

**** Summary Paper ****

Key Reasons for CRM Failure

Prepared for:
Executive Sponsors
Senior Management
Project Managers

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About this document

Enhancing shareholder value through front-office improvements is in its infancy as a business strategy. While widely accepted by most organizations, many enterprises still are implementing first generation projects. Others are still debating whether they should undertake such initiatives or what to do with initiatives that have gone bad.

This paper summarizes issues most commonly associated with front-office project failure. It is based on hands-on experience and analysts findings. An executive summary approach provides high-level perspectives, with the focus primarily on the tough realities that prevail both during early project phases and projects further along in the implementation process. To avoid failure, we must look reality squarely in the eye. It is critical that project managers and executive sponsors proactively implement strategies (action items) to address the key reality lessons described in this paper.

Reality LessonNo. 1: Business Impacts are not measurable

Too often organizations fail to quantify the hard benefits of their CRM investment. The project simply is viewed as the "right" thing to do. Little time and effort is dedicated toward the discovery, analysis, and design of the critical business impacts. Alternatively the project investment is justified on one set of improvements (i.e. retire legacy systems) while executive expectations are focused in other areas (i.e improved forecasting, opportunity management, etc.). Contributing to the complexity is the nature of the business. Unlike back-office operations, in which business performance measures are readily available, measuring improvements in the front office such as sales, marketing, and proposal productivity is more difficult. Economic conditions of the market, competition, and the lack of industry accepted standards make it difficult to predict how the front-office investment will contribute in measurable ways. Yet failure to measure is fatal.

Action Item: Leverage current systems and processes to create sample extracts that can provide project managers with historical data. Use that data to understand business trends and key drivers. The primary focus should not be the "business case", but to gain an inherent understand the key drivers and probable inefficiencies for your sales, marketing, and order management process.

Portico's Customer Continuum™ provides organizations with a proven methodology to evaluate and estimate probable business benefits for your front-office investment.

Reality Lesson No. 2: Politics rule

By "politics" we refer to the tendency of one organization to worry more about its individual CRM needs and less about enterprise-wide front-office requirements. In such cases, CRM is, at best, departmentalized and, at worst, completely disconnected. In a political enterprise, every organization believes they "own" the customer and, therefore, will not share data or support other channels. However, departmental front-office change is suboptimal. A fully realized customer-centric strategy is about enterprises forming enterprise-level relationships with customers, and allowing individual organizations to maintain control of individual interactions.

Action item: Formulate CRM strategies at the enterprise level. Appoint a senior manager (business) to be responsible for cross-departmental CRM. More than any other method, the application of an effective steering committee and regular review meetings will help remedy this issue.

Reality Lesson No. 3: There is no plan

No one builds a house, or a bridge, or anything complex, without a plan. Yet too many organizations will undertake a CRM initiative without a clear plan. One solution is haphazardly joined with another, initiatives come and go, and soon enthusiasm is waning throughout the enterprise. It seems like common sense, but the ability to ensure a well-written plan (supported through regular executive updates) is a critical element of success.

Action item: Establish a high-level CRM plan (three years is recommended) that addresses issues of tactics, processes, skill sets, and technology. It's also important to thoroughly publicize the plan so everyone knows how the enterprise is transforming itself. Use regularly scheduled executive meetings to reevaluate how the plan aligns with changing business needs. Seek to achieve the plan goals through phased deployments (three-to-six per year).

Reality Lesson No. 4: Data is ignored or misunderstood

At its core, CRM is about data: customer, product, inventory and transaction. This is a huge amount of information that must be in the right place, in the right format, at the right time. Although a CRM initiative may have multiple vendors and timelines that take months or years to implement, the vast majority of organizations pay no attention to the data. Enterprises must have a detailed understanding of the quality of their data—what good and bad data looks like, how it impacts the business, how to clean it up, how to keep it clean, where to source it and what third-party data is required. Only when the team understands the inherent application of this data to the business will the enterprise realize new business value and generate acceptable payback.

“Ten system features and good data makes for a great system. One hundred system features and bad data makes for a bad system.”

Action item: During the planning and analysis phase, launch a team focused on data optimization. Devote a team to focus on the quality and completeness of you data. Ensure that you have executive awareness and support for the importance of this data and the time (\$) it will take to leverage it fully. Seek a data improvement plan that occurs in phases.

