



Avoiding CRM's Common Pitfalls



**Implementing CRM Doesn't Have
to be Painful; Learn from the
Experience of Others**



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During the hyper-growth economy of the late 90's, and early 2000's, many companies invested hand-over-fist in Customer Relationship Management (CRM) technology. With the anticipated benefits that CRM brings, it is no wonder that many companies jumped on the bandwagon. The benefits to be realized by the effective implementation of CRM include:

- Increased revenue and profitability
- Improved customer and employee satisfaction and loyalty
- Increased operational efficiencies

But first, what is CRM?

Customer Relationship Management has been defined as a business approach that integrates people, process and technology to maximize relationships with all customers, through the seamless coordination between all customer-facing functions.

Yet, according to estimates provided by leading analysts, over half of all CRM projects fail to meet their initial ROI targets. A recent study published by Nucleus Research, Inc. found that 61% of Siebel Systems' reference customers reported negative ROIs from their CRM implementations after two years of use. Another report issued by The Gartner Group, Inc. estimated that well over 65% of all CRM projects fail. There are a handful of reasons at the root-cause of CRM failures. We will review each, and identify the strategy that you can use to avoid common these pitfalls.

The common pitfalls of CRM include:

- Viewed as a technical, not a business, problem
- Driven from the top down
- Lack of senior management involvement
- Not targeting the areas of highest adoption
- Driven by the IT organization vs. business leaders
- Trying to do too much at once

In the following sections, we will explore each of these potential pitfalls and how you can avoid them.

CRM Viewed as a Technical Not a Business Problem

One of the most common reasons why CRM projects fail is that the technology was allowed to dictate how customer relationships would be managed instead of the technology being the enabler.

My first CRM assignment was targeted at improving the performance of a service organization. Upon doing the high-level analysis, all I kept hearing from the organization was "we need a single system". There were several customer-facing organizations that were each using their own "system" to manage customer interactions. Some were home-grown and others were paper-based. And, on the surface it appeared that a single system was the answer. Per the established protocol I went to my senior manager to provide a project status update. In summary, I reported "we need to get a new system". My manager thumped me on the head and said "it is a process issue. Fix that, and then we will discuss systems". Not fully appreciating the magnitude of what he shared, I went back to work. I continued my fact finding, and coming from an IT perspective (at that point in my career) I again went back to my senior manager and said "we can fix this with a system". Thump. He responded, something to the effect of, "don't talk to me about the system, fix the process and then we'll discuss systems". That was some of the best advice (and lumps) that I have ever received.

At this point, we dove in and developed a customer contact management (a.k.a., problem management, case management) process for handling customer inquiries and problem reports. We





then rolled out the process with NO new technology, and spent a few weeks working out the kinks. Once the process had been “burned in” we THEN defined our systems requirements, selected the system and implemented. And, we found that the systems part of the project was EASY. We had already worked out all the issues regarding: roles, responsibilities, process flow, etc.

STRATEGY #1: Define your customer relationship and interaction processes, and implement them. Once these are “burned in” consider the appropriate systems solution.

CRM Driven From the Top Down



Often, CRM programs are driven from the top down. Senior management wants reporting on sales, the pipeline, forecast, etc. Many times, CRM is “sold as” the answer. CRM “can be” the answer provided other things are in place first. For example, in order to generate the information desired by senior management, your sales team needs to input quality information into the system. Typically, when users are asked to put more into a system than the benefits, the results are a low adoption rate. Sure, you will get data entered into the system. However, over time you will discover that the integrity isn’t there as your sales team continues to follow their “tried and true” ways of developing and closing business. Human nature will prevail, and you will find your users doing the minimal required to show their “attempts at using a less than adequate system.”



STRATEGY #2: During the initial phases of your CRM initiative ensure that you “consider” the requirements of senior management, and meet the requirements of your front-line personnel. Management reporting will come, but ONLY after your customer-facing personnel are receiving value from the system. It has been said that users need to obtain 3 units of benefit from a system, for 1 unit of work that they put in to a system. If you don’t acknowledge this, your CRM initiative will struggle getting off the ground.

