

THE MODEL OF BUSINESS STRATEGY FOR PROVIDING SATISFACTION OF CUSTOMER REQUIREMENTS

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SUMMARY

This paper presents a model of business strategy for providing satisfaction of customers requirements. The model includes: available and so far realized research and postulates in the fields of marketing, relations with customers and making customers' loyalty, as well as modeling the concept of satisfying customers' requirements. It also includes the analysis of the key elements for creating a systemic model for satisfying customers' requirements harmonized with modern quality concept and ISO 9000:2000 series of standards, also requirements, needs, attitudes and ideas of Serbian companies and a group of experts.

Key words: model, satisfaction of customers' requirements, quality, business excellence, relationship marketing.

1. INTRODUCTION

In modern economy, characterized by globalism, achieving business excellence (market positioning of an excellent company) and creating world class products and services, as a basic precondition of company's growth and development, are not the only business function or one organizational unit within the company, but they are the result of synchronized activities of all company's functions, according to precisely defined objectives of the company.

Achieving business excellence presents a business strategy which demands from management complete commitment and acceptance of business excellence concept. EFQM model of business excellence is based on eight principles.¹ The belonging criteria are: leadership, policy and strategy, people – management of employees, partnership and resources, processes, customer results – customer satisfaction, people results – employees satisfaction, society results – the influence on society and key performance results; are all the basis for self-evaluation whose purpose is to evaluate the "maturity phase" of the organization and to focus on the problems of further business improvement.

A paradigm in which the focus is transferred from business to customers, whose consequence is a specific business strategy of management relationship with customers (CRMt), is becoming a characteristic of all bigger industries, but it is most visible in business based on customers.²

¹ EFQM - The Fundamental Concepts of Excellence, EFQM 2002, ISBN 90-5236-077-4

² Janjicek, R. CRM architecture for enterprise relationship marketing in the new millenium, technical white paper, HP Invent

Relationship marketing is a process by which a company builds a long lasting relationship with possible and the existing customers in such a way that both sides (sellers and buyers) are focused on commonly defined objectives.³ The achievement of these objectives is reached through: (1) the understanding of customers' needs, (2) treating customers as partners, (3) making such conditions that employees satisfy all customers' needs; this can demand initiative and efforts from employees that can exceed the norms of the company and (4) providing the best possible quality in accordance to customers' individual needs.

Building partnership with suppliers, especially with service companies which make selling-service network, educating and motivating employees, encouraging and stimulating personnel to express free initiative and creativity in solving problems through communication with customers and the concept of business excellence are, beside a relationship with customers, crucial inputs in relationship marketing concept.

Positive results of effectively positioned relationship marketing are: (1) high percentage of satisfied customers, (2) greater loyalty of customers, (3) quality of products/services is better perceived by customers and (4) increasing profit of a seller-company.

2. THE MODEL OF BUSINESS STRATEGY

Success of a company depends on understanding the needs of the market and on harmonizing the company's possibilities with market's needs and requirements. Modern business environment is dynamic and characterized by frequent changes. In such conditions, the understanding of market's requirements, collecting necessary information about the state on the market and market trends are becoming crucially significant for company's survival.

Quality components, such as solving complains, cooperation of company's representatives with customers, availability of products and services, cost and price policy and activities related to making contracts, have a great influence on customers' satisfaction. On the other hand, customers' satisfaction influences the company's characteristics, such as spreading positive information about the company and its services and products.

This part of the paper presents a model for providing satisfaction of customers' requirements, which is derived from theoretic research, but whose justifiability has been proved by a research of attitudes of companies and experts in Republic of Serbia.

2.1. The research – general indicators

The research was done at the first quarter of 2008, as a significant part of proving justifiability of requirements, elements and activities in the theoretic model for providing satisfaction of customers' requirements. The research included 84 (eighty-four) companies (manufacturing and services), certified according to ISO 9000:2000, registered and active in Serbia (as a primary group) and 37 (thirty-seven) experts from the relevant field of work, as a control group of the research.

