MCGRAW-HILL HIGHER EDUCATION

Executive Summary

A merger with a former rival in late 1996 trebled revenues and the size of the sales force, leading to a requirement for a customer management system. With no existing CRM application in place but with the vision of becoming marketing-led adopted at the highest levels, a rigorous evaluation and selection process was pursued to identify the appropriate solution.

McGraw-Hill followed a ten-step implementation process, involving cross-functional teams throughout to gain vital feedback and buy-in during the introduction of the system. Senior management was kept in the loop to avoid any surprises at a late stage. By improving the way it manages customer information, the company:

- has gained competitive advantage in a highly crowded market-place
- is increasing sales revenues
- has improved the management and efficiency of its sales teams.

Overview

McGraw-Hill is a global information company, originally founded in 1888. With corporate revenues in 1998 of $3.7 billion and 16,000 employees, it is divided into three operating divisions:

- the Financial Services Group, covering well-known data sources such as Standard & Poor's
- Information and Media Services, including *Business Week*, broadcasting and other media interests
- the Educational Publishing Group which includes brands such as Osborne Computing, Glencoe, SRA, and Irwin/McGraw-Hill.

The Educational and Professional Publishing Group includes a number of sector-specific operations, of which McGraw-Hill Higher Education is one. Focusing on college and university markets, it had revenues of $360 million in 1998. The group's revenue was trebled to its current level during 1997 by the acquisition of the Times Mirror Group, which required the integration of three companies into the existing group.

This merger triggered the implementation of a customer management system (called MESA), which was based on a sales force automation (SFA) application. To carry this out, the Higher Education Group pursued the ten-step model outlined by Bart Goldenberg, president of ISM, with whom the division worked closely. The two-year project has allowed the sales force of the merged business to increase its productivity and is proof that having a clear process to follow is more critical than the selection of software.

Business Mergers and Systems Integration

Before the acquisition of Times Mirror, McGraw-Hill did not have a sales technology system in place. There had been little investment in IT, for either networking, or sales and marketing, and what technology was in place was not suitable for customer management. The existing system was a DOS-based proprietary application used for customer sample fulfilment, with no marketing automation or account management capabilities.

The original programmers had left the company, which meant that nobody understood the system. Bob McLaughlin, senior vice-president of sales at McGraw-Hill Higher Education describes their situation:

> "It did not work and we knew we were in a lot of trouble. The system was inefficient, unreliable and quite honestly unbelievable."

The newly acquired companies brought with them other finance-based systems which needed to be integrated. The marketing department was frustrated with the support they were receiving from IT. There was typically a delay of between 6–12 months between a request for a report or for information to be processed in a different way. With the integration of the new companies, the IT department was swamped even more. Says McLaughlin:

> "There were no prospects that we would be able to get new information out of a bad system any sooner."

To add to the problems, there were considerable difficulties with the integration of the acquired companies' sales forces. Early on, there were typical cultural clashes, not least because the acquired group used to be a competitor to McGraw-Hill. McLaughlin says:

> "In the financial model for the acquisition, my job was to combine four sales forces in 60 days and there were literally up to 75 reps who were under our employ who did not have seats in the new organization. That was a really difficult job."

Although the field representatives had been using laptops and remote communications since 1996, when the sales groups came together it was recognized that a new system was necessary. Says McLaughlin:

> "We got these companies together and then started looking at the systems that we had, and most of us felt that we had a major problem and a major opportunity here."

The representatives who joined McGraw-Hill in the acquisition had been used to better service and IT support, which also led to considerable friction. McLaughlin smiles as he says:

> "Sales reps who were initially grateful to have employment, once they had taken a look at the systems, they started to ask more questions about the severance package."

The structure of the new sales force was based around 270 field sales representatives, with an in-house telesales group of 50 full-time employees. In addition, there are 30 sales support representatives, working with both the field sales force and customers, who are typically university and college faculties, plus around 50 part-time telesales agents. They are used twice per year during the major sales season. The sales department also has eight administrators.

