizational hierarchical positions**: Top CX, Middle mgmt., Operational Staff
 - **Industry focus**
 - **Role in the CRM solution**: CRM vendors, Consulting firms, CRM user sites, CRM relevant media companies.
 - **Departmental functions** (e.g. sales, marketing, service)
- Two different sets of **Discussion Guide and Interview Questions** for **Taiwan** and **Shanghai** respectively.

5.02 Revised Questions for Formal Research

- **RQ1**: What are the **contemporary** CSFs of the **U.S.** CRM implementation models? (to address RP1)
- **RQ2**: What is the commonly accepted **definition** of CRM in Taiwan and Shanghai markets? (to address RP2 & 3)
- **RQ3**: What is the commonly accepted **measurement** of “a successful CRM project” in Taiwan/Shanghai markets? (to address RP2 & 3)
- **RQ4**: What are the CSFs of CRM implementation models in Taiwan/Shanghai markets? (to address RP 2 & 3)
- **RQ5**: What are the **common** and **different** CSFs among these geographical areas? (to address RP3)
- **RQ6**: **Why** these CSFs are **critical** to Greater China markets? (to address RP4)
- **RQ7**: **How** these CSFs **influence** the **sales force** in Taiwan/Shanghai when implementing these U.S. CRM systems? (to address RP4)

5.04 Time Line Plan

- 1) Literature Reviews **On going**
- 2) Pilot Study Interviews **Mar. & Apr.,2004**
- 3) Formal Study Interviews **by Aug.,2004**
- 4) Full Transcripts from Audio-tapes **by Sep.,2004**
- 5) Data Analysis and Draft Research Findings **by Oct.,2004**
- 6) Final Draft of the Dissertation and Proof Reading **by Nov.,2004**
- 7) Final Dissertation Approval **by Dec.,2004**

6.01 Key Findings

To Answer the Research Questions - 1

- **The Commonly Accepted CRM Definitions in Shanghai and Taiwan (RQ2):**
 1. 瞎子摸象 vs. “Figure 3: The CRM Infrastructure” illustrated (p24).
 2. “The system to transform operation flow from transactional to customer-oriented. Being customer-oriented, firms can cross-sell and up-sell to increase their profit share.”
 3. “A means to increase the long term value of a firm’s customers.”
 4. “During the whole process of the product life cycle, everything that mutually interacts with your target customers, transactional or not, makes the CRM.”
 5. “The CRM I mean is from the customer acquisition, to its service, usage, and retention. This is a process cycle. ... The term CRM was commonly abused here. Whatever may be relevant to customer contact, or have something to do with the database, can be called CRM.”
 6. “CRM is customer-centric. All channels, contact points, and messages relevant to customers are within the management range of CRM.”
 7. CRM is an interactive activity management system that mutually reacts between customers and the firm.

6.01 Key Findings

To Answer the Research Questions - 2

- **The Measurement of “Successful CRM Projects” in Shanghai and Taiwan (RQ3):**
 - **Tangible measurements** as: revenue, cost saved, ROI or business performance, profitability, orders received, number of customer increased, sales leads generated, CLV, manpower saved, hit rate of marketing programs, retention rate, and increased “share of wallet” from the customers, etc.
 - **Intangible measurements** as: customer satisfaction, efficiency or productivity, company image promoted, CRM system usage, accuracy, quality, and CRM system stability, etc.

6.01 Key Findings

To Answer the Research Questions - 3 -1

- **The CSFs to Implement the U.S. CRM in Shanghai and Taiwan (RQ4):**
 - **A) People Factors:**
 - Top management support
 - Strong middle management team execution
 - End users' support
 - Competent PM with higher position
 - **B) Organizational Factors:**
 - *GuanXi* management
 - A permanent CRM organization
 - Cross departments' coordination
 - People's readiness for change
 - Determinative power for paradigm shift
 - Vision in the CRM introduction stage

6.01 Key Findings

To Answer the Research Questions - 3 -2

- **C) MIS/IT Factors:**

- Database
- Data quality
- Compatible CRM infrastructure to company strategies and operations
- CRM vendor's stability with excellent brand and solutions
- CRM road map
- Partnership for package localization
- Total cost for the whole CRM system
- User IT efficacy
- System flexibility and integration with legacy systems
- Software back-up
- System security

- **D) Project Management Factors:**

- Meeting project expectations
- Long-term and short-term KPIs
- A standard working model for consistent execution
- Power to drive CRM partner firms
- Critical resource management

6.02 Conclusions & Suggestions -

Managerial Implications:

- **Better Business Approaches in Greater China Proposed for the U.S. CRM Vendors:**
 - A. **CRM implementation should start with the BSP, then the MIS implementation.**
 1. More and different levels of **CRM education** for top CX, middle management teams, and operational staffs in China.
 2. **Don't** directly jump into CRM **package-selling** stage.
 3. An executive level education of “CRM Understanding” in the first place. **打蛇打七寸!**
 4. The project owner needs to take the “**Organizational Behavior in China**” factor into consideration.
 5. **Top down approach:** The middle management team and operational staffs prepare their functional support plan to make company-level CRM business goals.

6.02 Conclusions & Suggestions - Managerial Implications:

- B.** With CRM project requirements defined, a project owner does the **CRM information systems**. With the SA & SD, A bottom-up implementation approach will follow.
- C.** U.S. CRM vendors could establish better **middleware platforms for local CRM VAR:**
 - 1.** Provide a CRM fundamental platform,
 - 2.** Open as many as possible SD (*i.e.*, system developer) and generators of work flow, and
 - 3.** Localize the CRM solution by professional system firms

6.02 Conclusions & Suggestions - Managerial Implications:

- D. U.S. CRM vendors should **avoid** to promote CRM as **a single product**. It is better to sell SFA, EMA, and CSS separately in Greater China.
- E. To various business organizations (*i.e.*, SOE, POE, Foreign Invested), U.S. CRM vendors need to have **individualized market segment research**.
- F. China is a different world to sell. **GuanXi** (關係) is a specific cultural factor for U.S. CRM vendors. CRM vendors need to take care of both the relationship with the **external customers** and the interactions with their **internal employees**.

6.02 Conclusions & Suggestions -

Managerial Implications:

Suggestions for the CRM user-Companies in China Markets

- A. A user-company needs a **well-trained/experienced CRM consultant**.
- B. With the **MBO concept** and the **top CX's** point of view, the CRM project team defines **the business objectives**.
- C. The CRM project team then utilizes a **top-down** business requirement approach to define the **sub-MBO** at the **function level** of the firm. Functional heads work out the sub-MBO achieving plans with the CRM project **WBS (Work Breakdown Structure)**.
- D. The business function project leader(s) and MIS professionals do the SA & SD together to generate **business system flow charts**.
- E. CRM user-companies should well define **selection criteria** before inviting (U.S.) CRM vendors to present their solutions.
- F. Depending on project MBO and CRM customer business requirements, CRM user-companies choose CRM vendor and MIS local partner to implement the tasks (**The Key Elements of a MIS Implementation Proposal** on p.23) specified in the ISP.

Thank you so much!
Questions Please!!

Dissertation Briefing
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