Reality Lesson No. 5: The IS organization and business users can't or won't work together

CRM is a business strategy, but it is dependent on technology. Therefore, business users need the IS organization to select the right technologies, the appropriate systems infrastructure and the overall architecture required to support the strategy. The IS organization needs business users to establish priorities, requirements and the overarching vision to make the CRM pieces come together. If they won't or can't work together, enterprises often find they have nice, shiny technologies that solve nothing, or large consulting reports that can't be implemented. Neither scenario is conducive to CRM effectiveness.

Action item: Establish cross-discipline teams early in the process, requiring the IS organization and business users to work together. Ensure that both sides sign off on all steps of the CRM process.

Reality Lesson No. 6: CRM is implemented for the end-user first

Front-office change is about people and, in particular, the users. That applies if the user is a consumer, a salesperson, a corporate employee, or a partner. Therefore, it has to make the lives of those end-users better before internal operational improvements will be realized. For example, one of the most common CRM strategies companies pursue is the implementation of a sales automation system to improve sales forecasting. Although the goal of improving sales forecasting is important, if not done correctly the approach often results in failed outcomes. Once implemented, senior managers find themselves questioning the quality of the forecasts and/or encouraging their sales organizations to keep the system up-to-date. At the top of the priority list for any CRM project must be an inherent understanding of the user and their day-to-day business needs. Failure to deliver real value to the users only leads to poor utilization rates. Enabling improvements for the enterprise -- such as reports, controls, and measures -- are the byproduct of a well-used system, rarely are they an incentive for users to engage.

Action item: Actively involve end-users throughout the design process to ensure that their interests are represented in the project. Bundle management improvements with capabilities that are proven to provide value to the users. As a rule of thumb, implement three customer features for every one that helps management/operations.

Reality Lesson No. 7: No attention is paid to skill sets

All the money in the world can't save a CRM project if, at the end of the implementation, it is put in the hands of under skilled and under trained employees. By doing so, enterprises reveal that they believe employees are unimportant. Nothing could be further from the truth. CRM is an opportunity to put powerful tools into the hands of employees; it should not weaken the customer experience by shortchanging employees with poor training regarding those tools. Whether it's a sales associate, a call-center representative, or another customer-facing individual, the employee should reinforce CRM and vice versa.

Action item: Educate employees on the project and train them on the new processes and tools that will enable more effective customer communications. During the introduction and stabilization period establish a support center for issue resolution. In addition to monitoring key problem areas, it provides the project team with critical information for continuous improvement. As the new methods become well understood throughout the organization it may be possible to disband this consolidated group.

Reality Lesson No. 8: A flawed process is automated

Most enterprises have customer-based processes that are flawed because of years of minor corrections and failure to keep up with customers' demands. Therefore, when automation is added, it's not CRM--it's an automated flawed process. Making a flawed process run faster means that the enterprise can more quickly and efficiently anger its customers. This is not what CRM is all about. Instead of assuming that the current process should be automated, think back from the technology and ask, "How can we do things differently now, and is this a process that we even need any more?"

Action item: Use CRM as a springboard to examine all customer-related processes, to remove those that are not needed, and to rework those that are impacted by technology.

Reality Lesson No. 9: Complex User Interface Approach (Customization/Configuration)

Today's web-based systems ensure that nearly any project team can make a "pretty" user interface. The ability to use a wide variety of fonts, colors and images to make the system look visually attractive has become a minimum standard for today's systems. However, most every project must deal with the trade-off of using an "out-of-box" approach versus a customized approach. From a software perspective this is often justified based on a total cost of ownership (don't look at just the customization...but all the changes required to keep the customization working with upgrade). From a business perspective the justification for change is based on end-user satisfaction and user adoption. The more effectively you can design the system to follow the natural working tendencies of the end user the more comfortable they will be and the lower your maintenance, support, and training costs will be. This attention to detail not only includes the screens but the quality and content of the reports.

Action Item: Select an individual with an inherent understanding of the end-user's day to day needs and actively engage them in the functional design process. Include "validation workshops" to review each system feature as it is completed.

Bottom line

There is no panacea for implementing CRM projects successfully. There are, however, some common pitfalls that can be avoided. Enterprises that pay attention to these reasons for failure and plan accordingly will be well on their way to having world-class front-office strategies, and, as a result, happier and more-profitable customers.