

Manage Successful CRM adoption: MACE Framework

R.M. Sanjay, Director (Sales and Marketing Group)

Abstract: CRM adoption fails if managed only as an IT project. For broader adoptions and yield the intended results CRM adoption must be planned as a transformational project involving changes in process, procedures, ownership and measures. This paper presents MACE framework to manage this transformation and achieve the intended goals.

Introduction

The Global CRM market is estimated to be about USD 20 billion and growing at around 12% per annum. The main goal of CRM is to increase marketing activity efficiency and effectiveness (Baraldi, 2014, Bohling, 2006, Payne, A., 2005). Marketing efficiency is achieved through collaboration and cooperation, thus reducing transaction costs. Marketing effectiveness is achieved by reducing marketing development cost so that better partnerships can be built with most important customers and develop customer relevant business offerings (Coltman et al, 2011). CRM requires integration of Information technology and communication systems in the customer-related activities. Using CRM, companies can collect, store, analyze and disseminate customer centric information. The objective is to increase the company's ability to sense and respond to individual customer requirements. Thus CRM implementation requires an integrated approach to the customer database and marketing information systems.

While the CRM sales numbers are impressive and number of events and marketing hoopla around CRM is increasing multi-fold, there is an increasing skepticism on the adoption of CRM. The adoption amongst SME across different verticals like manufacturing, hospitals, retails, etc reveal many implementations have gone awry (Boulding et al., 2005, Akroush, 2011, Z. Irani, 2011, Andrea Perna, 2014, Mohamed Almotairi, 2009, Hung, Y.S., 2010, Eid, R., 2007). Some SME adoption has been broader, but many have been limited to periphery without yielding intended benefits. (Lehmkuhl & Jung, 2013) suggest the implementation of CRM requires transformational efforts amongst organizational units and it has potential to provide value for both company and its customers (Bull, 2003).

Our contention is that many companies, especially SME see CRM as an IT project and do not invest in time and resources for the CRM induced transformation to work.

Technology OEM and their partners selling CRM as a panacea for all the customer management ill are themselves not equipped to guide the SME on the transformational agenda. In this paper we present an empirically derived framework that can be used by SME to plan and roll out CRM technologies and gain from the intended benefits.

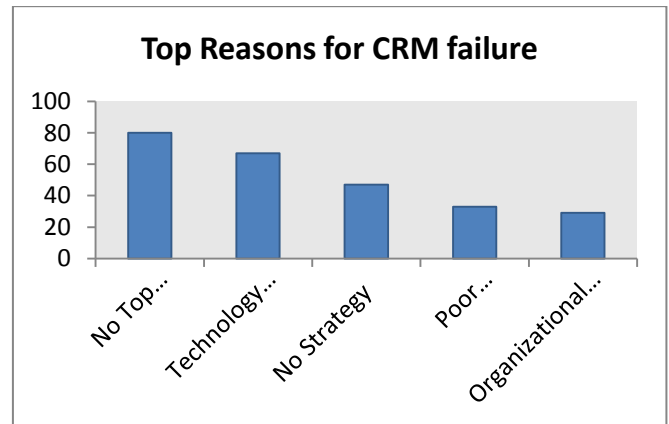
Why many CRM implementations do not yield the intended benefits

Companies invest in CRM or SFA (Sales Force Automation) products hoping that they will speed up the sales and service processes, and bring in numbers. However, diverse studies show high rates of failure in the implementation of CRM. While many organizations are clear how they would define and measure success, others may not have defined how they will measure success. 50% of organizations implement CRM solutions just because it was thought to be a competitive imperative, rather than an optional technology investment (Garrido, 2012). A large number of organizations make the mistake of defining success of a CRM implementation wrongly or narrowly from the point of view of the sales, marketing, service etc. From the point of view of a salesperson success is achieved if he earns more commission. A sales manager will term it a success if he is able to better manage the team and they become productive. Senior management will term it a success if their market share has increased or if cost of acquiring clients is lower. For an IT manager, success

means least downtime. From a customer’s point of view, success is achieved if customer is serviced better and if the organization can personalize and understand the needs of the customer. Often success gets defined as adoption, and not performance improvement. Given what success or failure means to various stakeholders, there is naturally a huge variance in the benefits that an organization accrues as a result of this implementation. Not achieving the ROI, and not achieving optimum benefits to shareholders and customers is therefore a failure. The main causes of CRM failure researched in management literature are (Almotairi et al, 2009):

- 1) Lack of Management support and commitment
- 2) The implementation is technology focused with insufficient attention paid to business issues
- 3) The CRM is not implemented with a clear strategy and lack of vision is demonstrated.

