

# Mastering CRM

*The latest technology, the right leadership team, effectively managing change... All of that and more.*



Founded in 1956, Spencer Stuart is the leading privately held, global executive search firm offering a range of human capital solutions, including senior-level executive search, board director appointments, strategic leadership assessment and, through its web-based recruiting division - Spencer Stuart Talent Network (SSTN) - mid-level executive recruitment. With over 51 offices in 25 countries, more than 300 consultants and 1,200 staff globally, Spencer Stuart conducts 4,500 searches annually through a global network of industry and functional practices. Clients range from Fortune 500 companies to smaller, emerging firms.

### ABOUT THIS STUDY

The central importance of dealing effectively and directly with customers has undergone a profound “rebirth” over the past half dozen years. Thanks to rapid technological advances such as the Internet; much improved data access and management systems; and enhanced analytical software, “customer direct” models and business platforms are becoming an integral component of countless companies across many industry sectors. This transformation has been spurred by customer convenience, rising sales and marketing costs and intense competition. Companies are aggressively seeking new customers, while looking to retain and expand relationships with their most profitable ones. The

growing importance of Customer Relationship Management (CRM), lifetime value (LTV) and information-based business and marketing platforms has both required and enabled companies to focus on utilizing real-time interaction and finely targeted messages and service/product offerings to attract and retain these critical groups.

The purpose of this study, driven by our Direct & Interactive Marketing Specialty Practice with support from our Technology, Communication & Media Practice, was to better understand the elements required for CRM success.

SCENE:

## CONFERENCE ROOM IN A MAJOR CORPORATION

**CEO**

I'm concerned with our revenue trends for the last two quarters.

**EVP Sales**

I am as well. The market is not as robust as last year and the competition is intense. We're experiencing significant pressure on our pricing.

**CEO**

Well, I don't think we ought to get into a pricing war. Nobody wins. We need to build our business on service and quality. That's what customers are loyal to.

**EVP Marketing**

I'm certainly in agreement with that. However, I'm not sure we're as easy to do business with as we think we are, or as responsive as our customers would like us to be. Our recent customer attrition trends may be an indication of this.

**CIO**

Part of the problem is that our customer databases are scattered across the organization. The business units, marketing, customer service, sales and field operations don't have a common understanding of what we're communicating, hearing, selling, or how often.

**EVP Marketing**

In all honesty, we've been more product driven as opposed to market or customer driven. I've heard that several of our

competitors are implementing Customer Relationship Management (CRM) systems. We should look into this. It could provide us with a greater understanding of who our key customers are and how to better serve them.

**EVP Sales**

If it works, we'd be in a better position to cross-sell and up-sell.

**CEO**

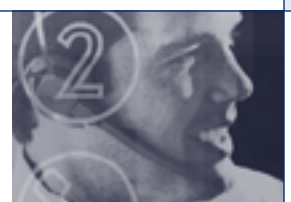
Importantly, we'd likely reduce our customer attrition. This would help us do a better job of cementing existing relationships. We need more complete and timely information about what's going on out there with our key customers. It's just too darned expensive to go out and find new customers all the time.

**CIO**

Let's take a closer look at this. But it's only worth doing if our top management team is committed. Like Enterprise Resource Planning (ERP), it takes time, it takes focus and it takes money. However, the payoff can be large.

**CEO**

This sounds like the right thing to do. Let's just make sure we're smart about how we do it and that we get some ROI. Also, we need to make sure that we have or get the right person to lead this effort as we move forward.



## BACKGROUND

How expensive is it to attract new customers? Believe it or not, it can cost up to seven times more to land a new account than to retain an old one. Astoundingly, US corporations lose 50 percent of their customers every five years.<sup>1</sup> In many industries a five-percent increase in customer retention leads to as much as a 25-percent to 125-percent increase in profitability. The following figures highlight this five-percent retention impact on the profitability of a half dozen business segments<sup>2</sup>:

- Credit Cards +125%
- Insurance Brokerage +50%
- Industrial Distribution +45%
- Software +35%
- Commercial Banking +35%
- Credit Insurance +25%

Faced with figures like these, it's no wonder that executives are spending, and will most likely continue to spend, billions on customer relationship management (CRM) even though early results to date have been mixed, often with good reason.

Of the many early promises held out for CRM, none was more compelling than increasing retention and thereby the lifetime value of a customer. Yet many years after the term was first coined, few agree on what CRM really is or what it should do. Ask any 10 senior executives to explain CRM, and you're likely to hear about an assortment of components that includes some combination of personalization, marketing automation,

data analytics, customer research, channel integration, sales force automation, customer call centers and email response management. Ask 10 executives from the companies that create, service and sell CRM packages, and you may well hear a different list that revolves around technology, business processes and people.

Given this confusion about what CRM is, it's hardly a surprise that a recent Gartner report contained the dismaying prediction that "60% of managers will view their CRM implementations as not meeting expectations." That represents a colossal amount of time and money that may not feed the bottom line or enhance the customer experience. Yet the reality today is that 80 percent of a company's revenue comes from 20 percent of its customers — and it costs five to seven times more to land a new customer than to hold onto an existing one.<sup>2</sup> These are significant numbers!

