CHAPTER
2

A Review of CRM Failures

CRM is expected to remain an important part of the commer-cial and government landscape, with projections of 9 percent CAGR between 2003 and 2007.[1] In addition, government agencies are rapidly adopting and adapting commercial CRM ideas. The entire annual CRM market is expected to reach $14.5 billion in 2007, compared to $9.6 billion in 2002.[2] As an executive at a large insurer put it:

> CRM is a very important business solution. Our [customers] want better tools and capabilities and product options, and they're driving us into this space. But there's a heavy risk involved. How you connect CRM to the back office and bring customers on board makes all the difference. When you stumble, the very credibility of your company is at stake.[3]

Indeed, while CRM is expected to grow, shortfalls in returns are expected to continue. Recent industry research shows that only 16 percent of CRM projects provide real, reportable business return on investment (ROI).[4] In a related study, of the 43 percent of respondents who claimed to have achieved success in their CRM projects, only half of this group was able to cite solid details about returns. An estimated 12 percent of projects fail to go live at all.[5]

Clearly, CRM remains a vital yet risky enterprise, with success riding on organizations correctly approaching its planning and implementation.

The remainder of this book is dedicated to providing background and guideposts needed to forge a workable approach to CRM. But first, it is instructive for executives and teams to understand what types of failures occurred in the past, why, and their business impact. Knowing the pitfalls will help firms understand the need for a new approach and improves the probability of capturing the opportunity CRM represents.

CRM failures have been costly, disruptive, and embarrassing. Red ink, shareholder losses, upset customers, lost market share, lawsuits, and career setbacks are all typical outcomes of CRM failures. Several such failures have been publicly documented as companies have cited CRM problems for performance shortfalls during earnings announcements. In this chapter, we have collected some of these stories. Obviously, few companies are willing to detail failed initiatives but the information available provides strong indications of patterns of failure. In addition, the authors have personally seen the aftermath of many situations where initiatives had gone awry and these experiences, together with the documented failures, provide an eye-opening dossier of reasons for failure. Ultimately, the mistakes of the past will help to set the proper expectations and goals for the future.

What Went Wrong with CRM

In January 2002, Philadelphia-based CIGNA HealthCare migrated 3.5 million of its members to new claims processing and customer service processes and systems.[6] The broad-based $1 billion initiative

included CRM and an overhaul of its legacy technology infrastruc-
ture. Benefits did not materialize as planned and resulting impacts on
customer service caused the nation's fourth largest insurer to lose 6
percent of its health-care membership in 2002.

CIGNA wanted integrated processes and systems for enrollment,
eligibility, and claims processing so that customers would get one bill,
medical claims could be processed faster and more efficiently, and
customer service reps would have a single unified view of members.
This meant consolidating complex back-end processes and systems
for claims processing and billing, and integrating them with new
CRM applications on the front-end. The project required complex
technical work and an overhaul of the way business processes work
together between front and back office as well as an overhaul of cus-
tomer service staffing levels and skills. In addition, new processes and
applications were designed to allow members to enroll, check the status
of their claims and benefits, and choose from different health-plan
offerings—all online.

There are several reasons why CIGNA was under considerable
pressure to make these changes. First, along with other insurers such as
Aetna and Humana, they were being sued by thousands of doctors
about payment delays. They were also being accused of deliberately
rejecting or delaying payments to save money. (CIGNA recently settled
most of the doctors' lawsuits by pledging faster and more accurate
claims processing with the new integrated platforms and promising to
pay millions to physicians in compensation.) In 2001, Georgia's insur-
ance commissioner found serious issues with CIGNA's claims processing
system and it was fined by the state of Georgia. CIGNA signed a con-
sent order pledging to reform its claims processing system.

Also, during sales cycles, CIGNA had promised large employee accounts that it would have revamped systems for improving customer service up and running by early 2002. Finally, the company had reported disappointing second quarter results in 2001 and was under pressure to cut costs. Although some selective hiring of staff was planned in order to alter the firm's skills mix, the goal was a net reduction of staff by 2,000 people through layoffs.