- 4) There is poor operational execution in terms of changing perception, lack of integration
- 5) Organizational change is not managed



MACE framework for deriving sustainable performance advantage

1) Maturity assessment

- Evaluate current Strategic Position
- Evaluate Maturity of capabilities as Rudimentary, Evolved or mature

2) Alignment of capabilities

- Develop New Strategic Position & Strategic Emphasis of CRM
- Evaluate the dynamics & interplay between Human, Organization capabilities and technology
- Identify the changes required in technology, capabilities, procedures, processes and structures

3) Change management & Adoption

- Select & implement the technology product
- Orchestrate the combination of Human capabilities, Organization capabilities and Technology to Deliver Performance advantage
- Ensure Top Management support, Performance Management systems, Rewards & Incentives, Training, cross-functional process integration, Customer centric processes

4) Evaluate Success

- Early demonstration of results
- Financial measures
- Customer measures

1) Maturity Assessment

Organizations should adopt CRM for two reasons - shareholder value and customer value (Coltman et al, 2011). Shareholder value is tangible in nature and includes increase in revenues, increased market share and lower customer management costs (Chang, 2010). Shareholder value goals are largely internally focused. Sales growth can come through retention of customers, servicing them better etc. Costs can be reduced by better management of customer segments and marketing campaigns. It could also come about by being process oriented to reduce operational, transactional, marketing and sales costs.

Customer value is rather more intangible in nature. Customer intimacy, satisfaction, improved service, retention, loyalty and personalization (all of which could be due to greater depth of information about the customer) are all indicators of customer value.

Such a focus is usually innovation oriented. There can be new value propositions that emerge, new channels to customers that can be leveraged, cross-selling and targeting of offers, data analysis to understand customers etc. They lead to strengthening the strategic position of the firm.

Organizations can aim for a strategic emphasis, or an operational emphasis on automation and simple cost reduction, or use an analytical approach to enrich customer understanding (Payne, 2005). But, regardless of how we slice and dice it, it boils down to two main reasons, namely shareholders and customers. Organizations should choose a single or even a dual strategy, with a clear emphasis on what they wish to achieve. Choosing customer intimacy just for the sake of it will not yield results, since the market may be such that customers really do not want to get intimate or be tracked. Choosing only revenues as a goal may also not be appropriate, since this could breed a transactional culture and make customers think of the firm as pushy and sales oriented. Hence the strategic emphasis of the CRM needs to be based on the current strategic position of the firm and what the firm intends to achieve.

A CRM implementation is not really a technology implementation. It is a strategy that a firm consciously adopts for shareholder and customer benefits. It is all about using lower order resources and assets to deliver higher order results using a strategy called CRM. Through this strategy, a firm is creating a sustainable



performance advantage by bringing together People, Organizational capabilities and Technology.

The current strategic position of the firm depends on the products, markets, competitive forces in industry, capabilities of the firm, extent of integration among the firm's processes. The leverage it enjoys in the value chain and some rare inimitable resources that it could possess, such as knowledge, complex social systems in the firms, and the capability of the firm in orchestrating assets and capabilities determine its strategic position. A thorough evaluation of the position of the firm needs to be undertaken prior to determining the new position the firm's management wishes to occupy. Subsequently, the CRM can have an emphasis to guide the firm to the new position. Hence, from the outset, it is clear that CRM is a strategy and not just technology. There exists a deeper issue of gaining advantage out of the technology by understanding how to get the right performance out of the CRM.

A typical Maturity evaluation should be able to put a finger on the readiness of the company, and categorize the company and its capabilities as rudimentary, evolved or mature. Based on these levels, further alignment work can be undertaken.

2) Alignment of Capabilities

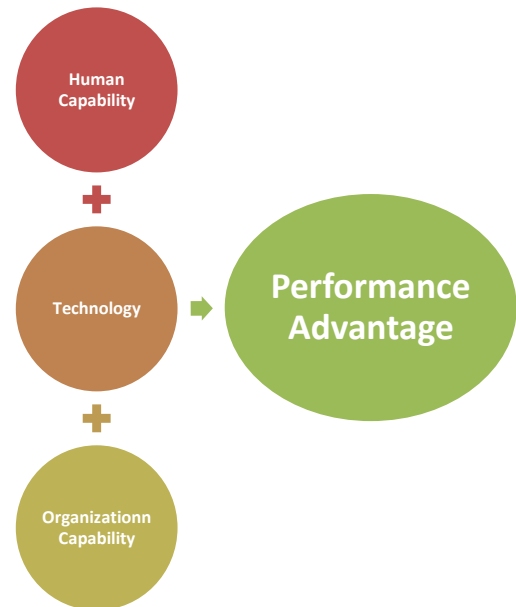
Technology (such as a CRM product) brings in productivity, facilitates accurate, timely and reliable data retrieval and a host of analytical abilities for better understanding. Organizations need to use people and processes to convert this data into knowledge and action. There are cases when companies dive headlong into implementing a CRM product without preparation, only to find that the investment is wasted. Many cases in India point to underutilized CRM products. Therefore, a CRM program is truly successful only when technology is embedded in a unique combination of People and organization capabilities. None of these would be effective when they stand alone by themselves, but when combined and orchestrated, create a higher order capability that can make a significant contribution to firm performance. The truth is, only few companies will be able to master these socially complex capabilities effectively. And this is exactly why CRM capability is potentially a source of competitive advantage – it takes time and effort to develop, it is rare and difficult to imitate, and is causally ambiguous. (Garrido, 2012; Coltman 2011; Sambamurty 2003).