Spencer Stuart initiated this important study through a joint effort between our Direct & Interactive Marketing Specialty Practice and our Technology, Communications & Media/Software Specialty Practice. We wanted to find out what it takes to make CRM succeed. We also wanted to get a clearer understanding of what's happening with CRM; the leadership skills required to build and manage a successful CRM implementation; obstacles confronted; expected benefits and success metrics; and lessons learned. With so much at stake, and with virtually every major company counting on some form of CRM to help it remain

*"CRM ensures that customers are communicated with in a manner that recognizes them as unique individuals, thus approximating the one-to-one experience we strive to achieve at each customer touch point. This also strengthens the opportunity to enhance customer lifetime value through improved retention and/or additional revenue."*

Steven R. Isaac — CEO, DMW Worldwide, a leading, full-service direct marketing agency

<sup>1</sup>Learning from Customer Defections by Frederick Reichheld, *Harvard Business Review*, 9/1/96.

<sup>2</sup>Guide to Travel Loyalty & CRM, by Jerry C. Chandler, *Travel Loyalty & CRM*, by Garret Communications — Copyright 2001.

*“This study confirms that CRM initiatives dovetail the efforts of many companies to become more focused around increasingly finite sets of customers. These efforts must start at the top of an organization, and be led by its most senior management. This finding, and many others from the Spencer Stuart study, support what Northwestern’s Medill School has learned and what we teach.”*

Tom Collinger — Director of Direct, Database & E-Commerce Marketing Curriculum, Medill School of Journalism at Northwestern University

**CRM WORLDWIDE REVENUE GROWTH AND PROJECTIONS**

	2000/2001	2005
CRM APPLICATIONS <sup>1</sup>	\$6.2B	\$14B
CRM SERVICES <sup>2</sup> (includes CRM outsourcing/operations management and CRM training)	\$61B	\$148B
eCUSTOMER CARE SERVICES <sup>3</sup> (top 5 U.S.-based eCustomer care outsourcing providers, by 2000 revenues: Convergys, TeleTech, SITEL, WEST, EDS)	\$30B	\$76B

<sup>1</sup> IDC Forecasts Worldwide CRM Applications Revenues to Surpass \$14 Billion in 2005, IDC, <http://www.idc.com/software/press/PR/GSWo81501pr.stm>, August 15, 2001

<sup>2</sup> IDC Forecasts \$148 Billion in CRM Service Revenues by 2005, SupportIndustry.com, Weekly eNewsletter, <http://supportindustry.net/newsletter/061501.htm>, June 15, 2001

<sup>3</sup> Companies Will Spend More Than US\$76 Billion on eCustomer Care Services by 2005, IDC Pulse, [http://www.idc.com.au/IDCPULSE/Archives/idcpulse20010627\\_services.asp](http://www.idc.com.au/IDCPULSE/Archives/idcpulse20010627_services.asp), June 27, 2001

competitive, these seemed like important things to know. To clarify our understanding, we surveyed a cross-section of 50 senior executives from three different tiers of the CRM world — end-users, service providers and software providers.

**CURRENT STATE**

So what is CRM all about? The first thing we found is that there’s a lot of confusion out there. We learned that lists of components and processes can no more explain the concept and promise of customer relationship management than a list of car parts — engine, wheels, transmission, seats — can describe the concept and promise of an automobile. We learned that when CRM systems don’t work as anticipated, it’s tempting and convenient to blame “the technology” — when the underlying premise of CRM isn’t about technology at all.

We also learned that many companies begin their CRM activities as “me too” initiatives without understanding how they will apply it or whether they are “customer-centric” organizations — i.e., focusing on specific customers or distinct customer segments versus being “generally” market driven, or worse yet, product-centric. CRM is a 180-degree shift from being product-centric. Companies need to realistically assess where they are along the change continuum. When implemented over a structure that is inefficient or resistant to change, enterprise-wide CRM cannot succeed. This is why some companies that attempted enterprise-wide CRM are now letting the pendulum swing back to discrete efforts that do not require cross-divisional turf-sharing.

In fact, only 53 percent of end-user survey respondents describe their companies as “customer-centric.” To avoid such fundamental pitfalls, we developed several critical checklists resulting from survey respondent

## SURVEY RESPONDENTS PROFILE

### PERCENTAGE

#### CRM USERS — INDUSTRIES REPRESENTED

• Technology Products and Services	28%
• Financial Services	20%
• Consumer Products and Services	16%
• Travel and Hospitality	12%
• Business Products and Services	8%
• Retail	8%
• Other	8%

#### ALL RESPONDENTS — ROLES REPRESENTED

• Marketing	46%
• CEO/COO/President	18%
• Technology	18%
• Business Development/Sales	9%
• Other	9%

feedback — a simple “CRM Toolkit” of factors to be considered prior to implementation. The list includes key topics for management discussion covering everything from required leadership skills to anticipated obstacles and expected benefits. The checklists can be found at the end of this paper.