The aim of the research was to prove facts, attitudes and opinions in relation to introduction and provision of QMS in economy (both manufacturing and services); needs and specific requirements of Serbian economy by modeling the processes of evaluation and monitoring of customers' requirements, as well as specific requirements of the experts in the field of quality.

2.2. The model – the basic function

The basic function of the model is providing satisfaction of customers' requirements. By implementing this model it is provided harmonization of the basic function with principles

³ Evans, J., Laskin, R., The Relationship Marketing Process: A Conceptualization and Application, Industrial Marketing Management 23, 439-452, 1994.

and criteria of business excellence, as well as with marketing requirements in relation to customers' requirements and their satisfaction and also specific requirements of ISO9000:2000 series of standards. However, all requirements and interests of suppliers and others stakeholders have to be respected.

2.3. Model structure

The model is harmonized with the requirements of ISO9000 series of standards, a concept and criterion of business excellence model and a concept of relationship marketing. It is also harmonized with specific characteristics and needs of the economy and based on the research results.

The explanations of sub-process (module) elements which represent the extension of the basis given by ISO9001:2000 are mentioned bellow.⁴

2.3.1. Management responsibility

Apart from responsibilities defined by the standard, the management should:

- a) Take care about the principles of business excellence while defining policy, objectives and tasks, as well as processes. These principles are:
 - results orientation,
 - customer focus,
 - leadership,
 - management by processes and facts,
 - people development and involvement,
 - continuous learning, innovation and improvement,
 - partnership development,
 - corporate social responsibility;
- b) Take care about the criteria of business excellence while defining policy, objectives, and tasks, as well as processes:
 - leadership,
 - policy and strategy,
 - people,
 - partnership and resources,
 - processes,
 - customer results,
 - people results,
 - society results,
 - key performance results;
- c) During the process of management review they should take care about criteria of business excellence incorporated in business policy;
- d) To provide taking care about input elements of relationship marketing concept while defining policy, objectives and tasks, as well as planning and realization of processes:
 - understanding customers expectations,
 - building service partnerships,
 - empowering employees,
 - total quality management,which also include evaluation of customer satisfaction;
- e) To provide monitoring, evaluation and analysis of output elements in relationship marketing concept:

⁴ **NOTE:** The structure of the standard is used for better description and explanation of the model which, in fact, relies upon it.

- quality product,
 - customer satisfaction (effects: complaints, recommendations, re-buying),
 - customer loyalty,
 - increased profitability (also one of the key indicators of business results in the business excellence model);
- f) to take care about output elements of relationship marketing concept during management review phase.

2.3.2. Resource management

Resource management includes:

1. Human resources:
HRM should include requirements which demand taking care about the requirements of important elements of relationship marketing concept and a business excellence model during the process of selecting, involving, training and motivating of employees, especially those in direct contact with customers.
2. Infrastructure.
3. Work environment.

During the process of defining resources the organization should take care about the expressed needs and expectations, as well as the results that were obtained by evaluating customer satisfaction (when possible) or a sub-process of data analysis and improvement.

2.3.3. Product realization

❖ Customer-related processes

Effective relationship with customers demands from organizations to:

1. Perform acceptable evaluation of customer satisfaction, when possible, and to refer to the results of the sub-process, related to data analysis and improvement.
2. Establish requirements that are not specified or expected but a customer can evaluate them positively after use (if possible).

Identification of customers' requirements and expectations is a separate sub-process which can be the part of another process and because of that its definition and providing evidence (document) can be performed in the following ways:

- the procedure for identification of customer requirements and expectations,
- given in more details in Reference book (Handbook) of quality,
- the part of another procedure, for example: making contracts, selling, communication with customers etc.
- methodology as a separate document that is being referred to in the evidence.

The appropriate methods and techniques for establishing customer requirements and expectations are:⁵

- a) Observation;
- b) Interviewing customers:
 - personal interview,
 - postal interview,
 - e-mail interview,
 - anonymous interview on larger sample with the presence of interviewers,
 - telephone interview,

It is acceptable and also necessary to use the following tools (methods and techniques) for collecting, presenting, processing and using this information:⁶

⁵ Based on: Hanic, H., Istrazivanje marketinga, Ekonomski fakultet Beograd, Beograd, 1997.

