A Shocking, but True, View of CRM

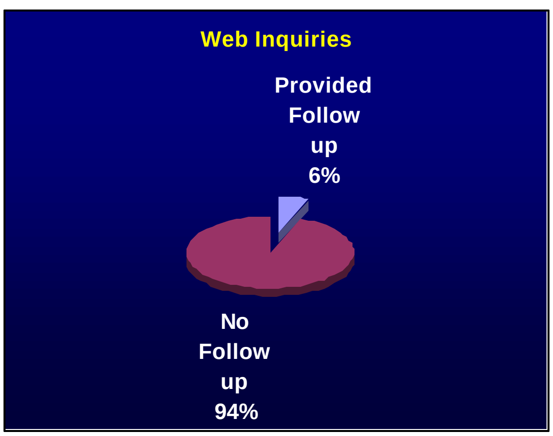
By Randy Davis
Sr. Vice President, Staffware eCRM

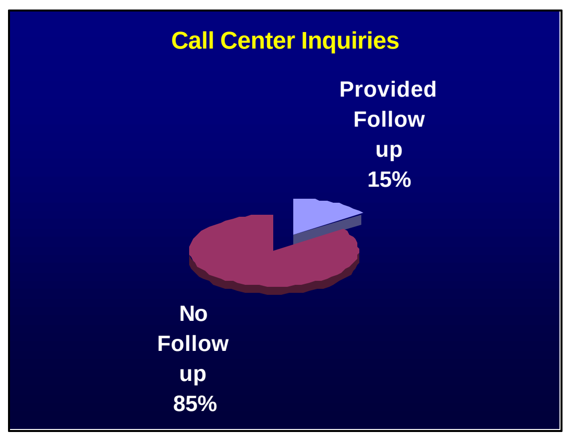
The current state of CRM today is abysmal. It looks a little like the days of ERP.

Celent Communications recently completed a test of 150 financial institutions' ability to respond to a highly qualified prospect looking for a loan. The result? As a group, the financial institutions failed, and they failed miserably.

Celent contacted the institutions via their Web sites and by directly calling their call centers. The institutions were judged on their ability to follow up on the initial contact, to respond with helpful or requested information and their attempts to cross sell or up sell the prospect.

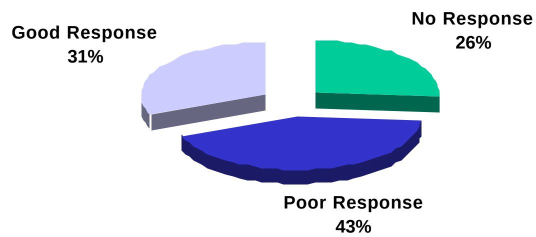
Unfortunately, Celent found that Web inquires were followed up only 4% of the time, while Call Center inquiries were followed up 15% of the time.





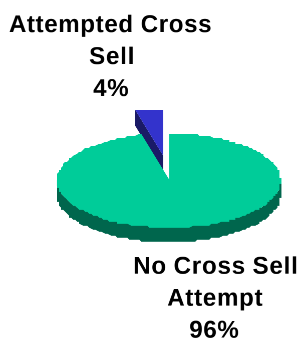
Celent also judged the quality of the response their hot prospects received when they spoke with a call center representative. Only 31% of the responses were deemed "good," while 26% of the responses provided no information requested, and 43% of the responses were "poor," that is, the prospect was given inadequate information, or referred to another phone number or to the Web site.

Call Center Response



Most shocking were the attempts at cross selling or up selling the prospect – which goes right to the heart of why companies are in business – to generate revenue. Only 4% of the time was any attempt made to cross sell or up sell.

Cross-Selling Performance



Celent is quick to point out that these results are not unique to the financial market, but can be found in retail, healthcare, manufacturing, fast moving consumer goods, and so on. Something is terribly wrong. Institutions seem to be good at providing good channels (Web/Call Centers) whereby interested prospects can contact them, but do a lousy job at fulfilling the expectations created at the point of contact.

Gartner Group, in fact, states that "many enterprises have failed to achieve promised CRM results, and customer satisfaction is falling." It appears that the Celent study substantiates this view.

What Has Gone Wrong?

You are probably well aware of recently published statistics: 70% of CRM implementations fail to meet expectations or fail outright. The reasons for CRM failures can be attributed to several factors:

- Focusing on CRM as a technology or a project rather than as a strategy or program *supported* by technology
- Trying to do too much too soon in a "big bang" approach
- Failing to inculcate the company with a customer-centric attitude
- Lacking a clearly defined strategy that supports a CRM philosophy
- Thinking that "time to implement" is important rather than "time to benefit"
- Failing to obtain CEO sponsorship
- Failing to reengineer fundamental business processes – Front *through* Back

Although the CRM industry is growing at a 40% rate each year, the number of customer complaints is increasing at a 140% rate. **Clearly there is a fundamental breakdown between the promise of CRM and the fulfillment**. In fact there is a "process gap" that exists between the work *initiated* by CRM, and the *completion* of that work through the organization. William Brendler defines this "process gap" as "the customer wants one thing and the process produces something else."