So if customer relationship management really isn't about technology, then what is at its core? Our study tells us that the key factors for CRM success are communication and having the right leadership in place to communicate and drive the transformation. It's about speaking the same language — literally and figuratively — to understand, enhance and ultimately optimize the customer experience.

When CRM systems fail to live up to expectations, it's because the groups trying to make them work haven't communicated their respective needs and capabilities clearly. They have proceeded without a common polestar to guide them. No wonder they often wind up at different destinations or experience slowed progress to the point of no progress at all.

What we learned is that CRM underperformance is the logical and inescapable conclusion when the key players haven't clearly articulated a common vision; when leadership is ineffective at managing change;

when there is a lack of significant, up-front buy-in among senior executives; and when buyers and sellers in the CRM marketplace operate with different and conflicting expectations. “It's very hard to get people to cooperate enterprise-wide across different political environments,” says Steve Brighton, a senior executive at Acxiom Corporation, who has been involved with over 100 CRM projects. Acxiom, a global leader in customer data integration (CDI) software recently teamed up with Cobalt Group, a leading provider of e-business products and services, to develop online CRM services and tools for the automotive industry.

Of the many leadership skills and characteristics identified as important, a handful stand out as essential. These include “credibility,” “a strong customer orientation,” “a fundamental understanding of CRM” and, most importantly, “the ability to create, lead and manage change.”

Implicit in these leadership requirements are strong interpersonal communication skills, persistence — and leadership. CRM doesn't happen overnight. As John Gray, currently a CRM consultant, previously SVP with APAC Customer Services, says, “If the CRM executive leadership isn't strong, you'll have scope creep. The dimensions of the initiative will expand and CRM benefits will be pushed too far out into the future.” For many companies, it's an iterative process in which incremental successes over a number of years pave the way for larger initiatives. Some companies simply give up before getting through the three to four years a comprehensive CRM solution can take to get it up, refined and running on all cylinders. David Morgan, group chief information officer at Reuters Group Plc, commented that, “To ensure success a company must build a small team at the top level of the firm with three core characteristics: first, an understanding of the business; second, an understanding of the technology; and, third, the credibility within the business to make the plan happen, as it is almost always revolutionary.” Brett Gow, previously SVP with Rapp Collins Worldwide, a direct marketing services agency, and now a CRM consultant, also notes

*“Few companies would disagree that CRM is one of the key strategies for successful marketing, today and going forward. Until now, most of the tools focused only on technology and its applications. This study goes beyond the technology and provides a guide to help understand the critical leadership skills necessary for a successful CRM implementation. Bottom line, this study is a must read for any company expecting CRM to play a role in its future success.”*

Jerry I. Reitman — Vice Chairman, The Callahan Group,  
and author of *Beyond 2000: The Future of Direct Marketing*

that “companies are concerned with not meeting Wall Street analyst and shareholder expectations with regard to consistent or improved earnings performance based on CRM infrastructure investments offering mid-to longer term benefits. The result is often aborted or truncated efforts that leave no one fully satisfied.”

There’s also a clear need to get buy-in throughout the company and, specifically, to build this buy-in through strongly facilitated workshops. Morgan touted the importance of this: “There has to be a drive behind the workshops — to get people excited and also willing to accept common processes and standards. There must be no competitive alternatives.”

We also learned that companies intent on pursuing enterprise-wide CRM systems will need to find leaders with extremely broad and deep skill sets. As one respondent said, “If you try to find the perfect person with all the ideal capabilities to lead such an effort, you’re going to be looking for a very long time.” Identifying the right person to lead or manage any CRM implementation requires a thoughtful evaluation of each company’s needs and circumstances.

## **CRM, VERSION 1.0001 A**

Despite the tremendous advances that have already taken place, CRM is still in its early stages. Although technological problems play their part in underperforming CRM systems, we believe technology is a symptom and not the source. Based on survey findings, a shared

definition of what CRM is all about emerged: “*Creating customer relationships through a consistent, relevant dialogue across multiple channels in order to maximize customer satisfaction and business results.*” And while technology is indeed one of the implicit drivers, in no way will technology perform and deliver on expectations if the right organizational structure, goals, incentives and leadership are not in place. This is underscored by the preceding shared definition in the description above, where the importance of people, dialogs and relationships are noted.

In the next few years, it’s likely that enterprise-wide CRM systems and infrastructure solutions that weave together component applications will overcome many of the bottlenecks — such as poor data quality and legacy systems — that have served as scapegoats for failed implementations. Enhanced voice recognition systems and the consolidation of phone, Internet and mobile computing capabilities will facilitate the capture and use of more comprehensive customer data. Furthermore, enhanced analytics and business decision-making tools will make access to this data even easier and more meaningful than ever.

We expect that dynamic feedback loops will be incorporated into CRM solutions, making it possible for companies to leverage cross-divisional systems able to act on real-time information in ways that are much more responsive and targeted than now possible. Technologically intensive applications, such as yield management and dynamic pricing programs that are standard operating procedures for leading airlines, will find their way into the CRM systems of many more industries.