- a table for collecting data,
 - statistic methods and tools in general (histogram, Pareto diagram...)
 - Ishikawa diagram (cause and effects diagram),
 - QFD.
3. Reconsidering of requirements should include (when it is possible for the organization and customers) some kind of needs and expectation research, or evaluation of customer satisfaction or it should refer to sub-process results of data analysis and improvement.
 4. Establishing and implementing effective solutions in communication with customers in relation to:
 - feed-back information from customers, including their complaints. If it is harmonized with organization's commitment and possibilities or external requirements, the process of making complaints should be defined and documented.

❖ **Design and development**

3. Validation of results within a phase or the project should include acceptable research of needs and expectations or it should refer to the results of processes related to customers, as well as evaluation of customer requirements (when possible) or sub-processes of data analysis and improvement.

❖ **Purchasing**

A relationship towards suppliers should be in harmony with the principles and criteria of business excellence, as well as with relevant input elements of relationship marketing concept. In general, this partnership with suppliers means necessary cooperation, harmonized with mutual interests.

❖ **Production and service provision**

It is necessary to provide:

- during performing activities (products and services realization),
 - after realization or products delivery and
 - through post-delivery and servicing activities,
- an acceptable research of needs and expectations, both for the organization and customers. If this is not possible than it should be referred to the results related to customers. When possible, evaluation of customer satisfaction should be performed and when it isn't possible it should be referred to sub-process results of data analysis and improvement.

2.3.4. Measurement, analysis and improvement

❖ **Monitoring and measurement**

Monitoring and measurement include methods, techniques and activities which an organization should take in order to monitor and measure:

1. Customer satisfaction – information on customers' opinion about in what degree their requirements have been fulfilled. Methods, techniques and activities appropriate for getting this information are:⁷
 - a) Observing;
 - b) Interviewing customers by:
 - personal interview,
 - postal interview,
 - e-mail interview,
 - anonymous interview on larger sample when interviewer is present,

⁶ Based on: Stojiljkovic, V., Uzunovic, R., Majstorovic, V., and others, Alati kvaliteta, CIM College i Masinski fakultet u Nisu, 1995.

⁷ Based on: Hanic, H., Istrazivanje marketinga, Ekonomski fakultet Beograd, Beograd, 1997.

- telephone interview,
- c) Solving complaints;
- d) Monitoring of proposals for improvement (products/services) suggested by customers;
- e) Solving complaints on products;
- f) Monitoring of products “behavior” during usage (defects).

The tools (methods and techniques) appropriate for collecting, presenting, processing and using this information are:⁸

- a table for collecting data,
- statistic methods and tools in general (histogram, Pareto diagram...)
- Ishikawa diagram (cause and effects diagram),
- QFD.

❖ **Analysis of data**

While analyzing data the organization can apply a model for evaluation of customers’ satisfaction, such as:⁹

- Kano model or model for accepting innovations for products or
- SERVQUAL model for services.

❖ **Improvement**

The analysis of customer satisfaction should have the following consequences:

- Corrective and/or preventive actions:
 1. Corrective actions are taken in order to eliminate the causes of potential nonconformities to prevent their repetition.
 2. Preventive actions are taken in order to eliminate the causes of potential nonconformities to prevent their appearance.
- By planning quality of the future;
- By (re)definition of policy, objectives and tasks of quality;
- By training personnel;
- By “good practice” – collective experience (it is equally related to all modules of the model).

The procedure of evaluating customer satisfaction is a separate process, but it can be the part of another process too, so its definition and making evidence can be performed in the following ways:

- the procedure for monitoring, measurement and analysis of customer satisfaction,
- processed in more details in the Reference book (Handbook) of quality,
- the part of another procedure, for example corrective or preventive actions, selling, solving complaints etc.
- methodology as a separate document that is being referred to in the document.

⊕

Picture 1. presents a model in a form of cycle, in order to describe the model of business strategy which puts the focused modules (sub-processes) in the environment of customers, suppliers and all other interested sides, whose objective is progress of the whole organization. Such a business strategy is supported by business excellence and relationship marketing which is described and explained in the introduction.¹⁰

⁸ Based on: Stojiljkovic, V., Uzunovic, R., Majstorovic, V., and others, Alati kvaliteta, CIM College i Masinski fakultet u Nisu, 1995.

