Why CRM Projects Fail
By Jim Dickie, Partner, CSO Forum

Pick up almost any business, sales, or technical publication today and it is easy to see that the Customer Relationship Management (CRM) Gold Rush is on. And well it should be. In virtually every industry, companies who are focusing on optimizing their sales process are realizing the significant advantages of doing so. They are outselling their competitors by 50% or more, they are cutting their sell cycle time by as much as half, they are becoming more customer oriented, they are working more effectively across inter-enterprise and intra-enterprise boundaries, and they are doing all this at a significantly lower cost.

But all that glitters is not gold. While there are a number of well-documented CRM successes, we must confess that the majority of companies that begin a CRM initiative do not achieve these types of results. Sales-oriented process redesign is reengineering, make no mistake about that, and success is not a sure thing. The CSO Forum's review of 202 CRM projects earlier this year found that only 30.7% of the companies surveyed stated that they achieved significant improvements in the way they sell to and service customers.

While this number is not very confidence inspiring, it does point to the fact that it can be done. The difference between success or failure of a CRM program is not divine intervention, but rather a result of the way a company approaches the effort. The key to success lies in the knowledge and ability you take to the project. If you know what real problems you are trying to solve, what possible mistakes you can make and how to avoid them, what technology can and cannot do to help you, you are much more likely to succeed.

Over the past six years, the CSO Forum has conducted an ongoing research project the focus of which was on what companies are doing to optimize the way that they sell. Through reviewing over 1200 CRM initiatives nine pitfalls emerged that are common to projects that failed to generate significant improvements. I want to present them here to minimize the chances that they will keep you from reaching your CRM goals, before your competitors reach theirs.

- **Pitfall #1 - Under Commit:** If you or your senior management team do not fundamentally believe that successfully redesigning your sales process is one of the top strategic challenges your company faces, then don't even start an CRM project. The biggest single mistake companies make is to under commit to their CRM initiative. Symptoms of under commitment include:

  - **Lack of Senior Executive Attention:** Process redesign inevitably crosses functional business areas within a company, so no mid-level manager will have the clout necessary to ensure that changes are made.
  - **Tactical Project Orientation:** Instead of investing the time required to develop a comprehensive sales process reengineering vision, a temptation occurs to look at making a series of minor, tactical changes. Dramatic improvements require that you develop an enterprise-wide understanding of how things really work.
  - **Part-Time Attitude:** No one has spare time today. A part-time approach will not generate part-time results, it will generate no results. A CRM initiative is a major undertaking, requiring the full-time assignment of people for the duration of the project.

  Successful CRM projects are ones that are taken extremely seriously. The major components of a program are: active executive involvement, an enterprise-wide shared vision, full-time commitment of personnel, accountability for results, and a process-driven budget.

- **Pitfall #2 - Try to Pave the Goat Path:** A second mistake that is easy to make is expecting too much out of CRM technology. When you hear about substantial gains from implementing CRM systems you may end up assigning too much importance to the technology components that were used. Time and again, I have heard executives lament about how they started focusing on technology too soon in the process. If you use 21st century technology to pave a goat path, you will end up with a real smooth goat path. But, it is still a goat path. The key to CRM success involves optimizing an effective sales process with the intelligent use of technology. If your process is fundamentally flawed, technology may give you a little boost, but more likely it will end up helping you do inefficient or ineffective things faster than ever before. So before you start looking at tools, give serious thought to what you want to do with them.

- **Pitfall #3 - Create a Point-Solution Hell:** Successful CRM programs require an enterprise-wide orientation. If you let each of your departments attempt to deal with their portion of the sales process independently, you may create a configuration that even Rube Goldberg couldn't figure out. If you take a point solution approach to CRM, how do you know that you will end up with a set of tools that work with each other? The answer is you don't! What you end up doing is entering and maintaining the same

information about a prospect in many different places. While you may start your CRM initiative in a single area, you have to take the time up front to set some overall architectural parameters that everyone agrees to work with. Otherwise, somewhere down the road you will end up with a number of incompatible point solutions that will eventually force you to reconstruct at least part of your CRM system.

- **Pitfall #4 - Champagne Dreams/Beer Budgets:** Trying to implement a CRM program as cheaply as possible is another mistake companies come to regret. Funding for CRM initiatives is often not included in the budget when companies kickoff their effort. It is therefore tempting to take a low-cost approach to the problem, so as not to cause any waves in the current fiscal year plan. This approach is extremely prone to failure. Slow hardware response time can turn users off to the point where they refuse to use the system. Part-time programming projects typically never get done. Buying the lowest cost technology choice may work in a mature market like spreadsheet software, but it rarely results in the right choice in an embryonic market like CRM, where you have 500+ vendors each approaching the problem from a different perspective. Cost should never be the first thing you focus on in your CRM initiative, benefits should. The revenue increases and cost savings you can generate though your CRM program can be tremendous. But they don't come free. If you haven't budgeted for CRM, then do it. Figure out what you want to achieve, determine what it will cost to get there, compare the benefits to the costs, and decide if it is a good investment.