Eventually, customer-facing and back-office systems will merge into a user-friendly, transparent environment where the message has been heard (and acted upon) before the inquiry has even been posed. So to us technological shortcomings are a blip on the timeline of CRM's evolution.

This vision makes it clear that successful CRM implementation is not now, nor ever will be, just about technology. It's about leaders who can articulate a clear, common vision and effectively manage the organizational change and nuts-and-bolts implementation required to meet goals along the way. Unfortunately, despite significant investments, a number of companies will never fully operationalize their vision. Why? As one respondent noted, "Weak loyalty structures — exemplified in many work environments by frequent changes in leadership, executives who cannot overcome internal resistance and an intransigent corporate culture — are to blame." So we expect that even after the most important and complex technical obstacles are surmounted what will remain — then as now — is the need for exceptional change management and leadership.

## KEY FINDINGS

Our study confirmed one of the generally accepted conventions of CRM implementation — that success is dependent on senior-level buy-in. But we also learned that executive-level buy-in is not sufficient to guarantee

### END-USERS: "WHY COMPANIES LAUNCH CRM INITIATIVES"

- Reduce customer attrition
- Competitive pressures
- Increase revenue and profitability
- Strengthen relationships with most important customers
- Create better end-to-end customer experience through increased responsiveness and personalization
- More cost-effective to retain customers vs. acquiring new ones

success. What's really required is senior-level commitment that starts at the beginning of a CRM initiative in identifying how CRM maps with and will support a company's vision.

## Goal Setting

Senior executives often become involved in a CRM decision at the time of "sign-off." By then it may be too late for vendors, implementers and end-users to step back and see if the solution they have specified really is congruent with a company's vision and goals. If senior management has failed to establish a common vision — and demand that it be specified in the solution — then it's completely possible for vendors, systems implementers and end-users to be working toward different ends.

This was confirmed by our survey, which identified one of the most common obstacles encountered in CRM efforts as the lack of proper goal setting. Given this scenario, each party to the solution is likely to operate on what they know. As one senior executive at an interactive educational company put it, "Buyers will think they are getting a business solution. Vendors will think they've been asked to provide an integrated systems solution." We believe this "failure to communicate" around up-front goal setting is one reason why most of the service providers we surveyed felt that end-user senior managers were not "equipped to lead or manage successful CRM efforts." When solution providers believe their customers are unable to utilize a product properly, we see that as hard evidence of a real disconnect in the communication and trust that is required for a successful implementation.

Also, per our survey respondents — whose companies represented a broad range of industries, including financial services, business products and services, travel and hospitality, consumer goods, retail and technology services — this lack of initial goal-setting and the significant amount of time required to obtain senior executive buy-in are indeed significant obstacles. Among all respondents, the amount of time required to get their senior management team to sign off on implementing a

**MAJOR OBSTACLES TO CRM PLANNING AND IMPLEMENTATION**

**CRM USERS**

- Lack of total corporate “buy-in”
- Lack of resources (money, people and time)
- Lack of end-user buy-in and properly setting expectations
- Inability to sort out effective software and service provider solutions
- Inability to change organizational structure, compensation and processes so all are customer focused

**SERVICE PROVIDERS**

- Confusion over goals
- Lack of consensus in senior management
- Territorial ownership of segments and products
- Poor data quality

**SOFTWARE PROVIDERS**

- Lack of end-user buy-in
- Improper setting of expectations
- Poor data quality
- Data ownership issues
- Legacy systems integration

**END-USERS: “OUR COMPANY’S SENIOR MANAGEMENT TEAM IS WELL-EQUIPPED TO LEAD AND MANAGE A SUCCESSFUL CRM EFFORT”**

**RESPONSE PERCENTAGE**

Strongly Agree	27.3%
Somewhat Agree	54.5%
Somewhat Disagree	18.2%
Strongly Disagree	0.0%

CRM solution ranged anywhere from “immediately” to “approximately three years,” with the average being about nine months. Our survey also revealed end-users’ thoughts on just how well-equipped their senior management team is to lead and manage a successful CRM effort. Only 27% of these respondents “strongly agreed” that their management team was equipped to do so.

The study further indicated that a “failure to communicate” takes place not only between software and service providers and their end-user clients, but also within the ranks of end-users themselves. When purchasing a CRM solution, executive buyers often fail to realize that they will be sellers to their organizations when it comes to understanding what a CRM solution really brings. These executives must communicate what CRM means to the employees expected to use it on a day-to-day basis. The value of using CRM must be clear and evident. For example, instituting a time-intensive sales-force automation application that chews up commissionable time (by asking the sales force to enter information it doesn’t view as relevant) will not result in a successful implementation, no matter how good the software may be — or how important the additional data might be downstream.