Lack of Senior Management Involvement



While CRM initiatives shouldn’t be driven “just” from the top down, as discussed above, senior management involvement is absolutely critical. Without senior management involvement, accountability for ROI (return on investment) will be non-existent and the program will experience scope creep as “everyone” tries to get their requirements in. Scope creep brings with it cost overruns and implementation delays. Both of these can be avoided.

STRATEGY #3: Ensure senior management involvement in your CRM program, to include:

- Prioritizing high-level requirements. Your senior managers need to make the “tough” decisions about what will “go”, what will wait until a subsequent phase and what will not occur at all.
 - Placing accountability for the program's success on the shoulders of the senior manager(s) that are “signing up” to meet the numbers (increased revenue, operational efficiencies, customer satisfaction, etc.) that make up the ROI of your CRM initiative. At the end of the day, these senior managers are accountable for the success of your company's CRM initiative: no-one else!
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Not Targeting the Area of Highest Adoption

Let's face it, companies want revenue. And, where do you get revenue? The answer: sales. How do you improve sales effectiveness? Again, CRM is often sold as the answer.

With that said, let us consider the typical areas that CRM impacts: Sales, Marketing and Service. CRM initiatives "tend" to address these functions in the order listed. However, consider the "characteristics" of each group:

- Sales people are typically not process oriented. They are relationship builders. They tend to demand much flexibility in the way they work, which includes the "systems" they use.
- Marketing teams tend to be "more" process oriented, while at the same time they need to be creative (read flexible) in terms of approaches to develop and pitch a company's value proposition to the marketplace.
- Service personnel are highly process oriented and their management structure is typically focused on measures to continuously improve "operational efficiencies" and religiously follow process and procedures.

What we have found, is that targeting service functions first, in a CRM initiative, provides for the highest adoption rates. Once a service team has converted to the system there is immediate payback in operational efficiencies, and increases in customer satisfaction soon follows. And, by virtue of managing the service function from the system, customer information is being accumulated. Information is now available to other organizations including:

- Customer inquiries (questions on use of the product / service)
- Customer calls to report a problem
- Number and type of calls by product/service type

Marketing and product management can leverage the above information to consider evolving the products/services offered by your company. And, Sales can leverage this information to spot up-sell / cross-sell opportunities. In summary, interest is generated for access to and use of the system. By addressing service and subsequently marketing, you have "greased the skids" in preparation for implementing CRM for your Sales force. By the time you reach Sales, there will be inherent value in the system, making it much easier for Sales to get the 3 units of benefit from the system, for each unit of work they put in (discussed above).

STRATEGY #4: Target your service functions first, then marketing, then sales. The momentum and value created, in the system, helps to ensure a successful adoption rate by your Sales professionals.

Driven by the IT Organization vs. Business Leaders

Make no mistake, your IT organization is a critical aspect to the successful automation of your CRM practices. However, if your IT organization is leading the overall initiative, you have not placed accountability where it belongs. Let's look again at the "promise of CRM":

- Increased revenue and profitability
- Improved customer and employee satisfaction and loyalty
- Increased operational efficiencies

Who is accountable to achieve these results? It is typically NOT the IT organization. Instead, it is the senior manager of Sales, Marketing and Service. As such, these leaders are the ones that need to sign-up for ensuring success of your CRM initiative. Again, IT (whether we are talking about the CRM system or the people integrating the system into your environment) is an enabler. Your business leaders need to ensure that their organizations are ready from the following perspectives:

- People – skilled, incented and empowered to effectively manage customer relationships and are bought into the CRM initiative
- Process – methods and techniques are in place to manage customer relationships in consistent, efficient and effective manners

If your people aren't ready and/or your processes are poorly defined then implementing technology will simply make the bad things that are happening today, in how you manage customer relationships, occur more rapidly. CRM will become the microscope that highlights these problems. And, worse still, the microscope (your CRM initiative) will be what is blamed for these problems, that pre-existed, yet weren't previously visible cross-functionally.

If your organizational leaders ensure that their people are ready, and effective processes are in place (and documented) then the IT aspect of your CRM initiative will actually be the easy part.

STRATEGY #5: CRM projects must be owned and driven by the senior business managers responsible for meeting the numbers.

Trying To Do Too Much At Once

CRM is a big initiative. And, a key element underlying all CRM initiatives is the need to integrate access to all customer information. Many implementations have failed simply because the project was too aggressive.

