

## **ALIGNED BUSINESS PROCESSES ARE A CRITICAL SUCCESS FACTOR AND PREREQUISITE FOR SUCCESSFUL CRM PROJECTS**

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### **Abstract**

Market environment has changed and companies need to adapt accordingly. They need to rediscover the customer. Mass production and mass marketing is no longer accepted by the customer. As a consequence, companies need to organize themselves around their customers, instead around their product. Customer relationship management (CRM) supports a customer centric approach and could lead to the assumption that the implementation of CRM could be the ultimate solution for customer care. Nevertheless, there is a very high failure rate of CRM projects reported. Very reputable companies reporting in their studies that up to 80 per cent of CRM projects fail. Issues are manifold, but one critical success factor is the right setup of processes in the company with a clearly defined focus on the customer. For this reason, a thorough design of the business processes is one of the most important factors for successful and sustainable CRM implementation. This kind of preparation is an investment in the right things that will pay off. Silo mentality and focus on the objectives of single departments will prevent successful CRM implementation and consequently successful customer service. The findings emphasize the importance of aligned processes as a prerequisite for a successful CRM implementation.

**Keywords:** CRM, fail rate, structures & processes, process orientated, procedure model,

**JEL Codes:** L61, M10, M15, M31

### **1. Introduction**

Customers are the ultimate success factor of a company and are thus key driver for healthy companies. Developments on the market, as well as technological advances enable customers to buy products which are easily comparable on a global market. Besides the fact of more transparency on the market, products are available from a wider selection of suppliers with a corresponding effect on the competition. (Rothlauf, 2014).

Companies have to react to changed conditions on the market and need to adapt to globalisation and new technology. Pressure from new competitors on the market requires careful costing and profitability projection. Even though customer orientation is still given high attention in management teams, in real life, companies still focus on products instead of customers. Successful companies need to follow a customer focused approach because demanding customers are requesting customised solutions, support and service instead of products from mass production. The main objective of companies must be to identify profitable customers and to adjust marketing, sales and service accordingly. In this content, a holistic approach is important to focus on the customer. A CRM implementation is supporting such approach, but complexity here is often underestimated (Kehl & Rudolph, 2001).

A decisive client-centric approach is of utmost importance and it has to be enabled and supported by the management. The management is encouraged to help to overcome organizational hurdles for a holistic view on customers (Kehl & Rudolph, 2001).

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Implementation of CRM in a company can support a customer-oriented approach, but the acquisition of a CRM-System is not automatically linked to business success. Customer Relationship Management goes far beyond management of business relationship and is most of all more than a software package. CRM is a corporate philosophy, where software is just a supporter of a strategy (Hettich, Hippner, & Wilde, 2000).

Although there are many reports of failed IT projects, many companies still decide to pass the topic on to the IT department for implementation. Among other things, such decisions are to blame for the failure of so many CRM projects, because the organisation must be adjusted upfront for such profound changes (Rigby et al. 2002).

A continuous improvement of processes towards the customer and an alignment of corporate processes with customer processes is a prerequisite for sustainable CRM implementation (Hettich, Hippner, & Wilde, 2000).

It is not efficient to put effort into the implementation of a CRM tool, if underlying processes are not designed for a customer-oriented approach. All processes must be aligned and continuously improved in order to meet requirements of the customers. An intensive consideration of processes and their alignment is thus inevitable for sustainable CRM implementation (Hippner, Merzenich, & Wilde, 2004, P. 70)

Process orientation means customer orientation and consequently everyone within the whole supply chain needs to focus on the customer. For this reason, customer needs have to be identified and consequently all processes have to be adapted to deliver solutions for customer requirements. All activities that are not supporting such an approach are not adding value and need to be eliminated accordingly. (Meister & Meister, 2010)

CRM systems need to enable a company-wide approach and this is by its nature difficult. The requirement profile for a CRM system should basically provide a centralised customer database, support integrated processes and improve communication towards the customer (Kehl & Rudolph, 2001).

## **2. Processes have impact on success of CRM projects**

Customer Relationship Management (CRM) is still very popular because customer orientation is regarded as a possibility to hold beneficial relationships with customers in competitive markets. However, CRM projects frequently fail, and sometimes already during the implementation phase because there are a lot of pitfalls on the way to a customer-oriented company (Bruhn, 2016).

A customer centric view within the company is the cornerstone for a successful and sustainable CRM strategy, but companies did often not succeed in implementing such a strategy. Focus was mainly on products in the past. Unfortunately, companies will probably react immediately if figures show a decrease of 10 per cent of the inventory, but if 10 per cent of the company's customer migrate to a competitor, it might not even be recognized (Gentle, 2002).

Integrated processes are a foundation for a customer centric approach, and employees are important to execute those properly set up processes. For this reason, it is necessary to provide an adequate corporate culture already on management level to motivate employees to participate on the CRM journey within the company (Bruhn, 2002).