At first, CIGNA conducted small scale migrations, moving its members in small groups of approximately 10,000 people at a time. During this time, problems were limited and manageable. At the same time, the customer service areas were being revamped in anticipation of the new-fangled systems. Huge gains in claims processing and customer service efficiency were expected, and the company started laying off reps as part of a consolidation of service centers. In 2002, the company terminated 3,100 employees and spent $33 million in severance payments. CIGNA also invested $32 million in the new regional service centers.

At this point, in January 2002, with members renewing and new members lining up, the company performed a mass migration to the new infrastructure. Serious problems emerged immediately. Members had trouble obtaining, confirming, and inquiring about coverage. Employees at one member company effectively lost coverage due to membership data problems. Member ID cards were issued with incorrect numbers and prescription icons. Some people could not get their prescriptions filled at drugstores.

As a result, a flurry of inquiries put CIGNA's new customer service operation to the test. But lower staff levels left the centers short-handed. Customers who phoned were put on hold, and when they did get through, some of the new reps struggled to navigate the new systems.

In addition, data from back-end systems did not show up properly in the customer service systems, making it difficult for reps to fully understand the customer's situation.

In the rush to go live, the system's ability to handle claims and service from front to back and in large volumes was not adequately tested. Problems in one area cascaded into others; staffing levels were inadequate, and staff were improperly prepared. Rather than realize that benefits would come over time as the company became used to new processes and systems, they expected them the day the switches were flipped.

Given this experience, CIGNA has now slowed down the pace of migration and solidified the processes, systems, and staffing. It also has improved testing practices. By mid-2002, CIGNA was moving new members without major problems. In January 2003, it successfully performed a significant migration of 700,000 members. It also successfully launched *www.MyCIGNA.com*, a website for members to look up their benefits, select health plans, check claim status, search for health information, and communicate with nurses online.

Now that the problems have been handled, the company is processing medical claims more efficiently and servicing customers better than in the past. Some of the initiative's original goals have now been achieved. The elimination of duplication in claims processing and billing, as well as other benefits, have allowed the company to streamline its sales force and medical management team. However, the price tag for the project has exceeded the $1 billion planned and significant damage was done to the company's reputation and its financial performance.

CRM Contributes to a Scary Halloween for Hershey

Candy producers record 40 percent of their annual sales between October and December. Halloween, the biggest candy-consuming holiday, accounts for about $2 billion in sales.[7] For a candy producer, missing Halloween is like a toy company missing Christmas. Unfortunately, in 1999, that's just what happened to Hershey, the nation's largest candy maker.[8] Just before the big candy season, shelves at warehouses and retailers lay empty of treats such as Hershey bars, Reese's Peanut Butter Cups, Kisses, Kit-Kats, and Rolos. Though inventory was plentiful, orders had not arrived and distributors could not fully supply their retailers.

Hershey announced in September that it would miss its third-quarter earnings forecasts due to problems with new customer order and delivery systems that had been recently rolled out. The new enterprise resource planning (ERP) and CRM processes and technology implemented earlier in the year had affected Hershey's ability to take orders and deliver product. The $112 million system aimed to modernize business practices and provide front-to-back automation from order-taking to truck-loading, but Hershey lost market share as problems allowed rivals to benefit during the season. Mars and Nestlé both reported unusual spurts of late orders as the Halloween season grew nearer. The most frustrating aspect of the situation is that Hershey had plenty of candy on hand to fill all its orders. It just couldn't deliver the orders to customers.

By December 1999, the company announced it would miss already lowered earnings targets. It stated that lower demand in the last few months of the year was in part a consequence of the earlier fulfillment and service issues.

Hershey had embarked on the project in 1996 to better coordinate deliveries with its retailers, allowing it to keep its inventory costs under control. The company also needed to address Y2K problems with its legacy systems. CRM, ERP, and supply chain management systems were implemented, along with 5,000 personal computers and a complex network of servers. The intention was to integrate these software and hardware components in order to let the 1,200-person sales force shepherd orders step-by-step through the distribution process. Sales could also better coordinate with other departments to handle every issue from order placement to final delivery. The system was also designed to help Hershey measure promotional campaigns and set prices, plus help run the company's accounting operations, track ingredients, and schedule production and truck loading.