STRATEGY #6: Identify the 3-5 highest priority areas to target and implement them. Once implemented, let them "burn-in" to the environment. In parallel with the burn-in period, begin work on the next 3-5 highest priority areas. Continue this cycle.

Lack of Organizational Readiness

Business change requires the proper balance of people, process, and technology. CRM initiatives are often technology driven, with plenty of focus on the systems and even the processes to support them. However, one of the most important aspects of successful CRM implementation is Organizational Readiness.

By its nature, CRM is usually a cross-functional, company-wide initiative aimed at creating a single face to the customer. To present this single face, the multiple groups within a company must agree on what that face should look like.

Creating a truly integrated CRM system not only requires defining consistent technologies and processes across multiple organizations; it also requires consistency of data elements and terminology. Sometimes this means compromise. When individual groups within an organization are unable or unwilling to compromise to achieve this kind of consistency, CRM will fail.

Whenever multiple groups are brought together to achieve a single purpose, there must be rules in place in order to keep people aligned to the same goals. For instance, is there an organizational hierarchy? Are there certain areas where one group has absolute veto power? Overall, though, CRM should be viewed as bettering the entire company, not necessarily an individual group. Thus, it should be acceptable for a particular group to be worse off with a specific change, as long as the organization, as a whole, is improved. Of course, the particular group that is worse off may not like this approach. It is an important responsibility of senior management to set realistic expectations as to what sort of compromise might be necessary to successfully implement CRM.

STRATEGY #7: CRM should be considered a company-wide initiative, and no one group should have the ability to derail such a broad endeavor. For CRM to be successful, the organization must be

prepared to compromise, and must always remember that the whole organization is more important than any one group.

Summary

With the current economic conditions, it is more important than ever to focus on servicing your customers well. Many have touted CRM as the solution to problems ranging from customer satisfaction to revenue generation. The result has been lackluster ROIs and a majority of CRM projects failing. But it doesn't have to be that way. You can learn from those that have gone before you and avoid the common pitfalls that have derailed or destroyed their projects.

In this paper, we identified seven common pitfalls associated with CRM projects:

- Viewed as a technical, not a business, problem
- Driven from the top down
- Lack of senior management involvement
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One of the biggest take-aways from these pitfalls is that planning, leadership, and inclusion are keys to the success of any CRM project. As the saying goes, "failing to plan is planning to fail." Don't believe it? Talk to the 65% of companies that had their CRM projects fail.



About the Author

Craig Bailey is the founder and president of Customer Centricity and an expert in creating customer-focused organizations. He has an extensive background with high technology firms in IT, business process engineering, operations management and customer service. Craig has successfully developed and implemented processes that are predictable, increase customer satisfaction, gain cost efficiencies and improve profitability.



Craig has lectured on corporate strategy and customer service effectiveness as a guest speaker at Bentley College in Massachusetts, Rivier College in New Hampshire, and numerous other organizations. He is frequently quoted on CRMguru's website (www.crmguru.com) which is the world's largest CRM community.

Craig lives in Hudson, NH, with his wife and four sons.

More About Customer Centricity, Inc.



Customer Centricity, Inc., is a business consulting firm that works with companies to align their resources to exceed customer expectations in the most efficient and effective manner possible. We leverage our real-world experience to help our clients continuously improve their service delivery and management capabilities to:

- Increase profitability
- Improve customer satisfaction and retention
- Increase operational efficiencies
- Improve employee satisfaction

Customer Centricity optimizes the interaction between people, process and technology in several ways:

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- Comprehensive assessment methodology to identify the actions that will yield our client's the greatest return
 - Skills Training to enable customer-facing personnel to deliver exceptional levels of customer service
 - Design and Implementation of business processes to serve the customer and manage corporate resources in efficient, effective and consistent manners
 - Identification of the appropriate business processes to automate, enabling companies to get the most from their investments in technology

Customer Centricity's approach is to work closely with our clients to help them understand what they are doing right, and their opportunities for improvement. We provide pragmatic recommendations that provide immediate benefits, and we drive continuous improvement programs help our clients realize significant return on investment in a very short period of time (measured in weeks, not months or years).



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