Ten Critical Success Factors for CRM: Lessons Learned from Successful Implementations

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Ten Critical Success Factors for CRM Implementations

1. **Establish measurable business goals**
2. **Align business and IT operations**
3. **Get executive support up front**
4. **Let business goals drive functionality**
5. **Minimize customization by leveraging out-of-the-box functionality**
6. **Use trained, experienced consultants**
7. **Actively involve end users in solution design**
8. **Invest in training to empower end users**
9. **Use a phased rollout schedule**
10. **Measure, monitor, and track**

INTRODUCTION

More and more organizations are turning to customer relationship management (CRM) solutions to drive revenue growth, productivity, and customer satisfaction. Although a great number of these organizations have achieved significant results, some have not achieved all of the benefits they had hoped for. Instead, they encountered problems ranging from cost overruns and integration challenges to poor user acceptance. The good news is that all of these of problems are avoidable—if the CRM implementation is well designed and executed. Indeed, when properly deployed, CRM solutions produce a significant return on investment by streamlining business processes and providing frontline employees access to richer and more integrated customer information.

To track customers' experiences with Oracle's Siebel CRM products, we commissioned the independent customer-satisfaction auditing firm, Satmetrix Systems, to conduct a detailed survey of all Siebel CRM customers twice a year. As shown in Figure 1 below, according the survey conducted in the first quarter of 2001, customers providing return on investment results experienced, on average, a 20 percent increase in employee productivity, a 20 percent increase in customer satisfaction, and a 12 percent revenue hike by using the software—all in a ten-month period.

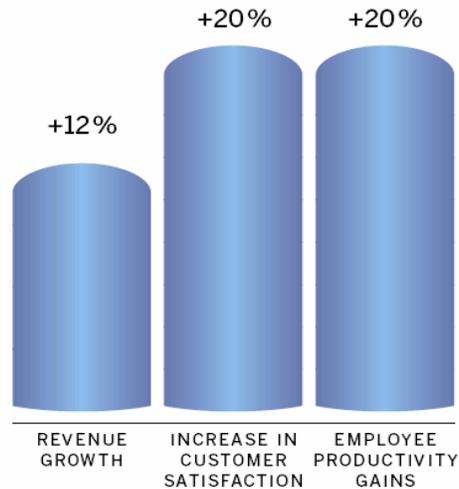## Effective CRM Produces Significant Business Benefits

Figure 1: Key results from Satmetrix Systems survey, Q1 2001, directed to customers using Siebel CRM applications.

Based on follow-up analysis of years of survey data and experience with numerous CRM implementations, Oracle has accumulated extensive knowledge of CRM best practices. We have found that CRM success critically depends on the degree to which organizations follow these best practices. In nearly every case of a problematic CRM effort we are aware of, the cause was failure to adhere to sound implementation practices.

This white paper provides a checklist of the ten critical success factors for organizations to follow as they design and deploy their systems. If you are involved in a CRM rollout or expect to be soon, by adhering to these guidelines you will avoid the common pitfalls of CRM implementations and be in position to realize a significant return on your CRM investment.

1. Establish Measurable Business Goals

It is critically important to define the specific business benefits that you expect your CRM project to deliver. This might sound obvious, but many projects fail because this "obvious" success factor is not observed.

Clarify precisely what you want your CRM solution to achieve. Are you trying to increase average revenue per sale? Improve customer retention rates? Lower customer acquisition costs? Improve forecast accuracy? Improve customer response times? Improve sales close rates?

There are CRM solutions that address all of these objectives, so you must prioritize what you want to accomplish and select the CRM technology accordingly. "The extent of what you can do with e-business applications is enormous," says Peter Frueh, executive director of indirect channels for Australian communications leader

Telstra, which has rolled out CRM solutions to more than 2,100 users. "The key is to understand which applications are most important to your business."

Successful customers shop for CRM solutions with a list of detailed business requirements. These are not generic wishes such as "improve customer service," but specific goals such as "reduce service response times by 25 percent." The deployments that work best target concrete pain points.

2. Align Your Business and Your Information Technology Operations

While CRM is driven by technology, it's not about technology. The point of CRM is to improve your customer-facing business processes; technology is only a means to achieving that end. Every successful implementation begins by recognizing this fact—and by creating operational structures that reinforce it.