**The Right Team**

Additionally, the importance of building the right CRM team cannot be overemphasized. Our survey revealed that, with increasing frequency, a separate CRM team is established with senior executives from marketing, IT and also quite often customer service, sales and finance. Where effective, these teams are typically comprised of top organizational talent who also have a general management orientation — i.e., an appreciation for requirements, impact and results across the organization. A number of end-user respondents also underscored the importance of strong and active sponsorship from top management. Marketing, it was stated, tends to be a central driving force.





#### LENGTH OF TIME CRM SOLUTIONS HAVE BEEN DEPLOYED

TIME	PERCENTAGE
Less than 1 year	27.3%
1 to 2 years	36.4%
2 to 3 years	9.1%
3 to 5 years	9.1%
Greater than 5 years	18.1%

#### Deployment

Findings around current CRM projects and ongoing deployment efforts reveal that the majority of companies responding have been working at it for some time. As illustrated above, more than 36 percent have been formally deploying a CRM solution for between one and two years, while over 18 percent have been involved in this for over five years.

Survey findings revealed that, more often than not, discussions around CRM initiatives were typically launched by marketing, followed with buy-in from the executive team. However, more recently, CEOs have been the initiators. Also, while CIOs and CFOs can support this kind of initiative, they generally cannot “cause” a company to embrace CRM.

Among end-users, the most popular CRM applications implemented or in the process of being implemented include: “data analytics/customer information” (73 percent of respondents, with only three percent of respondents not pursuing this CRM component); “marketing and sales automation” (70 percent of respondents); and so on (see following table for details). As it turned out, “website personalization” came in lowest, with only 47 percent committed, and 20 percent not having any consideration whatsoever for this capability.

Research findings also indicate that, on average, 25 percent of user respondents are developing CRM solutions internally. More specifically, applications for “customer interaction centers” and “website personalization” are performed internally one-third of the time, while “sales-force-automation” applications were internally developed by only 13 percent of user respondents. The remaining applications (“email-response management,” “marketing automation,” “data analytics” and “channel

#### MOST POPULAR CRM COMPONENTS

CRM APPLICATION USERS	LEVEL OF COMMITMENT
Data Analytics/Customer Research	73% currently using or plan to implement
Marketing & Sales Automation	70%
Channel Integration	60%
Email Response Management	57%
Sales Force Automation	51%
Website Personalization	47%
<i>Service Providers</i>	
Data Analytics/Customer Data	Strong acceptance in market
Customer Interaction Centers	Strong acceptance
Channel Integration	Good early acceptance
Email Response Management	Fair early acceptance
Website Personalization	Moderate early acceptance with significant investigation
<i>Software Providers</i>	
Website Personalization	Greater level of commitment in market
Sales Force Automation	Greater level of commitment
Email Response Management	Somewhat lesser commitment



integration”) are being developed internally, on average, by 25 percent of end-user respondents.

For the most part, CRM service provider respondents had a consistent view of marketplace acceptance for CRM component applications. Salesforce automation is one application that service providers believe is developing rapidly and that the market has significant interest in. However, user respondents, while interested, do not seem quite as bullish. The other discrepancy seems to be in the area of marketing automation, where 70 percent of user respondents are well committed to implementation, yet only 33 percent of service providers see a pronounced and active use of this component in-market. The survey’s software provider respondents indicate that they are currently offering or partnering with others to provide component applications across all areas with somewhat lesser commitment to email response management and greater levels of commitment to website personalization and sales-force automation.

The above findings regarding CRM component applications, in part, reflect the natural lag-time involved in moving from concept creation to market adoption and

actual application (i.e., the movement of new applications from software developers to service providers to the ultimate end-users). The other discrepancies between these three groups most likely lie in the interpretation and definition of CRM from company to company.

Of the user respondent base, only 46 percent have benchmarked their CRM activities against other companies. Those companies most often mentioned as benchmarking targets include Amazon, Cisco, Dell, IBM, Schwab, Wells Fargo and Hewlett-Packard. That so many companies have chosen not to benchmark such a significant and substantial investment is a bit surprising. However, this may be explained by the relatively few number of companies presently deploying broad CRM solutions, as well as the desire to keep this a quiet competitive advantage for as long as possible.

### **Communication**

Effective CRM leadership requires two-way communication — up, down and across an organization. Ideally, executives must be able and willing to assess and communicate honestly about the company’s culture, business processes, commitment to being customer-centric

*“A broad CRM implementation can quickly consume enormous resources across a company. In the face of pressure on budgets and staff, it’s critical to have laser-like focus on performance drivers that really count. For example, why deploy a team to improve customer acquisition if your real weakness is in conversion or retaining loyalty? Without the right competitive and customer benchmarks, CRM can easily become a very slow, expensive and frustrating fishing expedition.”*

Gian M. Fulgoni — Chairman and Co-Founder, comScore Networks, providing the Internet economy with data-based infrastructure services that help improve sales and marketing effectiveness



and share realistic goals. This all needs to happen before initiating a CRM project. One of the most important “get-ready” tasks needing thorough discussion is the integration of all data across an organization. This means standardizing software and databases and making certain that business processes are aligned. Only through effective communication are the information needs of individual departments served.

