CRM Best Practices: The Framework For An Industry Renaissance

By Glen S. Petersen

GSP & Associates
Achieving Growth Sustained Profitability

A Need For Renaissance

There are few organizations that are not feeling the pain of the current economic downturn. Organizations are laying off employees and battening down the hatches for stormy economic weather. Investment in technology and other capital expenditures often evaporate during these conditions; yet, it can be reasonably argued that now is exactly the right time to invest in new technology. Why? If organizations do not invest in appropriate technologies now they will be forced to scale by rehiring people and therefore be in the same or weaker competitive position as the economy recovers.

Unfortunately, the industry and end user organizations have followed practices that have wasted investment and generated significant doubt regarding the value of the capabilities of CRM. Therefore, even if senior management were inclined to invest; the track record says this is a very dubious use of funds. The challenge of this situation is that senior management is both the impediment and the key to success. The reality is that senior management continues to view CRM as a technology issue as opposed to a business strategy and change management issue. This has lead to initiatives that did not have a defined end state or adequate funding and direction to make a difference. The results are initiatives that have no end point and are aborted due to excess sending and delays. The industry and end user organizations have to help senior understand their role in achieving success. Further, once this role is identified, senior management must exhibit the leadership qualities necessary to make it happen.

Consistent with this objective, this white paper offers a perspective on the history or best practices and offers a framework for best practices that embraces the key leadership and organizational implications of CRM that ultimately define success. It potentially offers a rallying point that all sides can leverage to achieve the type of win-win that should be the cornerstone of the industry.

Back to Our Roots

If one traces the roots of Customer Relationship Management (CRM), they logically start, from a technology standpoint, with Sales Force Automation (SFA). True SFA as we would recognize it today started in the mid 1980s; significant coverage in the literature started in the late 80s (1987). It is useful and instructive to understand the evolution of best practices so that we can place today's challenges in perspective.

Since I have been involved in the industry since its inception, I have a unique perspective on its evolution and have maintained a file that goes back to 1988. Understanding this evolution however, should go beyond historical curiosity! We are still making many of the same mistakes that were made from the beginning. To a great extent there remains a desire to use that silver bullet of technology and find that we have become super competitors. Success is never reached when the underlying motivation is technology. Though there is a natural tendency to think of the in technology terms, benefits are only derived when end users apply the system to achieve business results.

The Wisdom of the 80s

It can be argued that elements of SFA were available in the early 80s. In 1982, portable terminal units enabled sales people to take e-mail on the road. Handheld (more like a brick) and tablet type devices with limited hard coded logic followed. True laptop computers were commercially available at today's prices ($2000) by 1986. SFA started out as a coverage and field-reporting tool. Contention regarding the value of SFA and how to successfully deploy it started early in its history. Though there were many early forums for discussing SFA, a user/consulting group called the Index Alliance sponsored a working session on SFA in March 1988. Based on the published minutes of that session, the following key success factors were identified:

1. General Observations
   - Applications have to serve the interests of both the sales rep and the corporation.
   - Early and rapid buy-in from the sales force. Field Sales needs must be served early on.
   - Technology is not the source of competitive advantage – it is the uniqueness of things that are done organizationally.

2. Design
   - Complete organizational commitment to the goal
   - Separation of career success for design path success (project manager should not be on trial)
   - Frequent objective reality tests (are we on track?)

3. Implementation
   - 100 percent buy-in by field management
   - Managing expectations
   - A true pilot with objective measures
   - Imaginative training followed by refreshers
   - Superb hot line support
   - Integration of the applications into the mainline of the business

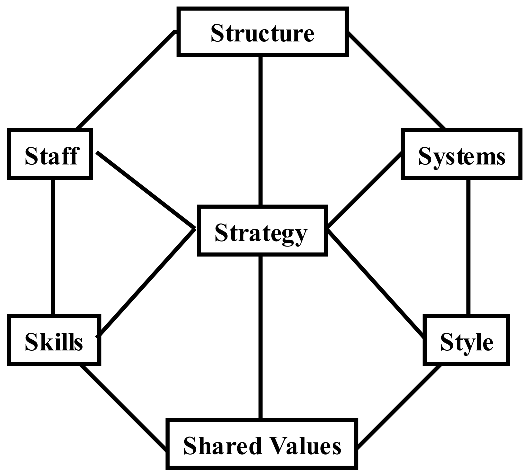
4. Organizational Impact
   - Measure results objectively and continuously
   - Use a specific, tailored model of the sales process
   - Asses impact on the combined efforts of sales and marketing

