Making CRM work

The problems with CRM

CRM is another of those great ideas that does not quite seem to work out in practice, as the pundits would have us believe, before real world experience strikes home. The track record of CRM is not one of total failure – far from it. Sadly, however, too many companies have invested very large sums of money in large CRM-oriented IT systems, with little to show by way of return on that investment.

There have been several research projects into the success and failure of CRM applications, and there is a general consensus emerging. The first observation is that CRM failures have little to do with the software systems selected. This is not to say that all systems are equal – it is to suggest that there are reasons not associated with the choice of software that are much better predictors of success or failure than the software chosen. The failures are mainly associated with implementation, not the system being implemented.

Having said that, the evidence suggests that somewhere between 55% and 75% of CRM implementations fail to deliver on the business expectations and objectives of the CRM user. If the time scale for those expectations to be met is extended, the failure rate may be as low as 35%, but there is no evidence to suggest that the longer-term successes relate to those companies with more realistic expectations in the first place, or whether the 'winners' were originally 'losers' that subsequently worked out what was going wrong, and got it sorted.

Whatever, CRM tools are rated very poorly for customer satisfaction among executives of medium and large sized organisations.

Part of the problem is the usual one of definition – failure to appreciate the meaning of the language, and its implications, is a recipe for failure, before implementation is even contemplated. We have identified three different meanings attached to the expression CRM, and it is worth considering these before we move on to consider some of the implementation issues. For convenience, we have labelled them CRM 1, 2 and 3.

CRM 1

This we have tagged as **Customer Relations Measurement**. There are several different models applied, including the NPP concept, (Net Promoter Primer), but they all have one thing in common. This is the measurement of customer satisfaction. Generally, there is little analysis for cause – we know that we have a problem but not why – and the reports

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generated are, therefore, a listing of various symptoms – of success or failure, or generally a mixture of the two.

In fact, benchmarking is a more common tactic than analysis for cause – comparing 'our' scores with those of similar businesses may lead to much navel contemplation, but is unlikely to lead to much improvement. As with most systems that measure symptoms, with or without benchmarking, little management action follows. Knowing about the existence of a problem tells us little about **HOW** to solve it. Problem resolution needs analysis for cause before any valid action can be taken. Good analytical tools are needed to drive the analysis, and then a serious management commitment to customer service quality, (quality as measured in the customers' terms), before any effective developmental action will follow.

In passing, it might be noted that, if the measurement of customer satisfaction uses measures defined by the supplier, without a little 'finding out' first about what the customer perceives as 'quality', then the whole thing is likely to be doomed to a frenetic pursuit of the wrong objectives. There have been too many cases of expensive investments in **PRODUCT** quality, of the mechanical or electronic variety, that produced zero improvement in customer satisfaction. The reason is commonly because, to the customer, quality is actually more about service and interactions with the supplier's people. In other words, 'quality' is more about the total package, and not just the 'bits and pieces' themselves.

CRM 3

Taken out of sequence to underline a point, this we have tagged **Customer Relations Marketing**. This is marketing that is driven by a segmented customer (and prospect) database, with differential messages being conveyed according to the segment. Some systems even differentiate the message according to very detailed customer classifications, or, in some cases, for individual customers.

Generally, the databases that are used are large and complex – and expensive. This is an approach that is likely to fail, if one or both of two problems remain in the system. The first, as noted above, arises if there is no adequate knowledge of what it is that the customer really needs, in terms of service or product quality, or anything else for that matter. In this case, the messages are likely to be poorly targeted.

The second arises if the level of satisfaction is currently low. In this circumstance, well-targeted messages may actually be less effective than those that are 'off-target'. The contradiction between the (good) marketing message and the real customer experience will soon be spotted, with the predictable negative reaction. “How can these people offer to deliver what they patently are not?”

The point here is that CRM 1 and CRM 3 will both fail to add real value to the business, unless CRM 2 is in place and working well.

CRM 2

This we have tagged **Customer Relations Management**. This is the outcome of a change process, designed to develop an organisation that is focused on creating and sustaining a high level of customer responsiveness. The change process required will be multi-faceted and complex; it will need to cover the development of new skills; the

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acquisition of new attitudes and values to drive different behaviours; there will need to be new and different structures and processes, with the designs very specifically incorporating the symbols necessary to enable and underpin the shift of focus and values.

Because of the nature of the change process required, the failure is probably going to be high – sadly, that is the track record of such change processes. In the case of CRM, the change may not even be attempted, because there is no perception of need, through lack of understanding of the implications of a successful CRM programme. It may also not be attempted because a successful change can only come about through the active participation of many people, including operational employees, and that participation must necessarily include the opportunity to provide directed and change-oriented feedback on corporate policies and practices – at which point the 'amour-propre' of some senior managers may get in the way – high self-esteem can be a barrier to processing feedback and learning.