As Figure 2 illustrates below, in an effective CRM system business goals that are focused on producing meaningful results drive functionality. Information technology (IT) and business managers are aligned behind a well-defined set of measurable objectives, which in turn guide system design.

Figure 2: Business goals drive functionality.

In successful CRM projects, responsibility for the design and implementation of the system rests with both business sponsors and technical personnel. Marriott International, which has deployed CRM applications to several thousand users, insists on this joint accountability to ensure that technology initiatives are aligned with corporate objectives. As Senior Vice President for Marriott Lodging Systems Mike Dalton puts it:

> "We have a business project manager, as well as a systems project manager, on every project so that we're making decisions that are both functionally and technologically appropriate."

Get the alignment in place before the project begins. Jim Burns, vice president for strategic technology at the National Consumer Services group of Chase Manhattan Bank—which has deployed a CRM system to more than 600 branch offices—offers sound advice on this key point:

> "Work with business users up front to establish the prioritization criteria for determining which business requirements will guide configuration. This avoids wasting time addressing requirements that are not going to add value to the business."

Bring business and IT together. But make business the driver.

3. Get Executive Support Up Front

Because CRM projects are strategic initiatives, top management must actively support them. Without executive endorsement—including an explanation of how the new system will support organizational goals—a CRM initiative might be dismissed as a gimmick or a fad. If CRM is critical to your company's survival—which is increasingly the case for organizations everywhere—top executives, from the CEO down, must drive that message.

Rob Baxter is vice president and CIO of Honeywell Industrial Control, a $2.5 billion division of Honeywell International (HIC). Reflecting on HIC's recent adoption of a customer-focused e-business solution that provides online service to more than 4,000 customers in 60 countries and supports 3,600 field engineers, Baxter says:

> "The senior executives have to get the bug, and it will come in one of two ways. They will see a tremendous opportunity, or they will be scared to death. It doesn't matter which one brings them around, as long as they become the champions of e-business."

Honeywell institutionalizes that imperative by having a vice president responsible for e-business initiatives in each of its divisions.

4. Let Business Goals Drive Functionality

Just as a CRM project must be driven by business goals, so must every configuration decision. If a feature doesn't directly help your company better serve customers, you probably don't need it.

Mike Dalton, senior vice president of Marriott Lodging Systems, identifies five criteria against which his company assesses CRM solutions. Acceptable solutions must

- Improve profitability
- Enhance customer value
- Support process integration
- Reduce technology costs
- Improve systems performance

Notice that every one of Dalton's "technology" criteria is driven by business considerations. Follow this model and insist on functionality that enhances the ability of customer-facing personnel to perform their specific job function.

Organizations can also use CRM technology to expand the scope of a functional area. For example, the Belgian bank Banque Brussels Lambert (BBL) recently used CRM technology to enable agents in its contact center, BBL Direct, to perform outgoing sales calls as well as answer incoming service calls. "With this change," says BBL Direct Manager Catherine deBatty "our employees are able to move from quantity to quality. We can concentrate less on how many calls are being handled

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and more on gathering information that will improve performance and productivity." Here the adoption of CRM technology actually changed the job function, but again, the implementation was driven by business considerations.

5. Minimize Customization by Leveraging Out-of-the-Box Functionality

Over-customization is one of the most common causes of budget overruns and missed deadlines in CRM implementations. A project team sets out to adopt a "vanilla" application but quickly falls victim to "feature creep" and ends up with a more specialized product than business functions require. Or the project team falls into the trap of customizing the CRM software to mirror the customizations made to legacy systems. Many of these experiments are abandoned midstream. But even those that succeed do so by straining budgets and trashing schedules.

These common scenarios are unnecessary if you avoid imitating legacy solutions too closely and carefully select a CRM solution that provides out-of-the-box functionality that meets your organization's needs. Before you start customizing your CRM application, first consider the application's existing functionality. You might find that the vanilla product supports your business requirements much more thoroughly than you had anticipated, eliminating the need for expensive customizations. Indeed, customization is often the most costly, time-consuming, and complex component of a CRM implementation. So choosing a CRM application that meets your requirements out of the box can dramatically lower the total cost of ownership over the life of the solution.

At IBM—which is rolling out one of the most extensive and comprehensive CRM implementations ever, targeted to eventually reach more than 100,000 field salespeople, call center representatives, marketing personnel, and business partners—software customization is minimized through a "Fit Gap" methodology. Before rolling out any IT solution, the company runs business scenarios for the solution's end users to determine where the projected software is helpful and where there are gaps. Then, to address each gap, managers decide whether the software must be customized immediately or whether that gap can be reconciled by a later release. "The overall goal," says IBM Director for CRM Architecture Gary Burnette, "is to keep customizations to an absolute minimum."