Many CRM companies attempt to define CRM in *their* image, and in ways that often sound academic rather than rooted in the more mundane practicalities and challenges of a dynamic business environment.

Those same companies often take a "we know better," "out of the box" approach to CRM implementations, along the same lines that some Enterprise Resource Planning (ERP) companies took. Unfortunately common phrases heard during an ERP implementation were "send a payment," "say a prayer," and "slow and painful." But as companies in a variety of industries learned the hard way, a vendor's "vertical, out of the box solution" does not guarantee suitability for any particular company's business model.

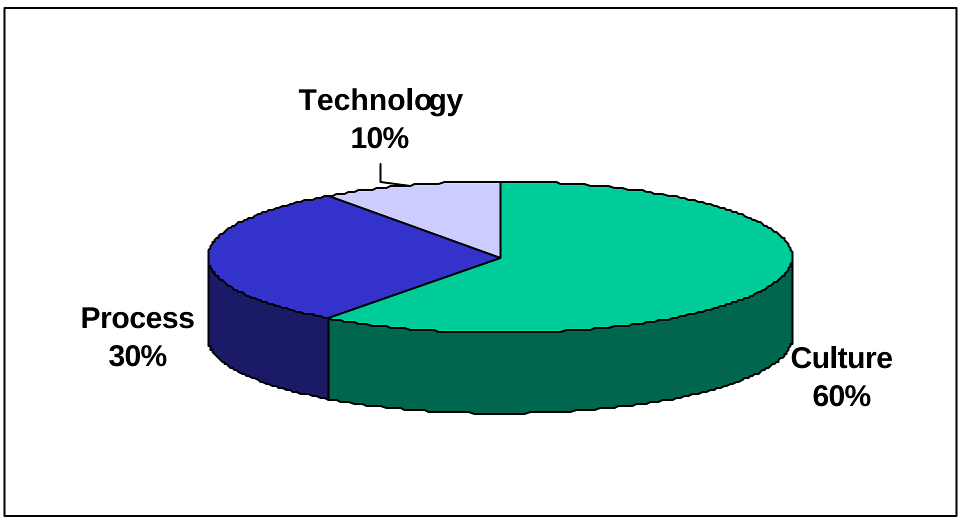
Many of the most expensive ERP systems, and some CRM systems, are significantly "hard wired" applications which presume to address a company's business requirements. Cosmetic changes can be made easily, but adapting the underlying functionality to a particular business model proves expensive and time-consuming - even though the vendors claim otherwise.

The Myth of Accelerated CRM

In their attempt to sell software applications, several vendors today are promising CRM implementations within short periods of time.

Such claims really reveal a *fundamental* misunderstanding of what CRM is. The myth of accelerated CRM indicates a mistaken belief that CRM is primarily or totally a technology problem or merely a project. Technology may in fact be the least of a company's worries.

A better viewpoint is that the implementation of CRM is more of a program, and is roughly divided into the following requirements, most of which are organizational rather than technical. Barton Goldenberg of ISM articulated the breakdown as thus:



The Breakdown of CRM

- **60% of a CRM implementation requires changes or enhancements to the behavior or culture of a company.** This has to do with employee and management attitudes toward customers, specific behaviors in dealing with customers or prospects, executive sponsorship for customer-centric processes, etc.

- **30% of a CRM implementation requires changes or enhancements to the work processes people use to interact with customers and fulfill requests**. If the workflow processes are inefficient, automating them will not eliminate the inefficiencies. As part of a CRM implementation, companies often must re-evaluate what they do, why they do it, and how they do it. It should also be recognized that CRM systems typically have their own self-contained "spheres of automation" that prevent them from managing and controlling work tasks outside of their own modules or applications.

- **10% of a CRM implementation is technology**. If the first two requirements are not adequately addressed, the use of technology may bring no benefit to the company. However, having said this, Staffware also believes that once the necessary changes have been made in behavior, culture and workflow processes, then the technology becomes 100% important. The technology must be capable of adapting to the changes the company makes.

Probing Question: If 90% of CRM is culture and process, particular to your company, how can any CRM vendor deliver you an "out of the box" solution? Are you an "out of the box" company?

This raises an important question: if the CRM company has pre-defined its solution in terms of an highly structured application, how can it then adapt that pre-defined solution to the changes and needs that are particular to a specific company? In our experience, most highly structured applications (like ERP) are also highly difficult to change or adapt to a unique or dynamic business model. Companies are then faced with the decision: do I adapt my business to the pre-defined requirements of the software, or do I adapt the software to my business? If a company like yours needs to change the way it does business to adapt to consumer needs and demands, that change should not be dictated by the software.

