

Building the CRM Business Case

White Paper at a Glance:

Statistical research demonstrates a clear correlation between senior management leadership and successful CRM initiatives.

To secure senior management leadership, CRM must be presented as an operational strategy that will facilitate profitable growth.

A solid business case plus senior management leadership is required to rally the organization around CRM. A well designed business case will encapsulate an implementation road map that will help to keep the organization on track for success.

Research that has linked the statistical relationships between organizational behavior and CRM success has identified the importance of senior management leadership and direction prior to the deployment of CRM applications. In other words, it is important that the organization is pursuing a strategy that is complementary to CRM before the technologies are actually introduced. Therefore, introducing CRM into an organizational culture that does not link these capabilities to its future direction and success is very risky. CRM represents a significant cost from both an investment and organizational change perspective. If senior management does not perceive CRM as a strategy that is central to its success, then where will the commitment come from to deal with the changes that CRM inevitably introduces (e.g. management of data quality, sharing data, changes in performance metrics)?

An effective business case must link CRM with achieving organizational objectives; but this step is just the beginning. Credibility implies that the document clearly delineates assumptions regarding cause and effect plus the mechanism that will be used to assess results and declare success. If the business case does not define how the initiative will demonstrate its effectiveness, then what is the basis for credibility?

The Business Case Outline

Most organizations have policies or at least historical examples that can be used as a reference for CRM business case development. The reader is encouraged to research prior submissions before attempting to create this type document for their organization. The following outline provides a reference of common topics associated with this submission.

- I. Executive Summary: *this section is analogous to an elevator speech for the document, you must get your point across succinctly and simply because most executives will not read beyond the summary.*
 - A. Background: *where did this initiative emanate from, what issue is it addressing?*
 - B. Scope and Objectives: *what is the scope of this initiative (e.g. one division, all divisions, etc.) and what aspect of the organization is going to be impacted?*
 - C. Recommendations: *what steps are being suggested and what is the basis (logic) for this action?*
 - D. Business Implications: *how is the organization going to be impacted from an investment versus benefit perspective? What are the tangibles and intangibles?*
 - E. Next Steps: *this typically deals with specific near term actions to get the initiative started.*

- II. Approach: *provides a high level description of steps and timing of the initiative.*
 - A. History: *how does the initiative fit with the course of events of the company and/or division/function? Does this initiative represent continuity or discontinuity?*
 - B. Description of Capabilities and Priorities: *what does the initiative provide the organization that enhances its performance and how are these capabilities prioritized?*
 - C. Phased Implementation and Rationale: *what areas of the organization will be impacted and what is the logic for this order and timing?*
 - D. Senior Management Role and Responsibilities: *what role does the program team need for senior management to play to achieve success? This section is essential because senior management may not intuitively recognize these needs.*
 - E. Program and Change Management: *what provisions are being made for dealing with the management of the initiative?*
 - F. Management of Risk: *every initiative has some component(s) of risk, senior management is concerned about recognizing sources of risk and how these risks will be managed.*

- III. Business Impact: *this section translates capabilities into business impact.*
 - A. Linkage with Corporate Goals: *the business case needs to address the issue of continuity from several different perspectives; this section addresses the connection with mission/vision.*
 - B. Integration with Other Initiatives: *it is not uncommon for larger organizations to have 10-20 major initiatives to be operational at any given point in time; the issue is whether this initiative is dependent on other initiatives and whether there are synergies or incongruities.*
 - C. Functional Impact: *how does the initiative impact each function and what are the benefits of these changes?*

D. Process Impact and Delivery of Customer Value: *customer value and benefits are typically derived from processes; therefore, this section describes process implications and benefits.*

E. Summary: *since this topic often has a high degree of content, it is advisable to summarize the key thoughts at the end of the section.*

IV. Investment and Cost Requirements: *this is the complementary part to the Business Impact section in that after describing the benefits, that task turns to defining the investment to achieve those benefits. It is important to understand that various aspects of the initiative will be funded using different budgets and each budget has a specific allocation and approval cycle. For this reason, the elements of the initiative must be described and accounted for by budget:*

A. Capital: *the capital items involve those items that will be depreciated.*

B. Expense: *these items are derived from the current budget and may impact future operational budgets, so these implications need to be highlighted for integration into these planning processes.*

C. Head Count: *if the initiative involves changes in headcount, these changes impact future planning and budgeting cycles.*

D. Plan and Budget Impact: *this section is designed to summarize the investment estimates into a format that will feed the ROI analysis.*