⁹ Based on: Mont, O., Plepys, A. Customer satisfaction: review of literature and application to the product-service systems, Final report to the Society for Non-Traditional Technology, Japan, International Institute for Industrial Environmental Economics at Lund University, Lund, Sweden, February 28 2003.

¹⁰ It can be the matter of dispute which “ring” of support is “older” and/or more important. The author of this paper thinks that it is the matter of attitude, but their existence or the need for it has been shown in this research.

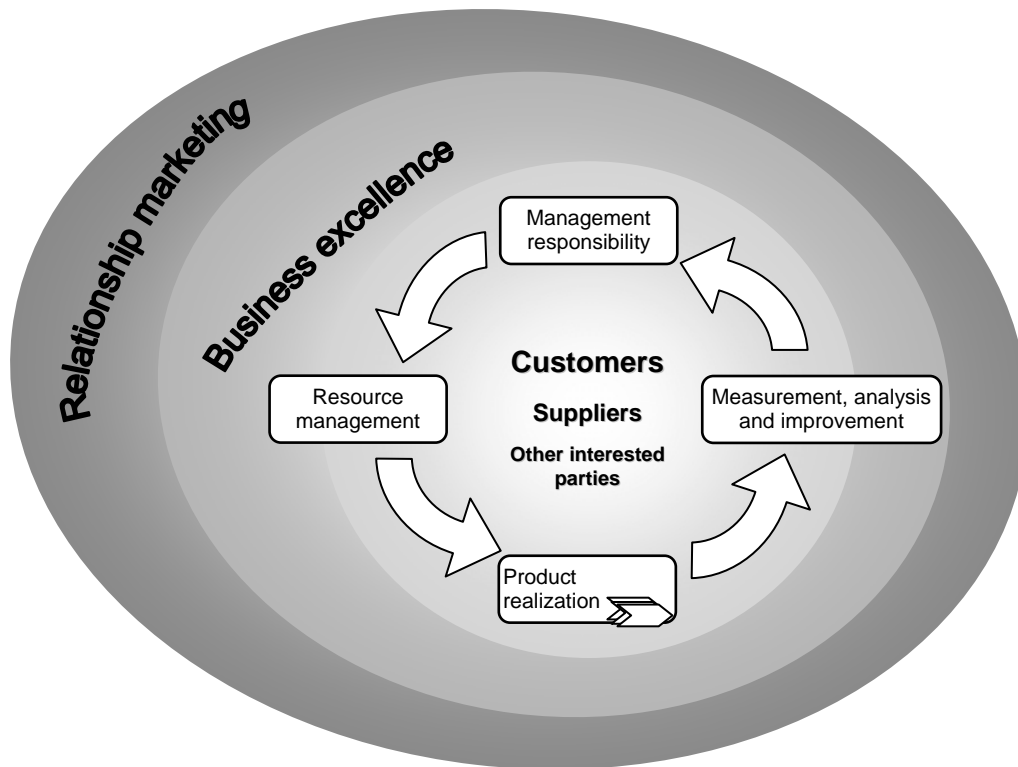


Figure 1. Model of business strategy for providing satisfaction of customer requirements

3. CONCLUSIONS

The bases of successful management aimed at building a relationship with customers means:

- involvement of executives and their commitment to objectives of such organization management,
- successful measurement which is, in short term, based on quality management of services and, in long term, at obtaining high degree of customers' satisfaction,
- directives for individual initiative which provide realization coordinated with the general objective and strategy aimed at building a relationship with customers.

The company's objective should be achieving and understanding the optimum level of customer satisfaction.

The important step in achieving customer satisfaction is to make research of customers' requirements in order to make good business decisions.

The model for providing customer satisfaction, presented in this work, is a strategy harmonized according to its basic function and primary structure, with the requirements of ISO 9001:2000 series of standards, as well as with relevant proposals and criteria of business excellence, marketing requirements and specific characteristics and requirements of Republic of Serbia economy.

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