Hence, a technology implementation by itself, will not create sustainable performance advantage. In fact, it could be deleterious to an organization if adoption is not managed properly. Abandoning years of capability built into human and organizational structures and jumping into a technology driven process which anyone can replicate is a recipe for diluting a firm's competitive strengths. It is the organizations capability and human resources that are unique and the true source of sustainable advantage. It is only when organization capabilities, human resources and the technology piece come together and align with the CRM strategy, that true value is delivered. Therefore a careful evaluation of the firm's existing capabilities needs to be done to see where it stands, and what is required to obtain performance advantage. Organizational capabilities (albeit CRM readiness) is related to the level of technological resources and the skills to develop and manage personalized customer relationships.

Human capabilities

People within the organization make it unique. The accumulated experience and collective wisdom of employees enables the organization to sense and respond appropriately to its environment. They involve

socially complex processes that require an investment in learning. Knowledge that gets created also resides codified within an organization. Such human capabilities within a firm are hard to build, and takes time to mature. They are also most difficult for



competitors to know. When an organization carefully understands and uncovers these hidden treasures and codifies them, it gains a thorough understanding of what its people capabilities are. The CRM tool implemented should leverage these capabilities and create value. The tools should not end up converting valuable human resources into data entry operators. Such a thoughtless use of CRM would erode the human advantage the firm has built and nurtured over time.

Organization capabilities

Organization capabilities are the organizations architecture, supporting processes, the control systems, incentive policies and training mechanisms to exploit the investment in CRM and make the organization customer oriented. When a firm has to become customer oriented, people and systems need to be fine tuned to gather and use market intelligence to detect changing customer needs, competitor actions, changing environment and corresponding opportunities. Such well tuned systems and processes determine the agility of the firm in design of innovative products and services. They can lend an ability to even co-create with customers.

Firms sometimes enjoy unique leverage in their value chain. It determines how they can coordinate and

orchestrate their supplier network to deliver quality products. Analyzing the strength of the network and integrating it with the speed that a CRM lends, creates capabilities that become hard to discern, leave alone imitate.

There also needs to be clarity on what information the organization extracts out of the CRM. This information needs to be diffused and analyzed through the lens of experience that the employees possess, and converted into unique wisdom and a very high order ability to react to the environment. This knowledge management truly differentiates firms and gives them a sustainable performance advantage.

3) Change Management & adoption – Critical Success Factors

Top Management support

Top management support is crucial to CRM success. All levels of management should demonstrate leadership and show commitment towards a customer centric mindset. They must push for cross functional integration. Managers should push for day to day change and overcome resistance to change. They should be the guiding light for all their subordinates. Management is also responsible to set clear business objectives, and communicate this to all the employees. There should be clarity on customer acquisition, retention and service guidelines. Management should set the priority for implementation of CRM, and encourage employees to live the CRM vision.

Implement Technology Product

A CRM product is the main technology resource and when we say technology, it includes all software, hardware infrastructure etc. IT systems like a CRM product should be tightly integrated and embedded into business processes to achieve success. At a very low level, sometimes, even when email is not integrated with the CRM system, it could erode value of the CRM, and employees can abort attempts to use it or start feeding in data after events are over. There are also issues of migration as in the recorded case of Cigna Corp, where failure in migration of existing IT systems caused CRM to fail. There are instances as in Loccioni (Andrea Perna et al, 2014), when manual reporting systems are not dismissed and hence running parallel

systems causes confusion. Integration with existing IT systems is another requirement. Poor quality of data being entered leads to failure as well. A close watch on the data entering the system should be maintained. Picking and choosing the right modules to use is also critical, since many companies choose modules in a CRM product that they will not really be using. Not involving final users in designing the CRM solution or user interfaces, failure to re-engineer the business processes and underestimating difficulties in related to data mining and integration also lead to failure in implementation and adoption.