V. ROI and Results Measurement: *this section presents the quantitative linkage of investment, benefits, performance metrics, timing, and initiative acceptance criteria (ROI).*

A. Current State Metrics and Performance: *benchmarks the current state of performance.*

B. Rationale for Benefit Projection and Success Metrics: *describes the linkage of process change, improvements, timing of the improvements, and the metrics that will be used to document said improvement.*

C. Projected Benefits: *summarizes the description of improvements.*

D. Other Intangibles: *this section offers an opportunity to describe other benefits that cannot be reasonably quantified but are favorable to the acceptance of the initiative.*

E. Summary ROI Criteria and Sensitivity Analysis: *this section documents the results of the ROI calculations and establishes the acceptability of the initiative from a policy perspective. The sensitivity analysis demonstrates the vulnerability of the ROI results based on changes in assumption relative to timing of benefits, changes in investment, magnitude of the benefits, etc.*

Appendix: *provides detailed backup for the discussion in the main body of the document.*

- Project Plan and Budget
- Program and Change Management Detail
- High Level System Architecture
- Project Team Structure and Membership

- ROI Analysis Details

Creating the Linkage: Cause and Effect

Credibility is a subjective assessment of merit that individuals use for assessment when dealing with people and ideas. Specific to ideas or proposals, this assessment revolves around a backdrop of the following considerations:

- Do the stated assumptions regarding cause and effect appear logical? Are there important unstated assumptions? Is there support for the argument such as benchmarking or other objective data?
- Does the approach and positioning appear to be appropriate within the culture?
- Is there a historical precedent that relates to this situation?
- Does the thrust of the initiative fit within the person's mental model of the organization?
- Is this the correct timing?
- Who is the sponsor? What is at stake?

Before continuing this discussion regarding credibility, a note of caution is in order. It is possible to *sell* CRM within an organization through the energy and passion of one executive. Through sheer determination and zeal, a senior executive can push the initiative through implementation but what happens after that? If the initiative is not founded on making CRM operational, then the great expectations are going to go unmet and eventually the system will fall into disuse. So what has been gained other than poisoning the well for future initiatives?

Credibility regarding cause and effect is increased when the relationship can be analyzed in the context of process analysis. Process analysis provides a perspective regarding how tasks are accomplished today and what will be different in the CRM environment. Quantification of results and meaningful metrics add a degree of comfort to the conclusions. Comfort turns to credibility through tests and experience with pilot operations prove the reasonableness of the assumptions. Successful CRM initiatives document a clear definition of what the organization will look like in the future and how it will recognize that it has arrived. A statement of relevant metrics and goals communicate that there will be accountability and a mechanism for assessing success.

Credibility also requires candor. Most professionals recognize that the marketplace is not a laboratory where conditions can be isolated. A description of risk factors and what can be done to mitigate these risks is important to establishing sound management and credibility. As the business case outline suggests, this concept can be carried over to the ROI analysis itself through sensitivity analysis which essentially recalculates results based on introducing

less favorable assumptions relative to timing and levels of benefit and investment.

The CEO

For most organizations, a CRM initiative will require the approval of the CEO and perhaps the Board of Directors. Unfortunately, many CRM teams may get an initial blessing from the CEO to investigate CRM and assume that this agreement will result in a favorable reaction when they present the initiative. This situation has two major flaws. In the interim, the CEO may have shifted priorities; second, as stated at the outset, successful CRM deployments are associated with situations where senior management has already set the direction for the initiative. Not getting the CEO engaged in the initiative early can make the difference between success and failure. No matter how solid the business case, if the senior management leadership is not in place, the initiative will be built on sand.



About The Author

Glen S. Petersen is an internationally recognized speaker, writer, practitioner, and thought leader in the Customer Relationship Management (CRM) and e-Business industries. Mr. Petersen has held senior level management positions with systems integration and end user organizations and is the Managing Director of GSP & Associates LLC, a consulting firm dedicated to helping organizations leverage and justify their investment in CRM related technology.

Mr. Petersen is the author of six books:

- *High-Impact Sales Force Automation: A Strategic Perspective*
- *CRMS: ROI & Results Measurement*
- *CRM Leadership and Alignment in a Customer Centric World*
- *ROI: Building the CRM Business Case*
- *CRM Best Practices: Self Assessment*
- *Making CRM An Operational Reality*

Mr. Petersen can be reached at 505-771-1956 or gpetersen@gspandassociates.com