5. Emphasis on organizational change
   - Top down pressure. Backing from sales management and top down management **involvement**.
   - Bottom up participation – forums, etc.
   - Setting expectations
   - Better links between sales and marketing
   - A common language for understanding the needs of sales
   - An incentive for information sharing
   - Common performance measures

It is interesting to note that many of these observations and recommendations deal with organizational issues not admonishment regarding technology. As a matter of fact there are few if any recommendations that do not fit today's world. Unfortunately, some of these early recommendations have become misconstrued. For example, rapid buy-in from the sales force could be interpreted as a call for wish lists or merely deploying technology to see what people like. There is nothing wrong with seeking input relative to perceived needs; however, at the end of the day, technology has to help drive the business. The wish list approach tends to reinforce individual desires as opposed to how we want to approach the business.

Other key aspects are the commitment of senior and mid-level management which has been dumbed down and diluted to mere support. Support is one millimeter away from abdication and that's what we experience more times than not.

To reinforce the organizational perspective, the Index Alliance utilized an organizational format referred to as the 7 Ss which is clearly an organizational context.



The Seven Ss is a format used by management consultants to relate organizational characteristics and capability to the business strategy. As this model suggests, systems are but one element of the business strategy.

A Watershed Article

Though lost in the history and hype of the industry, an article in the January-February 1989 issue of the Harvard Business Review, titled "Automation to Boost Sales and Marketing" basically legitimatized the industry at a time when SFA was being challenged as a passing gimmick. In addition to citing many successful applications, the article gave its spin on best practices:

1. Clarify the scale of the project as well as potential additions. Emphasis is on a competitive perspective.

2. Concentrate on tasks that can add value for the customer (CRM anyone?)

3. In the budget process account for hidden costs and intangible benefits.

4. Make any tests realistic.

5. Pinpoint the roles and responsibilities of those structuring, designing, and operating the system.

6. Modify the technology and the organization to support the system. Everything is a trade-off. Each organization must understand the cost and benefit for the standpoint of costs and top line results between technology and business benefits.

This article reinforced the strategic role of sales in the organization and the need to integrate the effort of sales and marketing. The recommendations support starting the project with the end in mind and ensuring that total cost of ownership and all benefits are identified. Further, there is a clear recommendation that these initiatives represent trade-offs between levels of system customization and process redesign. The take away here is that the HBR article emphasized technology as an enabler not a driver and the results are real.

The Sales Automation Association (SAA)

From the outset, there has been a clear need for a forum where end user organizations could network and learn more about new technology. Over time there have been many forums that have attempted to provide this type of opportunity. The SAA was formed in the early 90s and had a strong orientation toward education. One of the products of the educational effort was an excellence program that was based on a set of audit standards. The standards were contained in some 180+ statements regarding best practices. Over time, the standards included elements of the Baldrige Award that pertain to achieving results, thus the basic audit included roughly 190 topics. During its existence, the SAA would solicit invitations for organizations to compete for an award based on their consistency in following the standards and achieving demonstrable results. The major topical areas and themes can be summarized as follows:

1. General Issues
   - Commitment to the initiative
   - Clear accountability and responsibility
   - Dedication of proper resources to ensure compliance to the audit standards

2. Planning and Business Goals
   - The initiative must be tied to the organization's business goals
   - The company must establish clear cost benefit relationships
   - The company must establish clear tactics and specific metrics to measure results

3. Cultural Issues
   - Commitment of top and middle management to the initiative
   - Representation by all stakeholder groups
   - Regular communication by senior management and the project team relative to the objectives and status of the initiative

4. The Sales Process
   - Prior to automation, the organization must define its sales process
   - Automation of the sales process must be based on an objective study
   - Analysis includes defining the desired behaviors of the users of the system

5. Software and Hardware Selection and Management
   - Use an objective and weighted set of decision criteria (no beauty contests)
   - Partnership attitude with the vendor
   - Version control and management of the software

6. Support
   - Management of the support processes
   - Change management
   - Commitment to continuous improvement of support

7. Maintain Results
   - Clear goals and feedback
   - Proper pilot operation and clear criteria for success
   - Commitment to continuous improvement of the sales process

Although not terribly obvious from this summarized list, the SAA's big contribution was to emphasize the importance of defining the sales process, establish appropriate success metrics, and commit to continuous improvement.