Hershey realized that the business process changes involved with such a transformation were highly intricate. However, despite the size and complexity of the undertaking, the firm decided on an aggressive implementation plan that entailed a large piece of the new infrastructure going live at the same time. Unfortunately, the project ran behind schedule and wasn't ready until July 1999 when the Halloween orders had already begun to come in. Problems in getting customer orders into the system and transmitting the correct details of those orders to warehouses for shipping began immediately. By August, the company was 15 days behind in filling orders, and in September, order turnaround time was twice as long as usual.

In recent years, Hershey sales growth had exceeded its rivals, and the company was expecting 4 to 6 percent growth that year. However, sales instead slipped and the company admitted that problems with the new system alone had reduced sales by $100 million during the period.

In the past few years, other companies have experienced similar CRM-related problems. For example, printer manufacturer Lexmark abandoned a CRM initiative in 2002 and announced that it would take a charge of $15.8 million.[9] Similarly, Agilent Technologies blamed its quarterly profit shortfall in August 2002 on problems installing a new company-wide software system.[10] Separately, Carsdirect.com estimated in a lawsuit that it suffered $50 million in operating losses due its inability to adequately meet customer demand after installing customer-tracking tools.[11]

The cost of CRM failure is dramatic and can take its toll in many areas of the business. The following summarizes the typical impacts by category:

Financial Performance

- Market share and operating losses

- Failure to achieve a return on investments

- Budget overruns

- High post-implementation running costs

Customer Service Quality

- Customer confusion, frustration, and dissatisfaction

- Lower service levels

- Slower time to market

- Negative brand perception

Sales Effectiveness

- Lower sales force productivity

- Increased sales force cynicism toward new systems

- Increased sales force turnover

Cultural Impacts

- Low morale within IT and affected departments

- Growing cultural cynicism within the company toward adopting business change

- Company-wide loss of confidence in its ability to enact change

- Lost jobs in the executive suite

- Propensity for companies to become overly conservative with regard to investments in strategic initiatives. This leads to dampened innovation, a failure to strengthen advantages, and deferring the update of aging processes and infrastructure

Why CRM Projects Fail

Because it changes the way a company interacts with customers and the daily jobs of thousands of people throughout the organization, there are many potential failure points for CRM. These implementations are strategic in nature, change policy and business practices,

Exhibit 2.1
Leading CRM Risk Factors

(% citing risk in top 3)
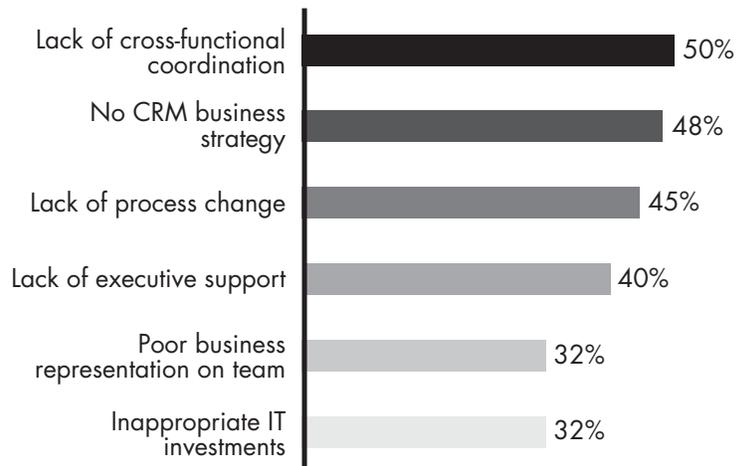
Source: Meta Group, *Leadership Strategies in CRM*, January 2000; Data Warehousing Institute (March 2001).

and require the entire organization to coordinate closely toward specific goals. Exhibit 2.1 demonstrates the most commonly cited reasons for failure.