Underscoring the impact of CRM related technology projects, General Motors found it helpful to engage an outside consulting perspective on how best to align their organizational structure, communications processes, and change management processes to fully leverage their new marketing data warehouse. This, in turn, helped get the organization in a change-ready state, willing and able — company-wide — to launch their data integration and CRM efforts.

### **Expected Benefits**

Companies that have embarked on CRM implementations (component-based or otherwise) have high expectations for broader market reach, lower cost-per-transac-

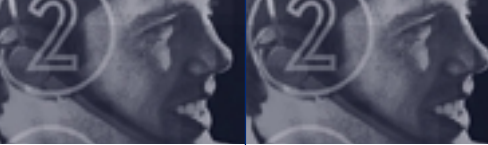
tion, enhanced customer end-to-end experience and reduced costs of customer-facing operations among a number of other anticipated benefits (see Toolkit Checklist #2 “Expected Benefits”). There are, however, significant shortcomings between expected versus actual benefits experienced across most of these areas, with the exception being a better viewing of customer transaction history, where actual benefits exceeded those expected. There was also limited discrepancy between the increased revenue per transaction expected and that actually received. Some reasons for these other discrepancies were highlighted above in the table titled, “Major Obstacles to CRM Planning and Implementation.” The good news? End-users surveyed do appear to be reaping substantial improvements in customer retention.

### **Leadership Selection**

With respect to the right kind of leadership needed to effectively manage CRM implementation, survey responses indicate that a broad range of skill-sets, knowledge and experience come into play. What does this imply...? Finding a senior leader who can effective-

*“In today’s environment, maintaining connections with and growing the value of your customer base is a critical challenge. As selling and communications channels proliferate, the challenge is compounded. Without talented and experienced executives who can cut through the haze surrounding CRM practices and technologies, satisfied customers and continued earnings growth will elude corporations.”*

G.M. O’Connell — Chairman, Modem Media, a leading Internet professional services firm focused on solving marketing and customer management problems



ly communicate the corporate vision? Finding a leader who's adept at project management — and can deliver results? As stated at the very beginning of this piece, finding the right CRM leader is all of that and more.

Certainly at one time or another over a CRM project's life span, all of the following leadership attributes are required: strong general management orientation; passionate belief in the value and benefits of CRM; exceptional communication, influencing/persuasion and team-building capabilities; broad cross-functional experience; strong understanding of the customer base and appreciation for lifetime value economics; understanding of enabling and emerging technologies; database marketing skills; and last but not least, a proven ability to lead and manage significant change in an organization.

The exact requirements and skill sets for a lead CRM executive will vary between companies. This variance takes into consideration such factors as the receptiveness of the organization to CRM; the number and level of resources to be applied; implementation objectives; the likely CRM components; and existing competencies of the company. The right CRM leadership for one business may be quite inappropriate for another.

An effective CRM leader will ensure that the organization has a clear understanding of its functional requirements — before buying any enterprise or component packages. Ensuring successful CRM product selection highlights the need to obtain the latest wisdom on the multitude of CRM software solutions out there. According to David Morgan, CIO of Reuters Group, the premier organizations for this include Gartner Group, Giga and Forrester. Morgan also noted the importance of selecting a software provider with global CRM solution implementation skills and experience, naming Siebel,

Vantiv, Clarify and Oracle as the chief players. However, as one senior executive noted, "No one company in the CRM space really has the entire CRM solution."

### **"LESSONS LEARNED"**

The findings of our study make it clear that a breakdown in CRM implementation can occur in four major areas: strategy, tactics, culture/values, and leadership. Concerning corporate strategy and CRM, key company executives must make it their responsibility that subordinates, CRM service providers and, when appropriate, software developers understand the corporate vision, strategy and objectives that CRM component applications must support.

All too often it is falsely assumed that IT personnel and outside implementers have a thorough comprehension of an organization's long-term objectives. CRM is not another piece of technology that simply needs plugging in. It is more of a tool which, over time, will alter the way customers are viewed and the way business is done by the company. If the technology and applications do not map to corporate strategy, they will wind up working at odds with each other and not in concert. It's up to senior executive leaders to *make sure everyone understands the vision and is buying into the same outcome.*

Immeasurable approaches to CRM can also lead to sub-optimal results. It is important that metrics be established before implementation begins. Our survey revealed that less than half of CRM users benchmark their performance against other companies. Many do not have internal control groups against which to compare the results of CRM initiatives. *Without benchmarks, control groups and metrics based on broadly accepted strategic vision and objectives, a*

*“To be successful, CRM must improve and enhance the overall level of customer service. To accomplish this, you must determine what is critical to the customer, adopt a multi-organizational viewpoint and create metrics that are both customer-focused and actionable.”*

Ramon Gregory — Senior Vice President, Customer Service Operations, The Home Depot

*company cannot rationally determine how to allocate CRM resources or how successfully those resources have been deployed.*

*To achieve significant positive results, companies should consider breaking CRM implementation into manageable phases that will gain credibility for the overall effort by showing results and payback.* These individual initiatives should map to the larger CRM blueprint so that, as implementation moves forward, individual modules or applications can be woven together into a common fabric. Companies often fail to adequately prioritize which component solutions are most relevant for their particular CRM needs and which will achieve the most rapid or highest ROI. This results in the broad, undirected and sub-optimal array of solutions that have characterized a number of CRM efforts.