CRM Versus Best Practices From Other Major Initiatives

The industry has progressed from a concentration on sales to an integrated view of the customer involving sales, marketing, customer service, field service, and others who directly touch the customer. This is a significant leap in complexity both organizationally and technologically. But are the reasons for success versus failure a function of scope or technology or does it relate to organizational change itself? In doing research for the book *e-Success: A Leadership/Alignment Model*, I noted that all major initiatives have roughly the same success rates. Total Quality Management (TQM), reengineering, SFA, Enterprise Resource Planning (ERP), etc. all share similar success rates and industry wisdom suggests very similar best practices. Because each initiative gets approached as something unique and wonderful (silver bullet), organizations focus on the idea as opposed to how to make the idea work within their organization. All of the above technologies and concepts represent major change initiatives and are therefore subject to the same dynamics and frailties. Consider the following list of pitfalls attributed to change management in general:

- Not communicating the business reason for the change
- Not explaining to employees what's in it for them
- Underestimating the impact on people within the organization
- Failing to manage the change emotions from peak and valley
- Skimping on training and ongoing reinforcement
- Not giving employees enough control
- Refusing to recognize that a small portion of employees may simply never buy in

Look familiar? It should, though these pitfalls are very generic, most of us have experienced them in our professional careers perhaps many times.

The Theme of Recent Articles and Research

In the last few months the literature has been inundated by a number of surveys that reinforce the notion that we are not approaching these initiatives as representing major organizational change.

1. Relevant Goals and Metrics

Though this is not new news, surveys continue to report that CRM initiatives are not tied to metrics and goals. Recognizing this void many conference topics now include metrics in the title but most do not offer a single recommendation relative to appropriate metrics. The real issue is that we are not linking the initiative to how we wish to run the organization. This is a key disconnect and goes way beyond simply not having metrics.

2. Lack of Senior Management Involvement
If management views CRM or any of the related technologies as simply an IS issue, then failure is assured before spending one dime. The reality is that most organizations are structured in functional silos that are antagonistic to the disciplines of being customer centric. How can a project team possibly succeed without senior management dealing with the cultural and change issues? The industry has moved from what was recognized by the Index Alliance Group in 1989, **success takes senior management involvement not support**.

3. Relinquishing Project Control To Consultants
CIOs are now recognizing the hazards of turning major initiatives to the exclusive control and leadership of consulting firms. The result is cost over-runs and delays. Scope creep is often more like scope avalanche. Unfortunately, these lapses in delivery are often accompanied by a lack of results. How can organizations sustain such losses? Can any organization afford not to personally lead an initiative of this magnitude?

It would be easy to use the results of these surveys and others to bash everyone in the industry but that would serve no purpose. The reality is that we are all in this together. Organizations need the business benefits of CRM. Consultants offer experience and meaningful objective insight. Vendors offer a continuing variety of applications that if properly applied can contribute to competitive leverage. What is missing is senior management leadership. There is a need for a renaissance within the industry. When senior management is not engaged in the CRM initiative, what directs (or constrains) vendors in terms of the development of applications and their respective pricing? If senior management does not insist on defining and managing the organization's destiny, others will be happy to do so but are you really comfortable with entrusting the framework of your competitive position to others? The lack of goals and metrics suggest (scream) that senior management is not clear on the desired end state. This implies that the initiative is not seen as an integral part of business strategy. Without this linkage there is no basis for commitment in the organization; how many initiatives are killed mid stream or beyond? Can the industry survive when only 20-25 percent of the customers receive benefit? The industry and end user organizations have to commit to the notion that competitive advantage is synonymous with change. It is change not technology that needs to be mastered.

A CRM Best Practices Model

If there is to be a renaissance, leadership has to come from the end user community. The surveys all reflect the same themes, end user organizations are not pursuing CRM initiatives on the basis that they represent a means to a defined end state and that reaching that end state will require discipline, commitment, and leadership. If initiatives were approached from this standpoint, there would be appropriate pressure on vendors to deliver value and competitive capabilities as opposed to eye candy. Further, starting with the end in mind would permit a more constructive framework for consultants to support the initiative while being managed by the end user organization (scope creep is inevitable when the end state is not pre-defined). Given a defined end state, a natural fallout are appropriate metrics and an assessment of delivered value to the organization (ROI).

Using this framework and the structure of other efforts in defining best practices resulted in the following model for CRM. This model is not offered as the final word but rather as a starting place to come to grips with the dilemma facing end users and the industry in general.