The problem is that, whatever the challenges, unless a successful CRM 2 initiative is implemented, CRM 1 is a waste of time and energy, and CRM 3 is disabled. Which is another way of saying that the only CRM programmes that truly succeed are those that tackle CRM 1, 2 and 3 as different facets of a integrated change process. And the difficult bit is CRM 2 – it needs good analysis through CRM 1 to drive it, and itself is a critically important enabler of CRM 3. Fortunately, some clues have been derived from all those failures, that can be represented as guidelines for those companies either embarking on a CRM programme, or others who are trying to get the required ROI from a previously implemented CRM programme that has, thus far, failed to deliver on its promises.

Not for the faint-hearted

1 Start from the assumption that a successful CRM programme is not easy. Just putting in a clever database is not enough, on its own. It is the process of changing the cultural norms of the organisation, that goes alongside the application of a new database, that is the difficult bit. A quick pause will suggest that, if the organisation was already highly customer-responsive, there would be little need for a CRM programme in the first place. If there is, however, a need to make the shift towards a more customer-responsive organisation, there are bound to be existing processes and symbols, well and truly embedded in the organisation, that have enabled a non-customer-responsive organisation to develop. They have to rooted out and changed - not an easy trick for any organisation to perform.

2 Recognise that organisational change is not a one-stop affair. These types of change are never simple projects, with clear start points, simple objectives and a defined plan and end point. Every one is a voyage of discovery, with surprises on the way, detours to be followed and no chance of adopting normal control-by-variance procedures to keep everything on track. Emergence is the order of the day, with patterns appearing, being assessed and adopted or discarded, as appropriate, on the way along an often convoluted path. Emergence only ever happens if everyone who is even touched by the change is a key part of the sensing, reflecting and decision making process. And emergence is an ongoing process, once it has started.

3 Which leads on to the next point. There are very few employees who get their kicks from upsetting customers; who enjoy conflict-laden, abrasive conversations with customers. There are very few employees who do not respond positively to

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feedback from the customer that a good job has been done; who do not get lots of satisfaction from solving customer problems. In which case, it is not the employees who have created a non-customer-responsive organisation – it is management and management practices that have created the problem, however unwittingly. In which case, the only people who can help management pinpoint and fix the causes of the problem had better be part of the process and fully engaged with it.

4 Actively seek out destructive symbols and other messages that suggest anything other than the 'customer is king', and change them as soon as is humanly possible. Slogans and posters on the wall will simply not do. We are talking about the 'negative permissions' which tell people how to and how not to behave – the messages in the design of structures and processes, and the behaviour of individual managers. If they are emphasising the primacy of the bottom line, change them. If they suggest that it is only short term numbers that count, change them. The same destiny should apply to messages about status, power and authority being exclusive to high, central positions in the hierarchy; to the need for slavish adherence to rules; to record-keeping being more important than satisfied customers; to individual-customer-specific decisions being taken by senior managers; to lack of accountability for customer oriented results – for everybody in customer facing jobs.

5 The business strategy itself must proclaim the primacy of the customer. The old days of suppliers dictating to customers have long gone. Globalisation of supply, changing technology, distribution methodologies, new, highly-educated labour markets, and, of course, the Internet have all contributed to increased customer discretion and power in buying decisions. A customer-oriented strategy is a pre-requisite for a customer-oriented organisation – it is the first symbol and a very important one, at that.

6 Stop prescribing HOW people should behave and focus on the **WHAT FOR**, **WHAT** and **HOW MUCH**. Everyone needs to know how they fit in to the delivery of organisation goals; everyone needs to know what their required contribution is. What they do not need is for some (often non-customer-facing) department, somewhere well away from the firing line, telling them how to achieve those contributions. It is impossible to legislate for every exception, and the attempt to do so will result in rules which block the delivery of quality services and products to customers – which will be yet another key, negative permission. People need standards, goals and metrics – they do not need prescriptions.

Final thoughts

Mostly, employees know what is wrong, at least at a level of instinct, but they often lack one or both of two things. First, there is no forum through which they can articulate their ideas about what needs changing, and why. Second they lack good information that will demonstrate the nature of the issues, and their impact, so that management can visualise and grasp the issues – and action them.

So a good way to kick start the process of change towards a more customer responsive organisation is the development of good information. This, at least, would cover the sources of negative permissions – the messages that suggest that something other than long-term customer satisfaction counts. The information should also identify where actual blockages to delivering excellence to customers exist. Better still, if the information identifies the hidden 'heroes', often working in cross-functional teams, who are sufficiently

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devoted to the customer cause to be finding ways around the rule book to deliver value to customers.

The ideal will be achieved if the information generated identifies individuals and teams who are potential change agents. These are the people who have good internal networks that give them influence over organisational behaviour; who are dissatisfied with the status quo; who have rational ideas about what is wrong with it; and who have rational ideas about how it should be different; and who just need to opportunity to apply all that pent up energy, to the benefit of the company.

At which point we can apply one of those pieces of Confucian wisdom – 'First find people you can trust and then trust them'.

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