The sales process at McGraw-Hill is initiated by sending sample copies of its textbooks to target faculties. Its prospects are the professors who teach courses for which the company publishes relevant books. Tracking the syllabus and faculty membership is critical, as these are the targets that the field sales force visits or to which sales calls are made.

This is a highly competitive market-place, as McLaughlin explains:

> "In an introductory psychology course, for example, a rep can walk into the office of a faculty member and ours will be one of 30 books sitting in a corner, all having come in during the last three or four months. It is very competitive."

Professors make decisions on which books should be adopted as required texts on a course. That information is passed to the faculty secretary, who will forward it to the college book store, which will then decide how many copies to order, often looking first to the second-hand market. Ultimately, students will order books through a book store, which then places an order with McGraw-Hill, or they may buy them directly from a website.

The Vision and the Process

Six months into the process of merging the companies, the president of McGraw-Hill announced his new vision for the company to become the most successful marketer of educational materials in the world. As McLaughlin notes, this created an immediate problem because, "we did not have a marketing information system".

Because the vision came from the top level, making a pitch for investment in a new SFA system was made easier, however:

> "As soon as my boss launched his vision statement, we just grabbed on to that and used it as the argument for why we needed to implement this new system. We started building the business case to review with the rest of the corporation. To be able to incorporate your president's vision statement to support your business case makes for a very solid argument, something you do not get to do very often."

It was recognized early on that the company would need external help to guide it through the process. Following a visit to a conference at which Goldenberg was giving a presentation on his ten steps of successful sales automation, an approach was made which led to his appointment as consultant on the project.

The ten steps used by Goldenberg are as follows.

1. Determine the functions to automate.
2. Automate what needs to be automated.
3. Gain top management support.
4. Employ technology and information smartly.
5. Secure user ownership.
6. Prototype the system.
7. Train the users.
8. Motivate personnel.
9. Administer the system.
10. Keep management committed.

McLaughlin says that while McGraw-Hill chose to work with Goldenberg and follow his steps, any process which gives a clear structure is vital:

> "Any process that will help you improve your decision making – ten steps, the 40 steps, whatever it is – those things are there for a reason. A business plan forces you into organized decision-making. Sales managers are skilled at using their intuition to make decisions but sales mangers are really bad at sales force automation – they need a lot of people around them to guide them and to protect them from themselves. Without the help of Goldenberg and the cross-functional team, I'm sure we were doomed to fail."

First Steps: Identifying Needs and Achieving Buy-in

By the end of the first sales season following the merger, the systems and integration issues had shown themselves to be real problems. In May 1997, McLaughlin assembled a working group of 25 people to develop a vision for the new system. Initially, a one-day session was held involving employees from across the company, to develop the concept beyond just SFA towards a CRM tool. This was to reflect that as well as the sales department, editors and marketing managers also have contact with customers. As McLaughlin says:

> "The people that write our texts books are also the people we sell to. The people from whom we get advice about marketing the books are also the faculty members and our customers."

Out of this came an idea for a system offering marketing, editorial and sales automation, which was given the name MESA. Both the system and the sales process that it would support were mapped out and clarified. Following the session, the entire sales force was sent a questionnaire asking detailed questions about what they wanted from the system, the benefits they expected and how it would improve productivity. Once the replies were assembled, a needs analysis was carried out.

McGraw-Hill then picked members for a super-user group, involving sales managers and representatives who understood IT and were ahead of the curve in understanding its role. This process meant the group's needs were clearly defined, were business-driven and had support among the sales force and the wider organization. Very clear needs emerged from the working party and the survey. The key drivers were to increase revenues and efficiency. McLaughlin says:

> "There was not a great deal of discussion or argument there – these literally were the easiest decisions to make, because we had done the up-front work."