Like all complex initiatives, risk exists and must be managed. The following section describes the most common reasons for failure using broadly defined categories:

- Poor objective setting

- Lack of senior leadership

- Inadequate planning and scope setting

- Implementation missteps

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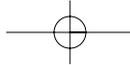
- Lack of change management

- Inadequate post-implementation operation

Poor Objective Setting

These failures relate to the overall aims of the initiative. In many ways, these are the most common cause of CRM failures, as poorly defined goals complicate downstream efforts and undermine end results.

Failing to Align Initiative with Strategy

As introduced in Chapter 1 and covered in more detail in the next chapter, CRM initiatives must be properly aligned to firm strategy. Unfortunately, most initiatives tend to be based solely on gains in efficiency and do not produce any competitive advantage. Little consideration is typically given to how the goals of the CRM initiative will help bolster the firm's unique competitive advantages in the marketplace. As a result, arduous and expensive efforts result only in minor efficiency gains that come after the big changes initially slow the company down. The overwhelming majority of companies fail to align goals to strategy, so much so that it is a rarity for a CRM initiative to begin with a discussion of the firm's competitive advantages in the marketplace.

In one case, a financial products and services company spent over $10 million on efforts to duplicate its highly complex customer-specific contract process. This required significant modification to a software package that didn't support such processes out of the box. Eventually the process was halted as senior management became aware that the program was not helping address its more fundamental

issues—the obsolescence of certain product lines and the need to diversify into new markets.

Failing to Anchor the Initiative

Planning and implementing CRM projects is a difficult job requiring experienced program managers capable of shepherding through policy, processes, people, and technology change while keeping all branches of an organization, several teams, and multiple vendors in concert. We have observed that successful initiatives tend to be anchored firmly in the objectives they follow. For example, they are either focused on making select strategic changes, re-platforming existing processes, or converting current processes to Best Practices (often those found in purchased software packages). Some successful programs contain a combination of all three, but most are more focused. Exhibit 2.2 describes this anchoring.

Without clarity around the type of goals being pursued, the program will default to a hodge-podge of all three objectives. In this unsatisfactory situation, few within the organization agree on the goals. Without alignment and a strong guiding light, decision making is difficult, compromises are rife, and initiatives tend to limp across the finish line late and without fully satisfying any of the stakeholders.

Focusing on Internal rather than Customer Priorities

In pursuing CRM, many organizations focus on existing customer processes rather than enhancing or building new interactions that customers may prefer. They typically fail to spend enough time critically evaluating their current operations from the customer's perspective, and this inside-out thinking can cause significant misfires.

Exhibit 2.2
Anchoring CRM
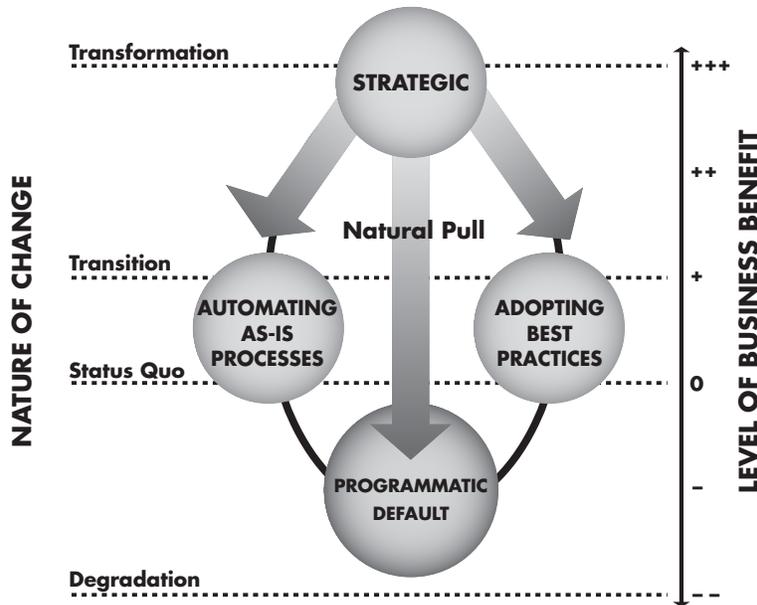
For example, General Motors Acceptance Corp.'s commercial-mortgage operation (GMACCM) managed to unduly upset customers during its CRM implementation in 1999.[12] GMACCM, which is an industry leader and known for its technological prowess, implemented an automated voice-response technology as the first point of contact with commercial loan customers inquiring about their loan balances and other information. But upon activation the company found that commercial customers simply weren't willing to spend time punching in numbers and navigating the system. Literally 99 percent of its 20,000 customers were calling the 800 number and zeroing out to a customer service "operator". Customers were annoyed, complaints were