- **Pitfall #5 - Pick the Wrong Technology Partner(s):** With over 500+ CRM-oriented vendors to choose from, you should be able to find a solution that meets your specific sales process functionality needs. But a word of warning: don't base your vendor choice on product features alone. Several companies we interviewed said that in retrospect, while they made a solid functionality decision when they selected their CRM vendor, it ended up being a poor business choice. This can happen for a variety of reasons, including:

  - **Getting Boxed into a Technology Corner:** It is important to understand not just what a product does, but how it does it. Some vendors have developed unique technologies around their products. While their products may have the features you need, the product architecture can negatively impact your ability to easily expand or enhance the system to meet future needs.
  - **Buying Technical vs. Sales Process Expertise:** How well does your vendor understand the problem you are trying to solve? A vendor's limited knowledge and understanding of the underlying business problem you are trying to solve can negatively impact your project.
  - **Picking a Short-Term Player:** As any new industry matures, weaker companies fall to the wayside as the industry leaders emerge. This will happen to the CRM industry, and it will result in a significant fallout of the currently 500+ players.

- **Pitfall #6 - Expect to Just Add Water:** Assuming that automating your sales process will be similar to automating manufacturing or finance can be a huge mistake. The degree of complexity in implementing a CRM system is significantly higher than the other two examples. The reason is the issue of standardization. FASB has standardized how finance is managed. Where are the standards in sales? The answer is there aren't any. Very few companies sell exactly the same way, so each CRM initiative will have its own unique twists. Everyone involved in the project needs to understand this up front. No sophisticated CRM product will work right out of the box. Regardless of which vendor you choose, you have to build into the project plan the expectation of time required to adapt that product to your process. Avoid the temptation to try to retrofit your operations to fit the tool you have bought. Instead, view the products you have purchased as enabling technology, and modify them to meet your unique sales process requirements.

- **Pitfall #7 - Avoid the Human Side of the Equation:** A critical pitfall to avoid is focusing too much on process and technology, and not enough on the people who will be using the system. You can design the best process in the world, and back it with the latest and greatest technology; but if your people don't buy into the project, it won't work. There are three people-related issues that have surfaced in many of the CRM programs we reviewed that are worth noting:

  - **The Fear-of-Change Syndrome:** You already have a sales process in place. It may be based on printed reports, paper clips, and post-it notes, but it does work to some extent and people are familiar with it. Reengineering requires change, which most people instinctively resist. This fear of change needs to be dealt with early on, or the very people the system is designed to help, will be the ones to see that it fails.
  - **The Big Brother Syndrome:** Be aware that horror stories about the hidden reasons that companies implement CRM programs may already be circulating through your sales force. They may have heard how these systems are designed to track their every move, just waiting for them to make a mistake so that management can pounce on them. This initial distrust is a very serious

issue that must be dealt with swiftly.

- **It's Easy Enough Syndrome:** For your CRM system to be successful, every single person must use it. For the sake of speed, a temptation may be to let IS or a few computer literate users design the system interface. What you will end up with is a system that they think is easy enough for them to use, but is it easy enough for everyone? An observation that one CIO used sums up the whole issue about usability: Too easy, never is. Leaving any of these concerns unresolved will only result in bigger problems when you get ready for implementation. They need to be dealt with head-on so that everyone is on board and supportive of what the company is trying to accomplish.

- **Pitfall #8 - Be Too Diplomatic:** Fundamentally, your CRM initiative has to succeed or your firm's long-term future may be in jeopardy. While you want to motivate people to change, there are several mistakes companies have reported making as a result of trying to be too diplomatic in their CRM program. Some of these errors include:

  - **Not Getting Executive Level Buy-in:** CRM needs to have the full support and endorsement of every member of the executive team. Inter-departmental turf-wars can erupt if employees don't see that their senior managers are behind the strategy.

  - **Accepting Less Than 100% User Buy-in:** Make it clear that using the CRM system is not an option, it is a requirement of employment. As soon as you let a single person get away with not using the system the foundation for your project will start to crumble.

  - **Backing Off at The First Sign of Problems:** No matter how much thought you put into the system, you can count on running into unanticipated problems when you implement it fully. Backing off at the first sign of problems will cause confusion, and ultimately chaos if it happens too often.

- **Pitfall #9 - Assume that Done is Done:** You may have clearly defined your project plan, involved all the right people in turning the vision into a reality, done a superb job of rolling the program out across the enterprise, but if you stop there your program can still fail for a variety of reasons including:

  - **No Formal Training for New Employees:** Count on any new employees requiring the same level of training as your existing personnel.

  - **Inadequate System Support:** CRM programs require a significant amount of system support. If you are asking your sales teams to commit to managing their sell cycles through a CRM system, then you have to give them a fast, easy way to get answers to system questions.

  - **No Planned Enhancements/Upgrades:** Sales reengineering is not an event; it is an ongoing process. You will continue to improve the way you sell over time, so your system will need to be ehnaced accordingly. Budget for that now.

Summary: Having seen over 1200 projects, I can promise you four things regarding CRM:

It is not easy;

It is not fast;

It is not cheap.

But, also-**It is not an option!** As soon as one key player in any industry segment successfully implements a successful CRM program, they set the new benchmark standard which all their competitors must meet. Sales reengineering can be done, and hopefully you will do it first in your marketplace.

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