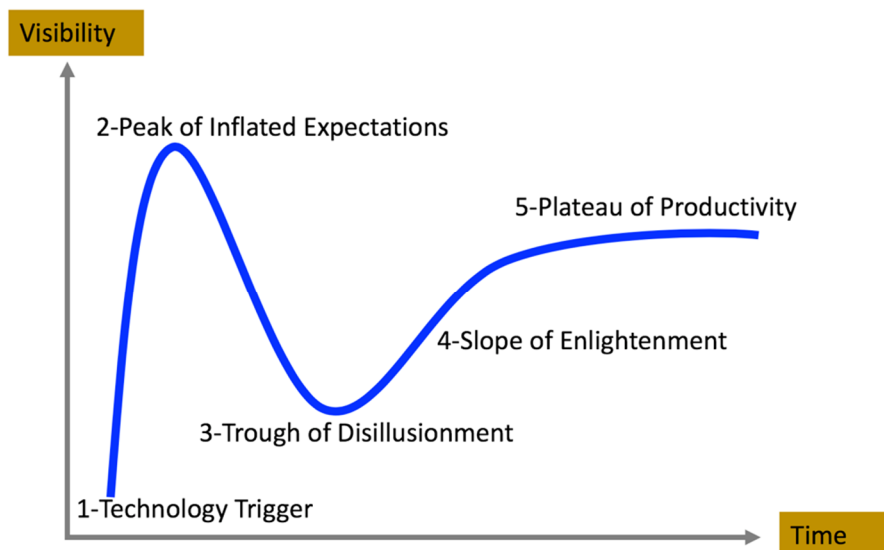
The importance of motivated employees for sustainable and profitable customer relationships is evident, nevertheless, employees are very often not involved in a CRM project to a required extent. In this regard, companies have to realise, that customer orientation is a joint task for all involved departments. In the past it was mainly noticed as the competence of

the front office like marketing or sales, but findings show that all processes need to be aligned and managed synchronously with the aim of a greater external coherence (Schneider, 2008). Customer orientation is an approach, that needs to be anchored across all departments of a company and requires often a change process. Within this process, employees need to be trained, motivated and instructed to be prepared for interaction with the customer. For a successful implementation of a customer orientation process, management needs to be aware that this endeavour requires long-term planning. In parallel, it is necessary to monitor and permanently evaluate affected processes. Regular surveys with all customers can contribute to a successful journey (Michael Brendel, 2002).

One of the most frequent reasons why CRM projects fail is, that CRM is still often recognized as IT-project. It is not possible to align processes and structures by simply implementing a CRM software. It is reported from literature, that companies which understood the dependency between IT and process alignment are likely to succeed in competition (Krafft & Götz, 2011).

CRM projects are likely to fail very often. Fail rates of up to 80% are reported from investigations done by reputable companies like Forrester, Gartner, Hewson, Insight, IDC, Meta, Standish and others. One of the reasons, why so many CRM projects fail could be, that CRM itself is a technology that follows similar procedures as other new developments until a stable implementation structure can be announced.

The Gartner Groups “hype cycle” (Figure 1) is representing how emerging technologies evolve over time. Similar development was recognised from the implementation of PCs, the client/server technology or ERP (Enterprise Resource Planning), all those technologies went through those phases. According to this cycle model, CRM is now expected to be in the phase “trough of disillusionment” after the hype and exaggerated expectations. The high fail rate of CRM implementations is proofing, that CRM projects are still in the learning phase, and according to the graph a positive development can be expected (Gentle, 2002).



**Figure 1: Gartner Hype Cycle**  
Source: Gartner.com (n.d.)

Pitfalls on the way to a successful and sustainable CRM implementation are manifold. It can be subsumed that some basic requirements are not considered during planning and execution but also post go live issues can jeopardise the success of a CRM project. One important risk is, if companies start to implement a CRM system, but the organisation as such is not ready for CRM. Customer should be moved into focus, processes must be aligned and process maturity must be

guaranteed. Preparing the processes are thus a prerequisite and this task can take a year or more until the next step, the implementation of CRM system can be triggered (Gentle, 2002).

Once, the importance of processes and structures is recognized from management, the next step should be to define a structured procedure model to implement a CRM strategy.

### 3. Methodology

This research explores the impact of processes and how they are set up for successful CRM implementation. For this reason, a literature review was chosen for evaluating already existing know how in the field of CRM implementation.

Database searches were conducted in an iterative manner during October – November 2018 to retrieve articles related to CRM implementing with focus on processes and structures. Search terms included “CRM “, “projects fail”, “process management” “change management” etc. No specific key words were required as inclusion criteria. Literature was obtained from journal articles and library catalogues in various universities of applied sciences and from Vienna University of Economics and Business.

The reference lists of each article were reviewed in detail to find additional articles.

### 4. Description and Findings

CRM processes have the focus mainly on processes providing direct contact with the customer. Greatest attention is given to those so-called front office processes like marketing, sales or service, because of the direct implication on customer behaviour (Schulze, 2002).

Customer are at the centre of CRM initiative. Consequently, a customer segmentation is reasonable, in order to identify first of all profitable customers, try to retain them and make the relationship with the customer more profitable. For this reason, it makes sense to organise business around the customer but not around the product and ask therefore questions to identify target customer, ask questions, why customers move to competitors and also ask questions why customers are in business relationship with the company (Gentle, 2004).