A major opportunity was identified to improve the management and usage of customer information. In developing the business case, one of the issues examined was how territories performed following a change of sales representative. With no 'institutional memory' or an existing system in place, account information and history was not carried forward, so each time a promotion or departure occurred, the new representative started with little information in hand. McLaughlin describes the situation:

> "What happens in a territory like that, without information there is a 6 to 9 month start-up time and in those territories we were losing about $150,000 revenue in a year. We were not growing the business by 7 per cent, we were declining by 8 or 10 per cent. When you turn over 27 territories, that is about $4 million a year where we have no institutional memory. Part of our business case was that we were only planning to capture half of that back, and just that element alone paid for the entire system."

The business case showed that revenue increases of $2 million would be achieved just from having a customer management system which increased efficiency. Additional sales which resulted would be incremental to that, making the case very powerful. This was key to overcoming any resistance, as McGraw-Hill has a defined and detailed process for approving investments. As McLaughlin says:

> "Clear business plans should do most of the work. It was probably the most important thing we did, it was the most valuable exercise, because it helped us to clarify the revenue that we promised to deliver to the corporation. It clarified all the costs, it drove a lot of assessment issues as we selected a vendor, and it really helped us to create the message of MESA, not just for ourselves, but for the rest of the organization."

Internal marketing was carried out to sell-in the idea of the system across the organization, using the business case to explain the benefits. This helped McLaughlin to side-step what is known within the company as a 'CTE' – a career-terminating event:

> "I was warned by the senior technical officer that he had witnessed several failed automation attempts at McGraw-Hill and he asked if I was feeling comfortable about my job. I wasn't completely comfortable but I did not tell him that."

Choosing the Technology and Prototyping

Having won top-level support for the investment and organizational support for the implementation, being smart about which technology to adopt was critical. During 1998, it was recognized that the solution used had to be web-based, as this matched the sales process, the data model and the business requirements.

This shaped the vendor selection process, rather than allowing the technology on offer to shape the implementation. Says McLaughlin:

> "Sometimes picking the technology, there are so many interesting vendors and good systems that the selection is one of the more enjoyable parts of the process. The hard part is project management, and it is all the specific activities which are required each day that drives the success of your project. The challenges are people, project management, discipline and implementation. In the end, that is what sales force automation is really about – it is not about technology."

As the sales force had been involved in the process from the start, their adoption of the system was easy to gain. It helped that the existing system was so poor because it had become a 'quality of life' issue for them, creating considerable dissatisfaction. The implementation team largely consisted of members of the sales force.

Prototyping was then carried out in-house to build on this. Three vendors were asked to show what their system would look like under real business conditions, from an initial list of ten. During January 1999, a pilot group in-house adopted prototype systems to run their day-to-day business, delivering real-life learning about which worked best. As a result, the final system implemented is different from the original prototype. The final choice was also piloted among a group of 15 field sales representatives, who worked with it for three months before it was rolled out. McLaughlin says:

> "It is much faster, it is more simple, and it is more subtle than what we started out with."

Substantial time and money was invested in training. A training team was assembled four months before the system was rolled out, comprising 15 sales reps and managers. They became the trainers and experts for the rest of the organization. This avoided the system being owned by the IT department, rather than its users. An iterative approach was adopted in which pilot groups were trained and then learning taken from them about which aspects of the training were good and bad. At each stage, the training materials and presentation were changed to reflect comments. All regions and field groups were then put through the improved training programme, which has received positive feedback.

Multiple formats were adopted for the training, covering face-to-face, written materials, and 'Stream Cams' – video clips on a CD-ROM, which could be accessed from a home or desktop PC. McLaughlin points out that:

> "People learn in different styles, some learn by sitting in a classroom and watching it being done and then practising, some love to read manuals, and other people like to see it on the screen. We developed a tool where the reps can go back and do a refresher – it is like a video that tells you how to do this and that function."

The training was also delivered in a competency-based fashion, with a list of 50 competencies which the manager of each representative being trained had to ensure they were familiar with in order to work effectively with MESA.

Motivation, Administration and Commitment

McLaughlin's view of the old systems is clear when he says:

> "The only true teacher is pain, and painful systems and poor performance are a terrific motivator for a sales force to get involved in a new system."

