

Where to Start? The Critical Steps of CRM System Implementation

Part 1

BY STEVE DOWNTON

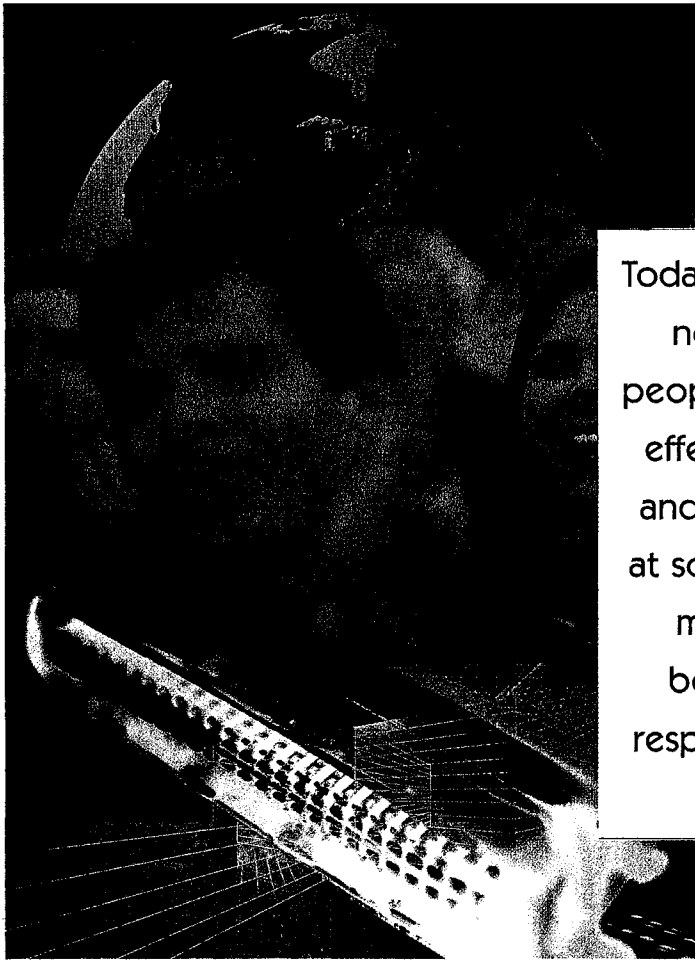
The biggest challenge to investing in service-solution tools is not necessarily the cost, but the time and effort it takes to implement them and generate the value.

Today's modern service directors have a growing list of requirements and responsibilities to face. They have to be strategically aware, supporting their boardroom colleagues in driving the business while focusing on raising the performance of their own operation. They need to help the business differentiate itself from competitors by introducing new productivity tools and better utilizing working capital, people, and inventory, all of which are seen by many as potential liabilities rather than assets. Service directors, as with all managers, must be aware of their return on investment (ROI) and return on capital employed (ROCE). As customer demands grow, it is necessary to move away from service products providing semi-informal "best-endeavors" promises toward contractually enforced service level agreements (SLAs), and the business must make sure it is compensated for the service it delivers while keeping in mind what the customer really values.

For a number of service directors, the biggest challenge is their equally relevant and important role of advising the board on the next steps toward a customer-centric business and on the use of tools that will assist

in achieving more aggressive business targets. However, behind this role are a number of challenges that require a significant change in emphasis in the role of the service director. From a capable people manager—excellent in a crisis—who deals effectively with customers and staff and is a specialist at solving problems, he must become a major boardroom influencer, responsible for the success of the business. He must work in close alignment with customers, recognizing their needs and delivering an operation that meets their ever-increasing demands while ensuring that the gap between what marketing and sales promise and what can be delivered is minimized.

In addition, a number of sectors in the high-tech arena have seen their product go from standalone to networked, from analog to digital products, from a predominantly business-to-business (B2B) environment to a low-cost, business-to-consumer (B2C) environment. There also has been a significant increase in the dependence of the equipment and a commensurate increase in the response requirements, coupled with increased costs and prices. The cost of the product has continued to fall and the reliability has increased, but the preparedness of the customer to pay has decreased, causing many different scenarios of changing tradeoffs and positions. The skill requirement also has extended



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to working with the IT staff within the business, learning the necessary interfaces with the enterprise systems and adding software to manage not only the parts, but also the people, the customers, the information...the list is endless!