6. Use Trained, Experienced Consultants

Software consultants frequently make bold claims regarding their ability to meet a company's implementation requirements. To ensure that your systems integrator can actually deliver a CRM project on time and on budget, look for consultants who are not only thoroughly trained in implementation methodologies for the applications you are considering, but also have real experience in deploying those applications. How do you know that a potential integration partner meets these criteria? Hire consultants who have been certified by your software provider. It is difficult to overstate the importance of following this practice.

Jim McPeak, a vice president with Nashville-based Envoy Corporation, attests to the value of having used certified professionals for his company's CRM implementation. He says:

> "When you use certified consultants, you know you're working with people who understand the software inside and out. Certified consultants are able to translate business requirements into software configurations far more effectively than noncertified consultants. They can also provide a much more realistic forecast of what your CRM project will entail in terms of time and resource requirements."

One tip: New releases of CRM applications come out frequently. Be sure your consultants are certified on your software's latest release.

7. Actively Involve End Users in Solutions Design

"If we don't have our end users involved in design and deployment of our e-business applications, we won't be successful—period," says Eloise McNeal, vice president for business markets sales and services systems at WorldCom, which has rolled out CRM solutions to several business units, including a 3,100-person deployment to its global accounts sales organization. McNeal is on target for a simple but often overlooked reason: unless you solicit and act on end-user input, you run the risk of implementing systems that confuse and alienate the very people they are meant to help.

Rich Harkwell is vice president of customer experience solutions for Nexstar Financial Corporation, a full-service national mortgage lender that provides residential loans to employees and clients of major corporations and financial service organizations. Nexstar recently completed an effective CRM rollout. When asked what lessons he drew from the experience, Harkwell replied:

> "Rely on the invaluable feedback of your end users—in this case, our customer care representatives. Once you show them a solution's vanilla capabilities, they will tell you exactly what to do with the product to help them improve their effectiveness."

Take this lesson to heart: incorporate the knowledge of frontline professionals into your system design.

In interface design, for example, the goal is to make the user interface as intuitive and user-friendly as possible. But the only people who can tell an engineering department what is intuitive are the people who will actually be using the software. This is why, before WorldCom went live with its global accounts call center solution, IT ran a prototype past the company's call center agents and made adjustments to the screens based on their recommendations. The result was a better, more intuitive screen design and a high level of user acceptance. Even when the modifications made in response to user input are relatively minor, the sense of ownership generated by their involvement can significantly boost enthusiasm for the solution.

8. Invest in Training to Empower End Users

Providing adequate training to end users is critical to the success of a CRM project. Training should not come as an afterthought. Moreover, training should not merely focus on demonstrating how to use the software's features and functionality. Instead, training should teach employees how to effectively execute the business processes enabled by the CRM system.

Given that a CRM implementation often entails changes to a company's business processes, end-user training should also focus on "change management." Employees need to understand how the new processes and CRM technology will help the company better serve customers. If employees understand how the system will make them more effective in the long run, they will be eager to adapt. But to garner that degree of employee support and buy-in, the organization must involve end users from the very beginning—both in designing the CRM solution itself and in developing the associated training.

9. Use a Phased Rollout Schedule

Most successful CRM projects follow a phased deployment schedule: each phase is focused on a specific CRM objective. Each successive phase leverages the work and experience from prior phases to produce a "quick win"—that is, meaningful results in a reasonable amount of time (typically three to four months).
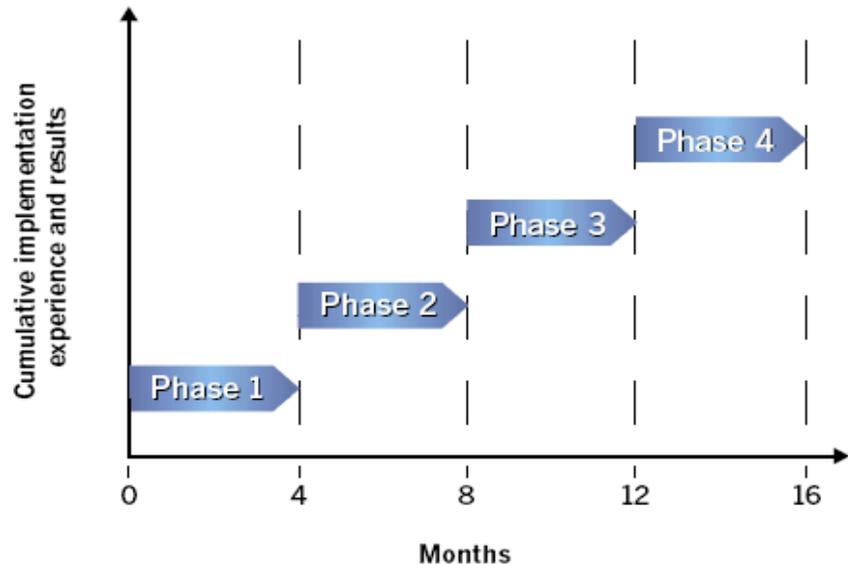
Example of Phased Implementation