up, and loan officers were losing business. Rivals used this misstep as a marketing tool to lure customers away.

In another example, Owens Corning began a CRM implementation project in 1992.[13] The company had acquired a number of smaller companies to expand beyond its core insulation product lines, which led to many pockets of unconsolidated electronic customer records. In addition, marketing approaches weren't consistent across the many parts of the organization. On top of this, the company was getting its internal processes updated and automated using a large ERP package which siphoned budget and attention away from the CRM effort and made it difficult for the CRM teams to create new types of interactions for customers. The over-emphasis on internal priorities bogged Owens Corning down, preventing vital customer-facing changes. Owens has stated that a better approach would have been to start with the customer wants and needs and work backward.

In case after case, poor results clearly illustrate the importance of gaining the customer's perspective up front. Objectives cannot be appropriately set unless the outside-in perspective has been attained.

Lack of Senior Leadership

In many organizations, top management is either not engaged at all, loses interest once the initial high-level decisions have been made, or doesn't focus long enough to ensure successful post-implementation operation. These kinds of leadership shortfalls sound the death knell for CRM initiatives.

Leaders Fail to Engage

BMC, the $1.5 billion software company, was an early CRM visionary and rode out two failed CRM initiatives before achieving success and

returns. In the first attempt, processes and systems were implement-
ed without the involvement of key executives or business units. The
new system suffered from very low utilization, with only 30 to 50
percent of users adopting it. The system was also plagued by prob-
lems caused by inaccurate data. The second attempt went forward
under the mistaken impression that all the users needed to get
onboard were more features and better data. The system again failed
to capture wide usage.

BMC's persistence paid off on attempt number three once they
realized the need for executive support. The project team obtained
C-suite commitment and formed a steering committee of IT and
business owners. In addition, more than 150 grass-roots–level sales-
people helped define the system's features and usability and this time
adoption soared to 97 percent.[14] BMC spent more than $10 million
on the third effort alone, but returns are expected to be in the order
of $70 million the next two to three years as sales reps increase their
leads and convert more of them to sales.

Another common leadership engagement issue is a tendency for
newly hired executives to be unsupportive of current or past CRM
initiatives. Often, these leaders have their own ideas on how things
need to be done. In most cases, however, this spreads confusion and
creates apathy or active opposition to the program. Risk of failure is
significantly increased as a result.

Leaders Disengage before Mission Is Accomplished

Even after high-level planning and approval is achieved, senior exec-
utives must stay with the program through completion and beyond.
Executives often lose interest once the project is underway, but teams

can easily lose control, and the various areas of the firm can quickly become unaligned. Another problem is that after implementation, companies often forget to carry out measurement procedures to assess how the initiative is performing. They also fail to tie employee and management compensation plans to the goals and results of the initiative. By engaging leaders at every stage, the majority of common risks and failings can be closely monitored and mitigated.

Inadequate Planning and Scope Setting

After objectives have been set, firms often stumble at the critical planning stage. Attempting too much, not addressing vital changes to business processes, and not removing organizational roadblocks are typical failings.

Attempting "Big Bang" Implementations

As the CIGNA and Hershey examples illustrate, companies tend to bite off more than they can chew or digest. Large initiatives are more complex and have higher failure rates. Unfortunately, companies tend to try satisfying the needs of too many areas of the firm with each initiative, causing scope to become bloated in a "boil the ocean" approach to CRM. In an example of tackling too large a task, monster.com rolled out a new sales application intended to enable the growth of the company's orders and revenue. Unfortunately, the system was over-configured with too many features and its perform-ance so slow that the inside sales representatives were unable to use it. In addition, the field sales force was unable to access their accounts and customer information for a full year. The company admits that it underestimated the complexity of the effort.