To grow into these new roles, the service director has had to learn a number of additional skills. He has started to ask questions and has become much more demanding in his requirements. Often the questions are as straightforward as "Where do I start?" and "What's the best solution for me?" Unfortunately, there is no simple answer. It is not enough simply to resort to the line of reasoning that "the first step is to understand my own business needs." Although this is perfectly true, it is not much help.

When setting the business requirements, it will probably be easier to create a long, generic list rather than a short list that is specific to the business. A short list demands a real, in-depth understanding of what is fundamental to your success, both immediately and in the longer term. Any successful service director has shown that he probably has a good knowledge of his business. Rather obviously, however, he doesn't know what he doesn't know, and it is sometimes safer to revert to the comfort and security of the tried-and-tested than risk new endeavors. U.S. business analyst and

writer, Malcolm Forbes, was quoted as saying, "The toughest business obstacle to overcome is success."

According to Forrester Research, CRM costs are growing because of overlapping product offerings and poorly coordinated spending. In addition, many businesses have made no formal evaluation of their CRM programs, though they appear to require the same scale of investment and attention as ERP initiatives. This has been a quite deliberate and understandable ploy by the bigger providers. Most potential buyers will try to produce detailed requirement specifications that encompass all possible aspects in fear of leaving something out that might be useful. As a result, vendors have recognized that unless they can satisfy close to 100 percent of the requests, they will not be treated as a possible supplier. Assessing the vendors in this manner has led to some bad practices and is probably at the heart of the current situation.

Given this scenario, if you were a provider, what would you do to make sure that, no matter where a buyer was coming from, all roads would lead to your solution? Big is sold as beautiful—the large banks boast of their size and the consequent advantages. It used to be thought that unless a project was significant, it would have no senior ownership, little attention, and would rapidly stall. Now it doesn't need to be big, it

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needs to be important; it doesn't need to be all-encompassing, it needs to be focused, with senior support and commitment.

This particularly is true of service projects, where the project is conducted in front of the customer. What do you say to a customer—"Please call back in two years?" Or do you hope they won't see any difference in service level (because it has always been poor) or hope they will go away (which they will forever) and leave you to get on with the project? It is, therefore, critical to use a tool that will provide the ability to keep you focused and deliver a rapid and successful implementation, sustained by senior support and commitment.

So how do businesses go about understanding where the focus should be, what they want out of the software, how they will work with their customers, and so on? Any business that has spent time early on seeking this understanding of the process will have anticipated any pitfalls and dealt with these issues, having realized that the only risk of keeping the project tightly focused is the damage it might cause to egos, not the business.

The focus has to be on the time it takes to see results, the value of the results, and working with companies early on to understand their real needs so the final solution can be tailored to address the needs quickly and accurately. The product must be cost-effective and straightforward to implement, and it must, therefore, ensure a rapid return on investment. The overriding focus of the business then can stay on the customer throughout the short implementation period to avoid poorly coordinated spending.

So how do you proceed to as-

sess your own needs? The following process is by no means rocket science, but it does focus on recognizing that the best way to eat a huge meal is one mouthful at a time. But where do you start?

There are a number of methods that successful companies adopt when running projects. The first is to use the best resource within the business; however, what tends to happen is that you end up with only your best available resource. The most successful companies staff their projects with the best people for the job, even if that means going outside your organization, business unit, or department. This is more achievable when the projects are kept short and focused. The project must not detract from the business; in fact, some of the best-run companies turn projects into distinct value differentiators from their competitors, both in time to market and innovative thought leadership. At General Electric, "Black Belts"—qualified experts at using strategies, statistics, and tools for improving the company's bottom line—run its projects, and the success of a project, which might take only 20 percent of their time, has a more direct impact on a manager's bonus than anything else.