Understanding User needs

Defining the users of the system is also crucial. There needs to be clarity on who collects information from the environment, who inputs, what reports and outputs are generated, and who is using it, what is the outcome etc. All of these have to be clarified at the outset. There's a recorded case at GM (Jessica Buttimer, 2003, GMACCM) where the CRM failed since users were not defined in the beginning of the project.

Preparing Employees for change

Characteristics of employees also play a part and management needs to be mindful while designing implementation plans. Sales people are more independent than their office counterparts and can give a number of excuses for not using the CRM or SFA. Younger employees are more eager to experiment with newer technology. Most people adopt CRM because they "had to", rather than because they "want to". Social influences and peer usage is also crucial in adoption. Perceived usefulness and ease of use are critical factors for employees to adopt. Use of SFA and CRM indirectly affects job performance, because it leads to changing and adapting sales methodologies, which in turn could lead to job performance improvement. When they see personal benefits in using the CRM, it becomes much easier. SFA adoption should lead to increased job productivity, but often when the sales roles are not mapped well into the SFA tools, employees experience role conflicts and stress. Hence, managing this process and influencing this perception is a critical success factor. At Llocioni group (Andrea Perna et al, 2014), CRM failed largely since employees were reluctant to change, and initial negative perception about CRM as a threat remained despite futile training attempts.

Training

Employees need to be trained and re-oriented from time to time. Training programs need to be designed to help employees develop the right skills to manage customer relations effectively. There is also need for training programs to learn the CRM product itself. For example, the employees of a US printing and publishing company found a SFA product to be too complex, and adoption failed since employees were unable to use it. Many employees resist in the beginning, and hence when there is continuous on-demand training for adoption of CRM, it tends to be more successful. Also to be balanced is the fact that training programs cost money, and take up valuable time when the sales team is not meeting clients but are in the classroom.

Changing Culture, Performance & Incentives

The culture of the organization has to change and be customer oriented. The internal processes and all value creation should be oriented towards this. Culture takes time to build, and is determined by what the employees value, which in turn is determined by the values of the top management and how they permeate throughout the organization. Rewards and recognition systems can be designed to instill these values. Performance management systems (PMS) are the control systems that determine behavior. Often organizations make the mistake of using lag measures rather than lead measures. Customer orientation, empowerment, commitment, high standards are all values that can be instilled in the organization through appropriate PMS.

Systems, Processes and Procedures

Organizations often have processes and systems that are unique and make it hard for competitors to emulate. This is what we term Organizational capability. Sometimes technology products can bring in standardization of processes, and thus make it easier to be imitated by others. Firms should be careful not to lose their capabilities in the process of CRM implementation, but should rather build on it and make it a source of great competitive strength. Processes that channel organization knowledge provide the underpinning for an organization to ride out the rough times. There has to be an ability to capture, manage and deliver real time information, improve response to the customer and improve decision making. Knowledge acquisition, customer intelligence, transfer, sharing, usage within the organization is a rare asset and hard to replicate.

Cross functional integration

CRM should be introduced as a cross functional strategy. Cross-functional integration and redesign of business processes (around the customer) are also crucial to success. There has to be coordination of channels, technologies, customers, and employees. Other support systems of the organization need to be able to reach and respond to the flow of information from the CRM. The entire value chain of the organization including supplier networks should be optimized to this effect (Sambamurthy et al 2003).

4) Evaluate Success

Jutla et al., (2001) propose a framework for measuring CRM performance. They suggest metrics such as customer retention rate, customer satisfaction rate, customer profitability, customer value, product/service customization, etc. Only that which is measured can be evaluated and improved upon. In the very beginning, once shareholder value and/or customer value as the strategic emphasis has been identified, we need to define the metrics for measuring success. Increase in market share, increase in revenues and growth rates, decrease in sales and marketing costs, speed in servicing customers, new products/services developed as a result of gathering richer information about the customers, and intangibles like brand value created by superior customer relationship, service, knowledge etc., are measures of success (Chang, 2010).

Do's and Don'ts

In a nutshell, do not see it as a pure technology play and dive headlong into implementing the product. Broadly follow the MACE framework tailored to the capability level of organizations. There should be top management commitment, strategic focus, capability assessment and alignment, user perception evaluation and change, continuous training, seamless technology implementation, design of processes, systems and procedures around the new system, and solid change management. It is better to implement a CRM during down times, rather when there is growth and pressure on the sales and operations of the firm.