The model is segmented into two major groupings, the organizational perspective and the implementation perspective. Most industry topics focus on the implementation aspect of the initiative, which subordinates the understanding of the change management and organizational aspects of a successful install to a tactical level. The second difference with this model is that implementation is organized into three distinct responsibilities with inter-related activities:

- Senior management leadership
- Program Management
- Change Management

The reason for this emphasis is that implementation must represent an integrated approach that relies heavily on senior management leadership. The following description will provide the reader with an overview of the logic for the model, to obtain a complete description of the model and a self assessment, the reader needs to search for CRM Best Practices: Self Assessment Version 1.0 with in Amazon.com or order ISBN 0-9669351-4-4.

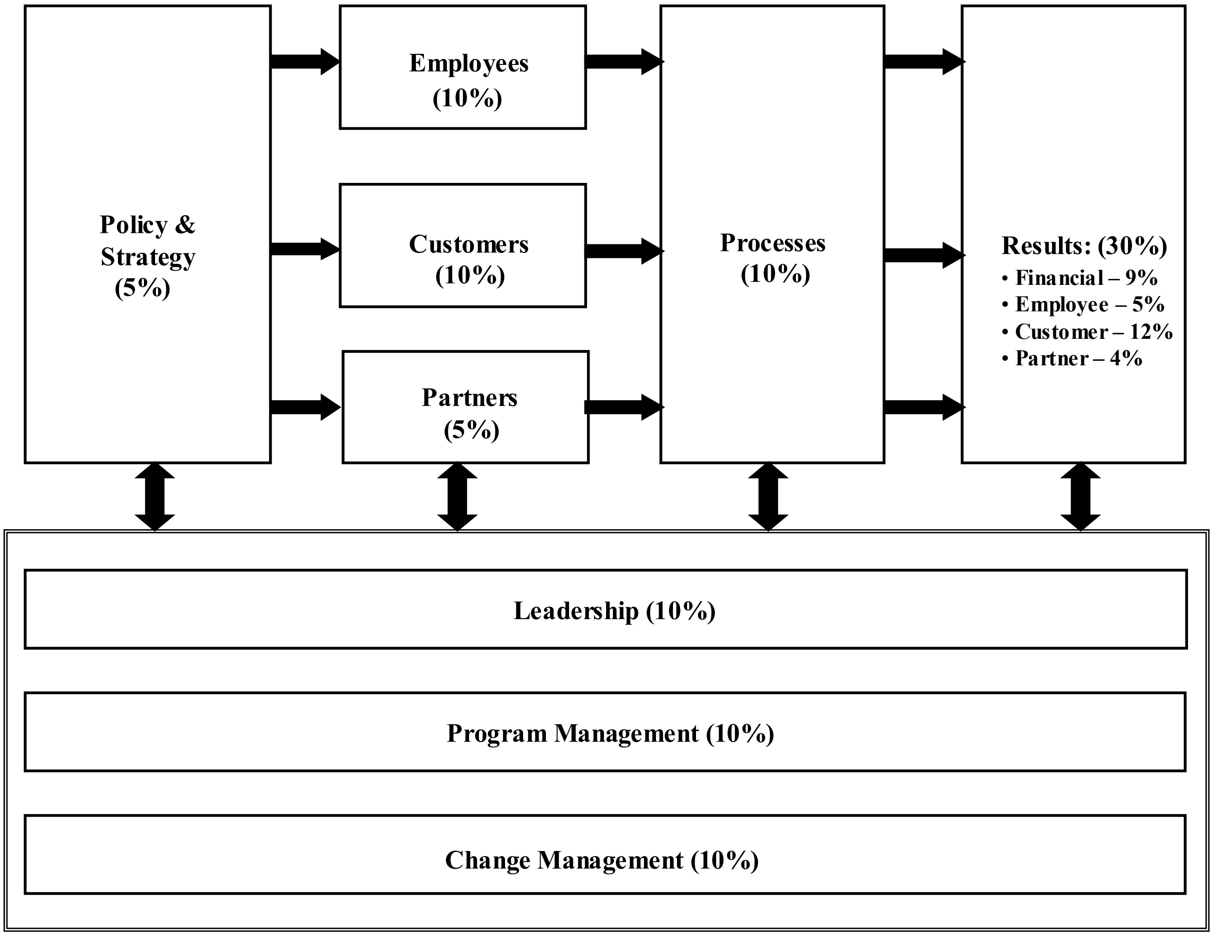
The model is built on nine sections and is based on a point-scoring framework that totals 1000 points. As indicated in the graphical description, each section has a percent relative to its contribution to the total point score; so 5% equates to 50 points etc.