If the projects are kept short and focused, around eight to 12 weeks, key personnel can afford to be temporarily redeployed. Setting up the business for the future is as important as running the business today. When appropriate, the internal expertise can be enhanced by process support so that the knowledge is best used, giving a successful result.

Another way to ensure success is to see that sufficient research is conducted to guarantee leading-

edge thinking. However, it should only be done once you have narrowed your analysis to determine why your business is successful and performed a gap analysis to compare the as-is state to the future target, all while understanding what your customers value so highly. Most modern tools provide management by exception (identifying and monitoring exceptional issues or requirements) coupled with an efficient clearance of repetitive processes. It's best to view your business from these perspectives and buy only what's necessary and what will be the priority of the implementation.

Having set up the project, what are the next phases of the implementation?

Step 1—Analyze the Current Situation

This step is critical in determining how you are currently placed and in documenting issues, concerns, and opportunities that CRM might present. You will need to utilize your knowledge of the business to stimulate thinking so that the process of differentiation occurs early in the exercise. When that is complete, internal research can be gathered to provide a summary of the situation, including information on where you stand now in terms of customer satisfaction, operational effectiveness, and IS/IT support. Sometimes it helps to position the operation against certain industry benchmarks to assess the benefits of CRM for your business. It also is critical to ensure that you have reviewed all the processes and projects that have a direct impact on the customer or your business' ability to deliver cost-effectively and efficiently to the customer. This in-

cludes capturing existing best-practice actions and ideas and releasing any latent initiatives that will aid CRM.

Step 2—Define Future Business Requirements

This is a critical and difficult step, as it is important to ask the right questions and to fully understand the value that a CRM solution could bring, particularly given the uncertainty that exists within businesses today. You might use this as an opportunity to revisit your strategy within the business. The luxury of strategies worked out over months and lasting for years has gone. Any emerging strategy that will take longer than 12 months to start showing results will be shelved as a dream. Strategies need to be prepared in weeks, lasting for quarters, and they must undergo continual refinement. If you are to successfully develop rigorous, leading-edge strategies quickly enough to keep ahead of the competition, it is important to recognize and manage risk. If the business functions are not tuned into each other, this need for speed will cause problems quickly. The potential risks in a strategy must be managed to ensure the ongoing success of the business. Once the strategic and tactical issues are confirmed around the business direction, future IS/IT/Internet strategies and key CRM requirements have been defined, and a clear development process is in place to identify what processes need to be introduced or improved on to achieve a real

cost-competitive edge, you will be able to place a value on the business of undertaking certain key actions around CRM.

Step 3—Define CRM Transformation Strategy

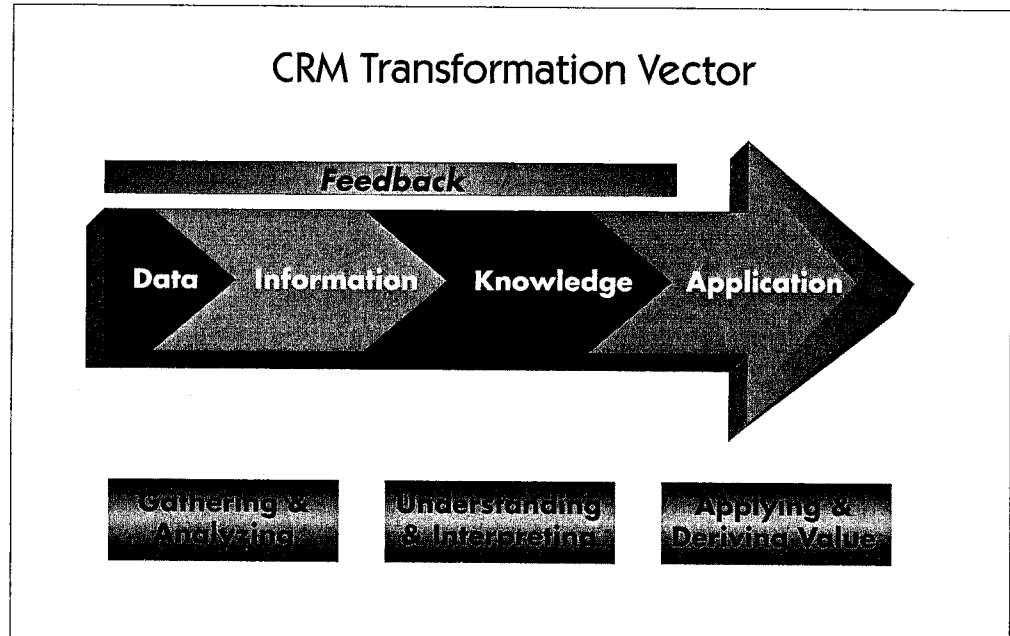
This is another crucial step that must be taken to determine the changes required within the organization, roles, processes, and IS/IT support systems to optimize the application of CRM through the various business functions, including marketing, sales, and service. These changes need to be carefully planned and include such aspects as the strategic and tactical rationale, the technical approach, operational variances, and the strategic, functional, and operational requirements. *Figure 1* schematically shows how the assessment should be carried out to determine the value.