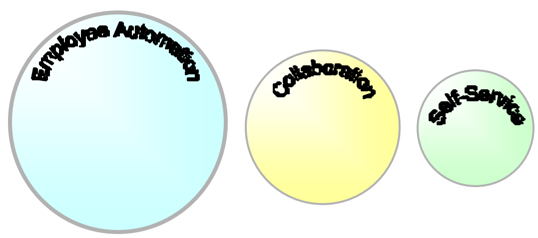
For companies that choose to adapt the software to its business, a more viable CRM solution is one designed to change and mold to a business' dynamic infrastructure – and one that distributes CRM functionality throughout the *whole* organization.

The Process Gap

Staffware believes that a good CRM solution lies in proven business practices rather than in the latest gadgetry. We also believe that the reason for the breakdown between the promise of CRM and the fulfillment lies in the breakdown of fundamental business processes that are disconnected or disjointed rather than the failure of technology. This is the process gap mentioned earlier.

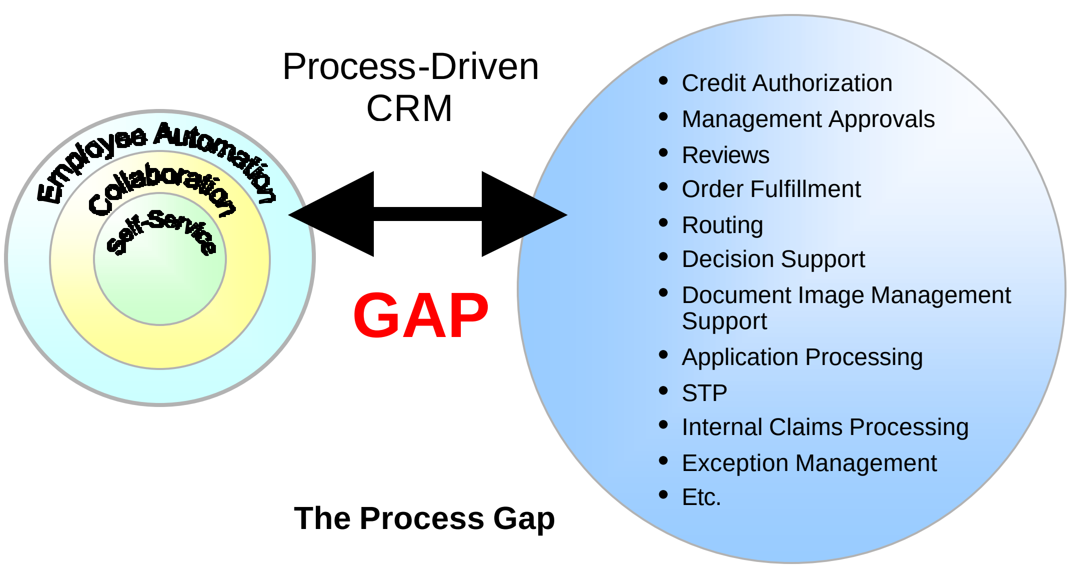
CRM Spheres of Automation

CRM is comprised of certain spheres of automation. Each sphere is designed to handle some form of employee, customer, partner or supplier interaction. For example, Employee Automation encompasses Sales Force Automation, Marketing Campaign Management, Customer Support and so on. Collaboration Automation encompasses providing employees, customers, partners and suppliers with the ability to work with each other towards some common goal (design, services, products, etc.). Self-Service Automation enables various stakeholders to obtain needed products, services or information without direct human interaction.



CRM Spheres of Automation

Most CRM systems do a very good job of providing “workflow” within each of the spheres. This is called “intra-application” or “intra-module” workflow. However, an entire system of CRM-generated work tasks exists outside of the CRM spheres of automation, and these work tasks are required to fulfill requests generated by CRM. The Celent survey is an excellent example of the breakdown between CRM generated requests and the fulfillment of those requests.



The Process Gap

The problem is that CRM systems are not designed to extend the management of work beyond themselves. Because most CRM systems provide only "intra-application" workflow, they can only pass off work that needs to be fulfilled outside of CRM; they cannot complete it.

A New Approach: Process-Driven CRM

Today, companies need to look for technology solutions that directly address the "process gap" problem. Many vendors have good, solid technology, yet most, if not all, do not understand the need for a different approach to CRM.

First, admittedly, technology vendors are only part of a triadic solution comprised of The Customer, The Implementation Experts, and The Technology.