Conclusion

Organizations will achieve CRM success if they see it as a strategy rather than a technology implementation. The interplay of Human and organizational capabilities with technology should be carefully deliberated upon, so that the capabilities turn into a source of inimitable competitive strength. Hence, design of human and organizational systems should integrate with technology to deliver higher order performance benefits. Planning and managing this change is crucial. Effort should then be made to evaluate success along shareholder and customer values. This will result in higher chances of CRM success, and enable a firm to achieve sustainable performance advantage.

Bibliography

- Akroush, N.M., Dahiyat, E.S., Gharaibeh, S.H., Abu-Lail, N.B. (2011), Customer relationship management implementation. An investigation of a scale's generalizability and its relationship with business performance in a developing country context. *International Journal of Commerce and Management*, 21(2), 158-191.
- Alshawi, S, Missi. F, and Z. Irani (2011), Organizational, technical and data quality factors in CRM adoption – SMEs perspective, *Industrial Marketing Management*, Vol.40, No.3, 376-383
- Andrea Perna, Enrico Baraldi, (2014), CRM Systems in Industrial Companies Intra- and Inter-Organizational Effects,
- Beldi, A., Cheffi, W., Dey, B. (2010), Managing customer relationship management projects: The case of a large French telecommunications company. *International Journal of Project Management*, 28(4), 339-351.
- Bohling, T., Bowman, D., LaValle, S., Mittal, V., CRM Implementation: Effectiveness Issues and Insights *Journal of Service Research* Vol. 9, No.2, 2006, pp. 184-194
- Boulding, W., Staelin, R., Ehret, M., Johnston, W. J., A Customer Relationship Management Roadmap: What is Known, Potential Pitfalls and Where to Go, *Journal of Marketing*, Vol.69, No.4, 2005, pp.155–166.
- Bull, C (2003), Strategic Issues in Customer Relationship Management (CRM), *Business Process Management Journal*, Vol 9, No.5, 592-602
- Chang, W. Park, J.E and S.Chaiy, (2010), How does CRM technology transform into organizational performance? A mediating role of marketing capability, *Journal of Business Research*, Vol. 63, No.8, 849-855
- Dr. Arrora Garrido Moreno, (2012), University of Malaga, Spain, In search of CCRM success – SME service companies in Spain and UK.
- Eid, R. (2007), Towards a Successful CRM Implementation in Banks: An Integrated Model. *The Service Industries Journal*, 27(8), 1021–1039.
- Hung, Y.S., Hung, H.W., Tsai, A.C., Jiang, C.S. (2010), Critical factors of hospital adoption on CRM system: organizational and information system perspective. *Decision support systems*, 48, 592-603.
- Jessica Buttimer, A Failed Customer Relationship Management (CRM) System: General Motors Acceptance Corp. Commercial Mortgage (GMACCM) - Usability Case Study, 2003
- Jutla, D., Craig, J., Bodorik, P., Enabling and Measuring Electronic Customer Relationship Readiness, *Proceedings of 34th Hawaii International Conference on System Science*, 2001
- Kimiloglu, Hande, and HülyaZarali. 2009. "What Signifies Success in E-CRM?" *Marketing Intelligence & Planning* 27(2): 246–67.
- Ko, E. Kim, S.H, Kim, M and Woo, J.Y, (2008) Organizational characteristics and the CRM adoption process, *Journal of Business Research*, Vol. 61, No1, 65-74.
- Ku, Edward C.S. 2010. "The Impact of Customer Relationship Management through Implementation of Information Systems." *Total Quality Management & Business Excellence* 21(11): 1085–1102.
- Lehmkuhl, Tobias, and Reinhard Jung. 2013. "Towards Social CRM – Scoping the Concept and Guiding Research." In *BLED 2013 Proceedings*, 190–205.
- Mohamed Almotairi, A framework for successful CRM implementation, *EMCIS 2009*

Monem, H. Hussin A R and Sharifian, R (2012), Comprehensive Prioritized Perspectives of CRM systems in the Developing countries hospitals, International Journal of Computer Applications, Vol. 50, No. 20.

Payne, A., Frow, P., (2005) A Strategic Framework for CRM, Journal of Marketing, Vol. 69, No.4, 2005, pp. 167–176.

Ryals, L., (2005), Making Customer Relationship Management Work: The Measurement and Profitable Management of Customer Relationships, Journal of Marketing, Vol. 69, October, 2005, pp. 252-261

Tim Coltman, Timothy M Divenney, David F Midgleyl, (2011), CRM and firm performance, Journal of Information Technology 26, 205-219

Browne & Mohan insight are general in nature and are not refereed papers. Open Universities and other academic institutions may use the content but with prior approval of Browne & Mohan.