As the new system was implemented, newsletters were produced on its progress, demonstrations were carried out at sales meetings and word of mouth was built up. This meant everybody in the company understood what MESA was for, creating a demand for training on it.

The sales force was also motivated by being told it would deliver the 'three X factor'. This was the value calculation for what the new system would deliver, says McLaughlin:

> "The three X was, whatever time you invest in building this system will give you three times the value."

This was most evident in the savings to be made on the administration of the sales process. Previously, sales representatives had to provide the same information repeatedly, in call reports, to managers and to editors asking about sales prospects. With MESA, they would enter data once and everybody would have access to it.

Introducing systems administrators was a surprising requirement for McGraw-Hill, although it is identified in Goldenberg's ten steps. With 280 laptop users in the field, keeping the system and data straight demanded specific resource, however. A commitment was made to develop the sales manager who had been central to the system into a full-time CRM manager. A help desk has also been set up which has extended hours to provide support outside of office working time. Says McLaughlin:

> "We have been really thoughtful about the support plans and continue to look at ways in which we can improve that."

To keep senior management committed, a MESA steering committee was formed early on, comprising the chief technical officer and senior executives from the organization. This ensured that they understood at each stage what was being done, with no sudden surprises. A video was made which was shown during training sessions to demonstrate the committee's support:

> "As the reps attended training, they would watch my boss talk about how MESA fits into the corporate mission, how it fits into his initiatives, and how it all fits together with where we are heading as an organization."

Roll-out and Benefits

In the roll-out process, the sales force was given key objectives which they had to complete, including merging and purging their data and building sales opportunity files. Their competencies have been defined and trained, sales objectives have been set, and the system has been implemented.

McLaughlin identifies some critical success factors in getting the SFA live within McGraw-Hill. The most crucial of these has been using an external consultant as a guide. The needs assessment was essential, and was both thorough and driven by the sales representatives themselves. Writing a detailed business plan, despite the difficulties this represented, "was probably the most important thing we did".

A rigorous evaluation process of the systems vendors was followed, with a consensus decision being made. This was possible because the business case had made the requirements very clear. One thing which McLaughlin would do differently is applying more rigour to the selection of team members:

> "I do not think that we thought a lot about picking the team members. We asked for volunteers and weeded out as we saw people who would get things done and people who would not. It is really critical to think about the team members – their commitment, desire and shared vision is what really makes this happen."

Careful thought was given to the timing for implementation of the system. Originally, December was seen as a target date but as this was in the middle of the selling season, this was changed. In the end, the process took far longer than was originally anticipated, taking two years to reach completion. It also cost more than was expected but because of the commitment of senior management, these budget over-runs were accepted. Additional costs included the unforeseen need to replace 50 PCs and 190 laptops to cope with the software.

Leadership of the process helped to drive it through and keep it on track, which meant a combination of both listening and being firm about keeping people to their commitments. McGraw-Hill chose a small vendor which was also feeling its way forward, which required careful management as McLaughlin notes, "they performed, it just takes a little more patience and hard work".

A key pay-off for the sales force has been in the promised productivity. They have identified between four and five hours of extra working time per week won back as a result of using MESA. The uplift in sales and cost-savings expected will reveal themselves during the first selling season to be carried out with the system in place at the end of 1999.

Key Learning Points

1. The project was driven by the vision of the company's president to become the most successful marketer of educational materials in the world, even though at that stage no marketing information system was in place.

2. McGraw-Hill recognized the importance of following a structured implementation plan and chose the ten-step process proposed by Bart Goldenberg.

3. A cross-functional working group was established to develop beyond purely sales force automation towards CRM. This team mapped out the system and sales process. A senior management committee was also involved from the start.

4. A super-user group was set up to benchmark the system against their needs. The application was also piloted by a user group prior to roll-out.

5. The business case was based on making $2 million in incremental sales from increased sales efficiency alone. For users, the pay-off was a three-fold return on the time they invested in building the system, in terms of more productive selling hours.

6. A competency-based training programme was adopted, delivered in multiple channels – face-to-face, written, and interactive CD-ROM.