

Why CRM Implementations Fail. What Part Don't You Understand?

Subtitle: A Business Survival Memo to the CEO/President.

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Repeat. Between 30% and 75% of CRM implementations fail to produce the expected results and ROI, depending on which statistics you choose to believe. Dozens of articles have been published and every CRM Convention and Exposition has renowned speakers explaining the many reasons why CRM implementations fail. Yet, companies continue to embark on CRM projects destined to become part of the statistics.

What part don't you understand? I could again list the numerous reasons, but instead let me save you time and money (if you understand this time) by being very precise. All of the reasons for failure can be summed up into one resulting cause: The belief that you can buy a Customer Relationship Management solution. In spite of all the marketing hype, managing customer relationships is not a technology solution. It is a business culture with well-defined and implemented business processes, measurable business objectives, and an ability to quickly and efficiently adapt to the changing customer demands for products and services.

Unsuccessful CRM efforts may, in part, be caused by the lack of a clear-cut definition of CRM itself. Ask the "Experts" to define CRM and the only true consensus is that there is no one definition. In fact, although CRM has become one of the leading initiatives for many companies, these companies often can't define what Customer Relationship Management means within their own organization. For clarity of this article, CRM is a methodology for doing business that provides growth, improved products/services, increased revenue, and the ability to cost-effectively understand customer needs and provide old fashion "general store" service utilizing legacy and new channels of communication. CRM includes every aspect of how you conduct business, from back office to front office to "e" everything.

For the past ten years (long before CRM became the buzz word), I have worked with over sixty businesses - financial institutions, healthcare, services, manufacturing, distribution, telecommunications, transportation, and high tech - striving to grow their business, become or remain the leader in their industry, by managing customer relationships through automating customer touch points for sales, product delivery, back office functions, support, and service. During this time, I've seen the emergence of the Internet contribute to the speed at which companies have jumped on the CRM bandwagon only to spend thousands or millions of dollars to fail. I must admit that initially I too failed to understand, believing that CRM was merely automation, selecting and implementing the best technology solution on the market.

As I measured the resulting outcomes from each endeavor, quickly I began to understand why some companies were successful and why so many failed. The successful companies reengineered their business processes, executives spearheaded the effort, corporate objectives and goals were communicated, all personnel levels were actively involved, and technology was

not the key-driving factor for the CRM initiative. The successful companies understood that successful customer relationship management is controlled by the way they conducted business.

Amazingly in spite of all the information available today on why CRM implementations fail, I still find that the majority of companies just don't understand. When I am contacted by companies about to embark on a new CRM initiative, or those realizing that their initial CRM efforts have not provided the expected results, automation is always foremost in their minds.

Automation is an important component of CRM, but it should be the last component considered. The technology solution must be selected based on your measurable business objectives, reengineered business processes and customer requirements. Yet repeatedly, I encounter companies taking one of several paths to failure – automating to “pave the existing cow path” so mistakes can be made faster and shared with more people; designing the business processes to the selected technology solution; or giving no consideration to processes assuming the technology will provide the total solution.

Now that you understand that CRM is not just a technology solution, the question remains: “How can your company develop a successful CRM initiative or improve on your existing efforts?”

- Executive level management must spearhead the project and be actively involved. Remember CRM is a methodology for doing business. Active involvement is more than reading a monthly or weekly report on the project status. It is actually decision making and visible leadership. Middle management cannot effectively lead this enterprise project.
- Assign an executive to be responsible for enterprise business process development, enforcement, and continuous improvement.
- Select an outside consultant as a facilitator, whose purpose is to keep your efforts on track. Ensure that the consultant is not associated with any specific technology solution. Avoid consultants who profess to be able to solve your CRM issues. The following steps require a great deal of effort that can only be done by those within your company. Select a consultant based on his/her ability to manage enterprise-wide projects, facilitate meetings, stimulate thought, document findings, and keep the project moving forward.
- Define and document your business goals and objectives. Ensure that the goals are attainable and measurable. Evaluate your current success in reaching the goals.
- Define and document your existing business processes. Everything done within your company follows a process, whether defined or currently left to the discretion of each employee performing the task. These processes must be defined and evaluated for effectiveness in meeting the objectives. Involve all levels in the existing process definition. Management perception of the processes is often not accurate.
- Define your market. Understand your customers' product/service and support requirements. Understand your competition.
- Evaluate staff effectiveness at all levels.
- Assess the company's ability to manage and adjust to change.
- Perform gap analysis.
- Reengineer the business processes to resolve problems areas, provide additional customer products/services, improve customer support, improve information sharing, and promote the ability to change. Ensure that each process contributes to reaching the company goals

and objectives. Ensure that the reengineered processes integrate from department to department. Tear down the existing figurative walls that prevent interdepartmental cooperation.

- Continuously communicate with all levels of staff to convey the company goals, objectives and strategy to gain acceptance and reduce resistance to change.
- Define the technology requirements based on your business methodology and priorities.
- Determine which technology changes will be made first. You cannot do everything at once. Review your reengineered business processes and their integration between departments. Start with technology changes that have the greatest impact on reaching your goals.
- Select a technology solution(s) that best fits your methodology with the least amount of customization. Before making a final selection, assess the changes needed to the business processes to adapt to the technology shortfalls. Remember that your reengineered processes should have provided for the ability to accept and adapt to change.
- Select an implementation consulting company that is not only experienced in implementing the technology solution(s) but also understands the importance of integrated business processes.
- Work with the consulting company to develop an implementation plan that is complete and specific in the assignment of responsibilities and deadlines. The plan must include adequate time for testing and multiple pilot sessions. Ensure that change management procedures are clearly defined and followed.
- Continuously monitor the effectiveness of both the business processes and the implemented technology solution(s). Remember that effective processes will determine the effectiveness of the technology solution.

Clearly, embarking on a successful CRM implementation requires a great deal of research, documentation, planning, and evaluation. Many companies believe they cannot afford the time and resources required to complete these tasks. Yet, they are quick to devote time, resources, and money to a CRM effort statistically doomed to failure. Remember CRM is a methodology for doing business; therefore, you must understand, control, monitor, and continuously improve how your company conducts business.

Forget the CRM buzzword, if you don't understand how your business operates, how do you plan to stay in business?

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