It first must be ascertained what is required to establish the feed interface mechanisms and what the limitations of the existing legacy or ERP systems within the busi-

ness are. The initial requirement is to ensure that the historical data, when it exists, can be successfully loaded onto the CRM package. Then the legacy or ERP system can be fed from the CRM package, and the business can be updated with information to provide cross-business integration. The process examines the way data is captured from across the business today, and it is becoming a much simpler task. The importance of being able to download history is that the CRM tool depends on this information, and although it will very rapidly build up information once it is in use, it needs to have a good base of accurate and appropriate history to work with.

It is essential to ascertain the limitations that initially may be imposed by the existing systems and to deal with them accordingly. Because the basis of all CRM tools is to utilize information gathered by the business, this is normally more procedural than difficult, but it is, nonetheless, important.

Figure 1



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Step 4—Prepare the Business Case for CRM

The challenge here is to recognize the essential commercial value of the investment to both the customers and the company. The normal measures on a business case will include delivered service, customer satisfaction, loyalty, and advocacy levels. These are all measures that are difficult to determine, are intangible in value, and rely on the perception of each customer.

Accounting for these measures effectively so that the true value of the investment is made visible to the board is critical to the right decision being made quickly. There are a number of factors that will have a bearing on the outcome. To be successful, the business case has to reduce risk, appear achievable, and

line up with both existing metrics and strategic imperatives while fully supporting the business model. In addition, the value of the investment must be demonstrable through a credible understanding of the business, its sector, its strategy, and its aims.

The value of the best-practice solution often is presented as an ROI statement that illustrates the gap between the customer's current performance and the best-practice solution, proving without doubt that the product, be it hardware, software, added technology, or outsourcing, will pay for itself within nine to 12 months. What sometimes is not considered is that before the payback period is reached, the product has to be implemented, which could take an

additional nine to 12 months of hard work.

Step 5—Present the CRM Business Case and Agree on the Next Steps

Present the case to the board of directors for approval of the strategy, plans, and investment. If we accept the fact that we must move forward and implement the solution, and that it will give us an excellent payback quickly, it is essential at this time to ensure buy-in from the senior team through what will inevitably prove to be a difficult implementation, even if it all goes according to plan.

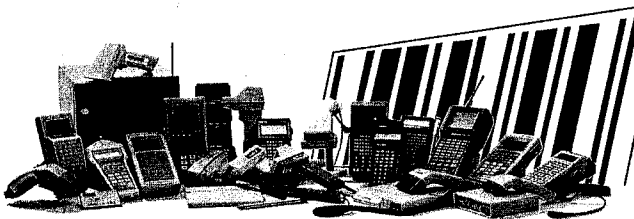
With this all in place, you are ready to implement the chosen solution. Part 2 of this article in next month's *Professional Journal* will discuss the need to recognize that even when the implementation is complete, there are still a number of pitfalls to avoid. If you already have implemented a CRM solution, it's worth noting that, according to Forrester Research, many firms have made no formal evaluation of their CRM programs. Stay tuned for Part 2 to find out how well your CRM systems are integrated into your businesses' strategy and vision. ▼

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