1.0 Policy and Strategy (50 points)
This section emphasizes the integration of the initiative with the direction of the business and emphasizes a charter definition of the initiative that defines the end state, roles and responsibilities, and funding.

2.0 Employees (100 points)
In the final analysis, competitive advantage and CRM are delivered through the collaborative effort of people. If the organization is not managing the people part of the equation, then what is the probability of success?

3.0 Customers (100 points)
Being customer centric implies a host of organizational disciplines and capabilities. Is the organization committed to make these changes operational?

4.0 Partners (50 points)
It has been noted that the customer views the organization and the brand as a total experience. Therefore, the challenge of CRM includes the integration of boundary capabilities to create a cohesive and uniform whole. To accomplish this requires more than technology, the organization must exhibit a shared benefit operating philosophy.



5.0 Processes (100 Points)
By now, there should be uniform recognition that value is delivered to customers through processes that cross the organization horizontally. The organization must be process oriented as well as customer oriented to be successful. This requires a commitment to fact based decision-making and continuous improvement.

6.0 Results (300 Points)
The high point value emphasis on results reflects that CRM should be all about achieving demonstrable results. This does not imply *blow the doors off results* but rather that goals are established and that the conduct of the initiative is guided by achieving these goals. The initiative is not tossed about by the winds of anecdote.

7.0 Leadership (100 points)
It is time for a wake up call. Senior management support is not the answer to achieving results because too often this translates to abdication of leadership. Involvement and commitment must be the watchwords. If you doubt this, look at the published surveys in terms of what they imply regarding what senior management is doing versus not doing.

8.0 Program Management (100 points)
There are specific differences between project versus program management. Program management implies the delivery of business as well as project results; it also implies management over many phases, which is consistent with a CRM install.

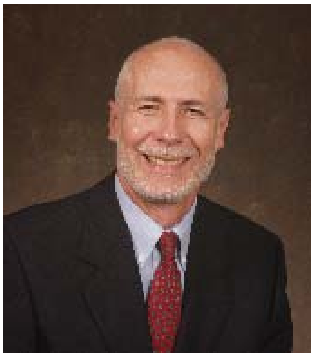
9.0 Change Management (100 points)
First, this section reinforces the reality that we are dealing with change management. The second component is that change management has unique disciplines that require their own set of competencies; therefore, it really represents a parallel but integrated part of the implementation similar to and involving the actions of senior management.

Summary

Each of these sections has a set of 5 to 10 best practice descriptors. The self-assessment is based on determining how close the organization is to modeling these descriptors. In the longer term, the self assessment must be correlated with a consistent definition of success; but in the interim, the best practices integrate the knowledge of what has been defined in the industry and outside the industry as best practice. The model provides a map for the end user community to exercise their leadership; it is but one part of a needed renaissance. Are we up to the challenge?

About GSP & Associates

GSP & Associates, Inc. is a consultancy that is dedicated to helping user organizations to leverage their investment in CRM related tools. The company provides expertise in the strategic and operational application of CRM tools, sales tools, sales process modeling, and business case development and ROI analysis.



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. As a visionary and early adopter of Sales Force Automation (SFA), in 1986 Mr. Petersen led one of the first successful national implementations of SFA in the United States. Realizing the tremendous future of this new technology, Mr. Petersen joined a SFA software start-up company in 1988 and had the pleasure of working with many of the pioneering organizations that deployed sales force automation at a time when most organizations were unaware of its existence. In 1991, Mr. Petersen left the vendor community to do consulting. This experience combined with his background in operational and strategic planning places Mr. Petersen in a unique position to advise and assist clients in this challenging area of change management and technology integration. During this period, Mr. Petersen has developed a number of proprietary facilitation techniques, which help organizations to better understand the potential of these technologies, and how to rally the organization around a single threaded, phased implementation approach. Prior to founding GSP & Associates, Mr. Petersen was Senior Vice President at ONE, Inc. and Ameridata, a $1.3B provider of hardware, software, and services. In these positions, Mr. Petersen sold and directed operational strategy engagements and helped major corporations articulate and justify their CRM and e-Business initiatives.

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@competitiveperformance.com