*Corporate culture and values also play a major role in the level of success achieved by CRM.* In particular, companies need to stand back and realistically assess their capabilities before determining which CRM solution to deploy. For example, a company that has not been customer-centric in the past may want to alter its approach to the marketplace. Technology cannot do that. This not only fails to bring about the desired change, but also tends to create expectations for technology that cannot realistically be fulfilled. When the initiative fails, everyone wonders why. As we've said, it probably wasn't because of the technology.

*Organizational change goes hand-in-hand with CRM implementation. Companies need to objectively assess how open to change they are.* If you ask executives whether their companies are change-friendly, most, of course, will say they are. What executive doesn't want to be associated with innovation and progress? Yet if we take a close look at many companies, we see

systems in place that are all about not rocking the boat. About not changing the rules. About doing it as has always been done. Those are not change-friendly organizations. Laying CRM over a static corporate culture won't work according to plan.

## IMPLICATIONS

So what do these three areas — strategy, tactics, culture/values — have in common? Leadership. Proper leadership does not abrogate responsibilities for goal-setting, strategy, tactical deployment of resources and self-assessment to service and software providers and then hold others accountable when things don't go as expected. Leadership must not only buy into CRM efforts, but must make the personal commitment to bring strategy, tactics and culture/values, and the objectives set for CRM, into agreement with one another. This entails a commitment that goes way beyond “sign-off.” One survey respondent highlighted, “CRM must focus on delivering concrete bottom-line impact. Therefore, you need an executive leader who has a strong ROI focus, broad management skills, is highly customer-oriented and understands how to leverage technology.”

Leadership must also be sufficiently comfortable with CRM to anticipate and plan for obstacles before they arise because the complexity of systems almost guarantees that there will be detours along the way. Leadership's job is to understand the polestar and keep everyone moving toward it.

Our survey revealed that it's not necessary for a CRM leader to be a CRM technical expert. A deep understanding of the customer base, the corporate vision, database marketing and a passionate belief in CRM's value and benefits are the crucial elements, as are a cross-matrix, strategic mindset and ability to com-

municate — throughout the organization — the value and importance of the change that a successful CRM implementation will drive. An effective leader also ideally possesses broader experience in other functions — such as sales, customer service or maybe finance. CRM is never a solo operation, and demonstrated team-building experience is invaluable — as is the ability to manage significant change, and keep everyone focused on the vision.

Lastly, leaders of CRM efforts should feel confident that initiatives taken will result in information that is “actionable.” This is why CRM and other business automation cannot yet act in lieu of managers — because there must be judgment and creativity in place that facilitate CRM.

## CONCLUDING THOUGHTS

Data is not and will never be a substitute for strategy. For the foreseeable future, whether the technology is CRM, ERP or any other, we believe it is leadership that drives strategy and implementation that drives performance. Finding the right senior executive talent and leadership team is all about prioritizing the most critical leadership traits and skill sets for a company’s specific CRM effort — whether that phase of the effort is an enterprise project launch or a third-in-sequence component implementation. As previously suggested, this must take into account organizational competencies, available funding and the change-readiness of the business. Broad scale CRM efforts touch everything: culture, talent, processes and technology — don’t misunderstand us, technology is great — but it takes great leaders to transform it into greatness.

*“While many companies embraced CRM as the silver bullet ensuring future growth and success, unfortunately many of them were also led to believe that success was based on implementing the right software along with the required system and procedural changes. But software and systems are only enablers. CRM does require state-of-the-art software and support systems, but it is far more important to have — at the outset — the best people possible leading the initiative and creating the overall culture within the company.*

*There is no doubt that research efforts, like this one by Spencer Stuart, can enable companies to better support their customers. Successful CRM implementations are architected by people focused on addressing the needs and aspirations of people — their customers.”*

Clive Maclean — President & CEO, Kestnbaum Consulting



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## DIRECT & INTERACTIVE MARKETING SPECIALTY PRACTICE

Spencer Stuart is the only major search firm with a direct marketing practice specialty, which focuses on serving the varied senior talent needs of “customer-direct” business models. The firm has served a broad range of both business-to-consumer and business-to-business organizations, from Fortune 200 firms to emerging venture-backed enterprises, and recruited visionary leaders who leverage information-based customer insight with both traditional and new media technology solutions. Our Global Direct & Interactive Marketing Practice has placed senior executives across a wide range of business sectors, including apparel, wholesale distribution of maintenance and repair supplies, giftware, financial services, office products, books, technology/computers, airlines and hospitality, among many others.