Figure 3: Each successive phase produces a significant business impact in a short amount of time.

Our clients typically use a phased deployment where the solution is deployed to a targeted user audience. The targeted group might be a department experiencing a specific point of pain and likely to see quick benefits from the CRM solution. It might be a department that is highly enthusiastic about the new system and therefore eager to put it to use. It might be a functional area from which management has reason to anticipate the quickest rate of return, or an area that could most readily profit from out-of-the-box functionality. Or it might be some combination of all four.

A quick win often involves deploying an out-of-the-box, nonconfigured implementation. Australian communications provider Telstra, for example, began its e-business rollout with outbound calling and a lean package of contact, account, and opportunity modules. Within four months, employee productivity tripled. By breaking down a complex project into more easily manageable "chunks" that produce such quick wins, a phased approach allows project leaders to generate enthusiasm for the new system.

Phased rollouts also provide the advantage of allowing you to learn along the way. They enable you to test new ideas in a low-risk format, to incorporate customer feedback into the developing design, and to avoid repeating errors that you might make early on. At Dow Chemical—which has rolled out a multichannel CRM

solution to more than 2,000 users—this e-business philosophy is encapsulated in the phrase, "Think big, start small, and scale fast."

Phasing should not be confused with moving back a deadline. Each phase of a multiphase project should have its own tight schedule, so that the overall rollout design still hits its deadlines. Most of our deployments finish the initial phase in one quarter and finish a complete, multiphase rollout in less than a year. We've seen initial deployments completed in as little as one week. No rollout, if properly managed, should exceed six to eight quarters. And the ROI ought to be visible even earlier.

10. Measure, Monitor, and Track

Once a CRM system goes live, the organization must measure, monitor, and track the system's effectiveness, with an eye to continuously improving performance. Companies that gain the greatest benefit from CRM applications benchmark their business processes early on, identify the performance metrics for those processes, and measure how the CRM system affects those metrics.
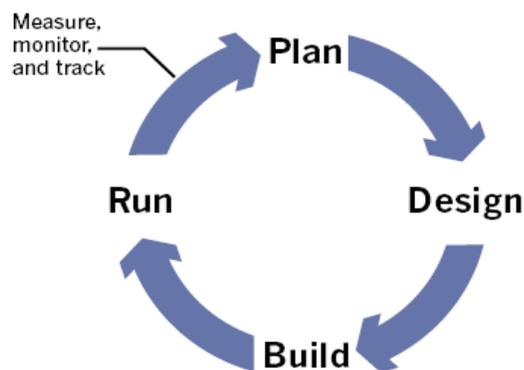

Figure 4: By measuring, monitoring, and tracking key performance metrics, an organization can use the feedback to continuously refine and improve its CRM effectiveness.

Organizations must also periodically survey their customers to determine the impact of the CRM solution on customer attitudes and behavior. In implementing customer surveys, use an independent service. Not only will such outsourcing leverage specialized skills and access to industry benchmarks, but also you will be more likely to secure "unfiltered" customer responses, which are more reliable.

Finally, you should report the results of your monitoring to all managers and personnel who have a stake in your CRM system. This "closes the loop" and allows managers to make adjustments as necessary, according to results.

CONCLUSION

Can CRM deployments be complex? Clearly, yes. They are made to address complex business problems. But complexity need not lead to failure. On the contrary, organizations that select the appropriate technology and adhere to the ten critical success factors described above can expect significant returns from their CRM investments.

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