Second, a new trend is emerging: the need to understand the importance of **Process-Driven** CRM. The fact that the CRM industry is growing at 40% per year, and customer complaints are growing at a much greater rate suggests a breakdown between what CRM is doing and what is required by companies to satisfy their customers. CRM is only part of a company's business systems, and simply "integrating" CRM systems with other systems does not mean that the required work is being done by the right people with the right information in the right time. CRM systems often create large numbers of work tasks, many of which can be handled, tracked and managed within the CRM system itself. However, there are many times when tasks have to be handed off to personnel or to other systems outside of CRM. Almost all current CRM systems lose sight of and responsibility for the work task at the point of hand-off; as a result many of the tasks created by a customer's interaction with the CRM system are poorly handled or lost altogether.

A *Process-Driven* CRM system is based on the tight integration of CRM functionality with enterprise-level business process automation called Workflow. Workflow is the ability to take a task and automate its delivery, schedule, management, associated data and documents, audit and reporting, and completion – inside or outside of the CRM system, and between any other software system in the company required to complete the work. The tight integration between CRM and Workflow enables the users of the CRM system to keep sight of the customer fulfillment tasks they've created, and to respond if there are delays or problems with completion.

The Seven Critical Functions of CRM Workflow

Staffware has identified seven critical functions of automated workflow that directly address the volumes of work tasks created by CRM interactions.

- Electronically links all of a process's internal and external participants - clients, employees and service providers, establishing a virtual electronic organization
- Standardizes enterprise best process practices across all organizations
- Immediately moves work to the appropriate next participant in the business process
- Automatically performs or eliminates non-value added tasks unique for each process step:
  - Gathering, formatting and presenting information and electronic documents pertinent for each unique task activity
  - Producing notices, correspondence and communications to parties related to the process
  - Logging, monitoring and reporting processing progress and logistics
- Manages service standard activity deadlines and automatically performs the prescribed remedial action(s) when they have been exceeded
- Automates and manages customer specific process variations
- Monitors process volume and activity and participant workloads

Two Examples

By addressing the breakdown between the front-end and the back-end within their own company, one of our large insurance customers, Anova, experienced the following benefits:

- A decrease in outstanding "work-in-progress" jobs from 60,000 to 4,000
- A reduction in weekly calls from 18,000 to 10,000
- A change in the majority of calls from complaints to requests for information
- A reduction in the time it takes to process a claim or application from 16 days to 2 days

Another customer, Capella University (an eUniversity), recognized the need to manage CRM-generated tasks throughout the organization, Capella is:

- Managing and monitoring the sales and marketing processes
- Managing and monitoring related tasks like:
    - Student enrollment
    - Student registration
    - Student aid processing
    - Faculty and Administrative review and approval

For any company looking for a tangible return on investment for its CRM solution, the key is working with a CRM partner that understands why CRM implementations breakdown, and has proactively addressed a key part of the problem with enterprise Workflow.

Staffware can be contacted at 1.800.766.7355
Mr. Davis can be contacted at Rdavis@StaffwareCorp.com.
Visit us at www.Staffware.com or www.StaffwareInsurance.com.

Acknowledgments:

Statistics from the Celent Communications report were obtained from a Webcast on Financial Services, "Missed Revenue Opportunities – Financial Services Companies," August 22, 2001. Celent can be reached at www.celent.com.

Regarding "The Process Gap", quote is from "People and Processes Make CRM Work," by William F. Brendler as published on destinationCRM.com. Mr. Brendler is president of Brendler Associates and is an expert in the human challenges associated with implementing new technologies.

About the Author

Randy Davis serves as Senior Vice President/Director of the eCRM Line of Business for Staffware, the leading business process automation software company specializing in eCustomer Relationship Management (CRM), workflow automation and eProcurement/Commerce solutions.

Davis is responsible for providing strategic direction and focus to the CRM sales efforts of Staffware throughout the U.S., Canada and Latin America.

About Staffware

Staffware is the founder and market leader in the business process automation industry, specializing in workflow automation, e-commerce and customer relationship management (CRM) software. As a premier software company, Staffware helps medium-to-large enterprises automate, manage and streamline business processes, while boasting more than 1.3 million licensed users worldwide. Staffware has leading market share and expertise in industries including banking, securities, insurance, government, telecommunications, energy and utilities. Staffware's workflow solutions are recognized as the world's leading business process automation products and Staffware's CRM product is the only CRM solution to hold the coveted ISM award for six years.

Staffware employs over 400 people worldwide and is represented in 19 countries with strategic partnerships covering all major metropolitan cities around the world. Staffware, in conjunction with its partners, provides complete service capabilities to ensure applications are designed and deployed according to best practice standards. Staffware has grown 600 percent in the last five years. U.S. Executive Headquarters are located in New York City with the main support and services office in Arlington, Texas and the research and development center in Spokane, Wash. To learn more about Staffware and its services, view www.staffware.com.