In another example, Dow Chemical attempted a large scale CRM rollout to its global salesforce in 1996.[15] But business processes were not adequately defined and the tool failed to adequately support remote users. This first, overly-complex initiative failed, but later, small localized CRM initiatives started to emerge throughout the firm. These implementations were highly focused and much smaller in scope. They allowed Dow Chemical to more effectively address specific issues and the size of projects allowed for better visibility, control over investment, and higher success rates.

A more incremental approach to CRM implementation is much easier to manage, but many organizations shy away from this, fearing the political difficulties of prioritizing scope and delaying benefits for various parties. An incremental approach also makes achieving buy-in throughout the firm more difficult, but avoids the disastrous costs of widespread operational problems. Exhibit 2.3 demonstrates the increase in risk as initiatives grow larger.
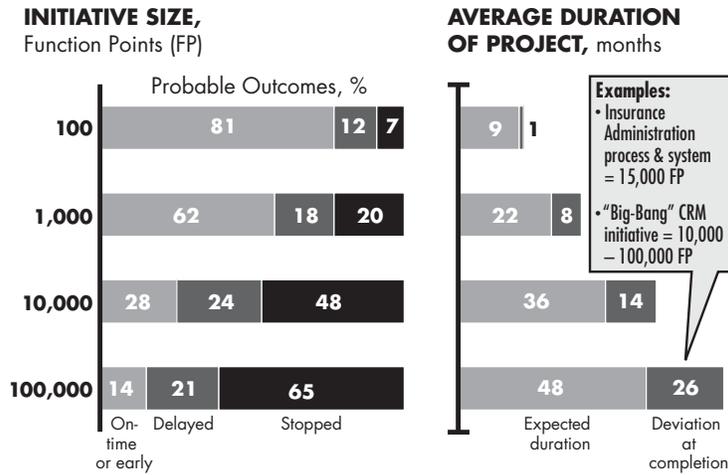
Failing to Adequately Address Business Process

Recently, a large telecom company rolled out a $7 million software package to help improve its customer segmentation and marketing approaches. Though the firm provided sales and marketers with a tool, they failed to identify and enact the new policies and processes needed to put the tool to proper use. As a result, few benefits were gained.

In all surveys of CRM project successes and failures, lack of time and attention to business processes is one of the most common complaints. Processes define the sequence of events and help identify the information passed from one person or department to another. If new tools enable new tasks or alter existing ones, the impact on business

Exhibit 2.3
Assessing CRM Project Risk

INITIATIVE SIZE,
Function Points (FP)

**AVERAGE DURATION
OF PROJECT,** months

Probable Outcomes, %

100	81	12	7
1,000	62	18	20
10,000	28	24	48
100,000	14	21	65

On-time or early | Delayed | Stopped

100	9	1
1,000	22	8
10,000	36	14
100,000	48	26

Expected duration | Deviation at completion

Examples:
• Insurance Administration process & system = 15,000 FP
• "Big-Bang" CRM initiative = 10,000 – 100,000 FP

Source: Capers Jones, *Patterns of Software System Failure and Success,* London: International Tomson Computer Press, 1996; McKinsey analysis.

process needs to be defined up front. Even if the users of the tools understand the reasons for a change in their procedures, the people in neighboring departments might not.

Another common failure in defining scope for initiatives is a tendency to automate current practices without addressing the redundancies, outmoded practices, and other problems that become ingrained in business processes over time. In migrating to a new system, business users tend to fixate on not losing any current functionality. Yet few spend enough time objectively assessing how valuable current functionality really is. At a leading regional bank, $16 million was invested in licenses for a leading packaged application. The firm then customized the solution to the point where it looked like the home-grown system they were trying to replace. It then rolled the solution out to 3000

users, but the adoption was extremely poor. Other than when monthly sales pipeline reports were due, fewer than 1 percent of users logged in to the system. This false start cost the company at least $13 million as the initiative was substantially reworked.