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## ABOUT THE STUDY TEAM

### CHRISTOPHER C. NADHERNY, Study Leader

Chris is a Senior Director and Partner in the Chicago office of Spencer Stuart. He played a lead role in building Spencer Stuart’s Direct & Interactive Marketing Specialty Practice, which he now oversees for the Americas. The practice focuses on the application of database and information technologies to build targeted business and marketing platforms through both traditional direct marketing channels (catalog, direct mail, telemarketing) and new media (Internet, CD-ROM). Significant clients include both consumer and business-to-business companies employing customer lifetime value, one-to-one marketing and CRM.

After graduating from Union College in New York, Chris earned an M.B.A. from the Wharton School of Business in Marketing and Finance. His early career was in brand marketing with Frito-Lay and Johnson & Johnson. He sits on the Board of Visitors for the Medill School of Journalism/ Direct and Interactive Marketing at Northwestern University, and the Advisory Board of Internet Executives Club. He is founder of the Digital Leadership Exchange, a quarterly multinational dinner series for e-commerce CEOs.

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Based in Spencer Stuart’s Atlanta office, Conchita is a member of the firm’s Consumer Goods & Services, and Technology, Communications & Media practices, with a strong focus on the Software Specialty Practice. Conchita recruits general management, senior information systems and customer relationship management talent for companies in a wide variety of industries and technology consulting firms. Prior to joining Spencer Stuart, Conchita acquired broad executive management experience during her 18 year career with IBM corporation and IBM.com.

A graduate of Newberry College, South Carolina, Conchita received a B.A. degree in mathematics in 1982. She is very active in the community, serving on the United Way National Leadership Council, and is a member of the Coalition of 100 Black Women.

Based on the learnings from our study, our simple "CRM Toolkit" — a series of CRM checklists — was designed to help facilitate communication and goal-setting on a series of important planning milestones that can help make — or break — a project.

These checklists can be used as an effective starting point, helping to guide the thought process around project definition, expected obstacles, and desired outcomes. Or, these planning and communication tools may simply be used to get all vested parties speaking the same language, thereby helping to break down some of the barriers to a successful implementation. One suggested way to take advantage of "lessons learned" and the other checklists is to use them in facilitated work sessions (referenced under the "Current State" section of this paper) to drive discussion, and, ultimately, team consensus.

The goal: help all project team participants, as well as the entire enterprise, build, agree on, and implement a common CRM vision.

### #1—LEADERSHIP REQUIREMENTS

1. Passionate belief in CRM
2. Authority to bring about change
3. Exceptional communication skills
4. Proven team builder
5. Deep understanding of CRM and ability to link business requirements to ROI
6. Proven leadership and change management skills
7. Strong commitment and accountability for results
8. Understanding of customer base
9. Cross-functional experience (including grasp of enabling technologies, profitability modeling and database marketing)
10. Competence across multiple channels and customer touch points

### #2—EXPECTED BENEFITS

1. Real-time information on customer history, preferences and requirements
2. Consolidated view of product/service offerings
3. Processing and delivering orders more quickly
4. Enhancing customer end-to-end experience
5. Detailed understanding of drivers behind profitability (i.e., how to best acquire, retain and grow a more profitable customer base)
6. Increased customer satisfaction
7. Improved customer retention
8. Improved customer service
9. Increased customer lifetime value
10. Increased emphasis on data analysis and measurement
11. Increased revenue per transaction and increased profit margins
12. Lower cost per transaction of customer-facing operations
13. Delivering marketing messages in real time
14. Broader market reach

### #3—SUCCESS METRICS

1. Customer retention/lifetime value
2. Customer acquisition
3. Length of customer relationships
4. Improved customer satisfaction
5. Increased number of transactions/call volume
6. Incremental sales
7. Increased revenue
8. ROI
9. Operational cost savings
10. Measurement of brand image

### #4—MAJOR OBSTACLES

1. Lack of consensus/total corporate “buy-in” from senior management
2. Lack of resources (money, people and time)
3. Lack of end-user buy-in and properly setting expectations
4. Inability to sort out most effective software and service provider solutions
5. Inability to change organizational structure, compensation and processes so all are customer-focused
6. Confusion over goals
7. Territorial ownership of segments and products
8. Data ownership issues
9. Poor data quality and data integration with legacy systems

### #5—LESSONS LEARNED

1. Ensure vision is established and accepted early on. Make sure goals are consistent with vision.
2. Senior executive buy-in must come long before “sign-off.” Include discussion around economic benefit to organization and on-going interest/commitment.
3. Installing system and components is only half the battle. Hiring the right people, training and managing organizational change are as much a part of a CRM strategy as the new technology.
4. Unless an organization’s CRM experience and receptivity is significant, undertake small incremental steps. Be certain to involve a broad cross-section of the company.
5. Break implementation into phases and select applications that yield the quickest returns. Use quick-turnaround ROI to build credibility, cross-divisional support and reinforce investment decision.
6. Don’t underestimate the time and resources a CRM implementation takes.
7. Recognize there is no perfect solution (yet). Leadership must be dedicated, committed and consistent over multiple years, not multiple quarters.

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