The following process failings are typical:

- *Perpetuating existing process flaws.*

  Duplicating current processes in new software packages without addressing flaws, outmoded practices, or redundancies in current processes.

- *Over-investing in nonstrategic processes.*

  Spending too much effort on reautomating or improving practices that do not provide competitive advantage (see Chapter 3 for a discussion of competitive advantage versus operational effectiveness). This can result in over-customization of the CRM tools, leading to technical complexity, buggy software, poor usability, and poor performance. By the same token, over-investing in the wrong areas also results in a lack of attention to strengthening the processes that do provide advantages.

- *Overwriting unique processes.*

  Undermining the firm's advantages by overwriting important proprietary processes with generic Best Practices.

- *Failing to update processes.*

  Failing to update key processes to reflect the implementation of new tools.

During its successful third attempt, BMC realized that revamping current processes was crucial to getting the best from their CRM tools.

New tools can be very difficult to use effectively if old processes remain untouched. As a user at BMC remarked before the processes were addressed and fixed, using the tool was like driving a car with the steering wheel set on the wrong side.

Allowing Internal Structure and Politics to Impact Customer Experience

Organizations often fail to realize the extent to which their internal structure affects customer experience. Customers are often frustrated as they attempt to navigate the customer service department, or scratch their heads about why it takes so long for requests to work their way through the organization. One of the goals of CRM is to improve enterprise-wide coordination to benefit customers, but often, well-designed front-end customer interactions are foiled behind the scenes by the old ways of doing things.

At GMACCM, the internal structure of the customer service department had been traditionally divided along functional lines. This meant, for example, that different parts of the department dealt with loan origination versus loan servicing. When CRM was first rolled out, customers were "expected" to know GMACCM's internal structure and nomenclature well enough to know what department to request. Of course, not many callers did, and legitimate customer frustration resulted.[16]

Implementation Missteps

Even well-planned CRM implementations are complex and myriad issues and problems can ensue. Many are common to the complexities of managing any major initiative, including following a proven
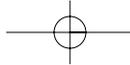
methodology, risk analysis and mitigation, scope creep, and sound schedule and budget management. This section highlights two particular challenges common to CRM implementations:

1. Improperly staffed teams, and

2. Falling into technology traps

Improperly Staffed Teams

Most organizations staff teams with too many technical people and not enough business users. To illustrate the point, BMC went from engaging a handful of business users in its first two CRM attempts, to actively leveraging over 150 business users in its successful third attempt.

Without well-balanced teams, tasks can't be achieved in the project's time frame and decisions are skewed. Teams must have balanced skills across functional and business processes, technical integration, and change management capabilities to mitigate this risk.

Even when business users are involved, teams can remain poorly balanced across business areas. Teams can become dominated by one particular user group or business area—typically an original sponsor of the initiative or the most active participants in the implementation. By paying greater attention to the initiative, an executive from a particular area might unduly influence project decisions. The executive might even start reprioritizing goals to their advantage or steamrolling the project manager into decisions that stretch resources. Since CRM initiatives require so much interaction, personal relationships can override sound decision making. It can be difficult for project managers to keep a tight enough rein on the situation and in

many cases resulting decisions will not align well with the firm's original goals for the initiative.

Falling into Technology Traps

Although technology itself is typically not the most common cause of failure, its complexity requires projects to be carefully planned and properly budgeted and staffed. In addition, delays in policy, process, and organizational decisions can cause teams to rush through vital engineering and technology tasks. In many cases, technology teams are forced to make assumptions about system functionality due to long delays in business decisions. Mistakes require time-consuming rework or cause disconnects between how business and technology staff believe the system should be working.

In addition, IT-led projects tend to over-engineer the solutions as the role of technology is overemphasized. Similarly, many IT teams will spend too much time tinkering with new technology components. Unfortunately, brand new hardware is often being unwrapped in the IT department before the team has finished defining the initiative and the proverbial cart leaves the gate before the horse.

In general, technology issues tend to arise when:

- Using new and untested technologies in critical situations

- Not dedicating enough testing time to the technology implementation

- Failing to spend enough time understanding, gathering, and preparing company data

- Underestimating the complexity and cost of integrating one technology system with another

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- Over-customizing CRM tools, leading to installations that are buggy and slow

Lack of Change Management

CRM initiatives significantly impact jobs, roles, skills, and the daily routine of an organization, and are often disruptive and initially unpopular among the rank and file. The people aspects of large initiatives are often the most challenging part, with politics and organizational conflicts being the norm in CRM initiatives. Without adequate preparation, employees and even entire departments will be apathetic or even hostile to the change. Yet many organizations fail to assign time in their plans to prepare for and deal with the change. In fact, change management is often the first item struck from proposed plans and budgets. Executives who have bought into the initiative may assume that employees are as excited as they are and face a rude awakening when confronted with opposition. An executive at Mutual of Omaha relates how the CRM initiative was announced to an employee meeting and was greeted with a sea of rolling eyes. It prompted executives to immediately increase efforts to help the organization prepare for and cope with the change.[17]

Another common CRM problem relates to the structure of most modern corporations. For example, most businesses are structured to have a corporate head office and subordinate business units—each of which has a degree of autonomy. The problem is that many firms try to dictate CRM initiatives to business units, despite the fact that each typically has its own unique competitive strategy. Many companies try to adopt a single software package as an enterprise standard

which allows them to purchase licenses in bulk at lower prices. This may make good financial sense but it forces each business unit to use the corporate standard CRM tool, and one size typically does not fit all when it comes to CRM. Some standard packages are overkill for the needs of certain businesses and each business has competitive advantages they are trying to create or strengthen. Shoehorning every business unit into one package is a serious failing. Executives at the business units find their goals compromised and often fight against adopting the standard-issue software. This strains relations between the corporate and business unit entities and increases the already complex task of delivering on the CRM opportunity.

If a company successfully generates excitement for a CRM initiative, this can create another problem—inflated expectations. There are countless cases where the team has brought the initiative in on time only to find user or executive expectations were very different. Executives wonder why they spent the money and business users fail to see the benefit of adopting the changes.

Inadequate Post-Implementation Operation

CRM is an ongoing process not an event. It must be carefully managed over time, even after a successful rollout. Even if excellent user adoption is at first achieved, success will fade if CRM is not nurtured. The results of new approaches and tool usage must be tracked and reviewed regularly by management. The company must invest over time in upgrades to process and technology. These will not be trivial and some may require careful managing. For example, AT&T Wireless recently announced that three million users had trouble accessing their account numbers or making any change to

their service. This was caused by problems performing an upgrade of its CRM software.[18]

Companies fail to define measures of success or management teams fail to review them often enough. Typically, CRM does not become ingrained in the management process of the company. And as long as it remains just another initiative, project, or computer system, it is always likely to fail, taking millions of investment dollars with it.

CRM failures are abundant as are the lessons to be learned. There are many points of failure, but strategic approaches and good planning can significantly increase the chances of success. In the following chapters, we will show how CRM can be approached and implemented in ways that mitigate its inherent risks and maximize its powerful benefits.

Key Points

- There have been many CRM failures, and reviewing the reasons for them can help mitigate risks with any CRM initiative

- The costs of failure are significant, affecting company earnings, customer satisfaction, market share, investor sentiment, internal morale, and brand perception

- Reasons for failure can be categorized into the following:

    - Poor objective setting

    - Lack of senior leadership

   - Inadequate planning and scope setting

- Implementation missteps

- Lack of change management

- Inadequate post-implementation operation

Notes

1. Lindsey Sodano, Heather Keltz, and Rod Johnson, *The Customer Management Applications Report, 2002–2007*. Boston: AMR Research, June 26, 2003.

2. Sodano, Keltz and Johnson, *The Customer Management Applications Report, 2002–2007*.

3. Meredith Levinson, "Pain Free CRM," *CIO Magazine*, May 15, 2003.

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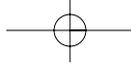
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