Process maturity is a requirement and prerequisite for CRM implementation. On the other hand, departments like marketing and sales are famous for avoiding processes or structured work. Campaign effectiveness is seldom known and sales reps are ignoring all kind of rules, with the excuse, that they need freedom to act. For this reason, they just concentrate to close a deal, don't matter how. Process maturity is thus important and a preparation as well as implementation of changes requires up to two years. A careful examination of the processes before implementation of a CRM project can lead to successful CRM implementation (Gentle, 2004)

According to a procedure model in Figure number2, adjustment and improvement of processes can be achieved on a structured approach.



**Figure 2: A procedure model**

Source: Hippner et al., 2004

According to this model is the first step, to define clear targets and a framework of the organization. Next step is to find out, which processes have to be evaluated, because focus must

be on processes with direct impact on customer contacts. Consequently, those processes need to be analysed with surveys on organizations as well as on customer side (Hippner et al., 2004). Difficulties in processes can certainly be recognized with process performance indicators, but it is more effective to evaluate specific processes with the feedback from customer surveys. These surveys can be used to check the relevance of specific processes for the customer and thus compare process importance with process satisfaction (Jammernegg & Kischka 2001).

In the process modelling phase, visualisation of existing processes is necessary, because it is difficult to keep the overview of processes, even if they are simple, because each process consists of a lot of details. This modelling task contributes to provide more transparency. Possible weaknesses of processes like double work or media breaks can thus be easily identified. Finally, processes shall be analysed and possible process improvements need to be implemented accordingly (Scholz & Vrohlings, 1994).

In addition to the internal processes, the customer processes should also be examined. Especially the interface between an organisation and its customers has to be transparent, because there is a huge potential for beneficial customer relationships. All kind of information as well as of products or services that are exchanged need to be aligned for increased customer satisfaction. Every customer process needs to find its process on the opposite side in the company (Schulze, 2002).

### ***Process benchmarking and reference processes***

Process benchmarking is a possibility to compare own processes with similar processes from partners or competitors in order to identify possible improvements. Process benchmarking may not necessarily be limited to be executed with companies within the same industry. It is recommended to compare with processes from companies that are believed to have best in class processes at least for a specific area (Becker & Kahn, 2002).

Benchmarking and subsequent adoption of standard processes are a possibility to improve own processes, but the adoption of standard processes should be considered carefully. If processes are adopted recklessly, the advantage of differentiation from other competitors may not exist anymore, thus companies are more comparable. It is therefore not recommended to replace processes where companies have already a significant competitive advantage. On the other hand, it is possible to generate advantage by replacing own support processes with proven processes from market. A properly designed approach can then generate a competitive advantage (Hippner et al., 2004).

Customer needs are of high importance and need to be considered in the design of a company strategy. Consequently, a setup of structures and processes will support a customer centric strategy. The traditional setup of processes and structures on a functional basis does not encourage a successful customer orientation. A functional orientation of company has disadvantages like long processing times, deficiencies in the adaptability to changing market needs as well as missing of clear responsibilities for customers. A critical look on a functional design is necessary for a customer-oriented direction (Gerth, 2001).

Companies are mainly organized on a functional structure. This is hindering efficiency because of insufficient transparency, redundancies and because of increased effort for coordination. Process orientation on the other hand can improve this situation and foster customer orientation (Gaitanides et al. 1994).

In a function-oriented management, tasks are combined into functional areas like marketing, sales, research and development etc. Within those functional areas, employees try to solve their tasks as good as possible, but without a holistic approach. Thus, the customer is not at the centre of all considerations and functions are not collaborating in an efficient way. Diverging objectives of different functions are supporting a behaviour, where no one is taking

care about the whole process to the customer. In addition, interfaces between departments are a potential risk where information and communication can get lost. In a process organisation the risk of interface problems will be significantly reduced. A further advantage of a process orientation is that attempts to focus mainly on department objectives can be avoided and employees learn to improve and think in regards of the entire process (Meister & Meister)

Aim of a process orientation is to organise process teams instead of department teams. Responsibilities have to be defined for those processes. Thus, effort for coordination can be reduced to a minimum. Material, information and decisions shall be kept in flow towards the customer. The goal is always to fulfil customer needs. Customer satisfaction in this regard comes as a result of properly set up processes and not from perception of management philosophies within a company. Improvement of processes will have impact on better service and reduced lead-times and will be recognised by the customer (Gaitanides, 2007).

Significant business processes need to be examined and improved upfront prior to a start of a CRM project. It would be counterproductive to focus on the implementation of a CRM project and make any endeavour to achieve a sustainable CRM, if underlying processes do not support customer orientation as requested by the customer. The preparation and alignment of processes is very important for a sustainable CRM implementation and shall not be skipped, because otherwise a CRM project will be launched based on inadequate processes. Adapting such inadequate processes after a CRM was implemented could be cumbersome and costly. For this reason, processes need to be analysed, adjusted and above all they need to be stable before the implementation of a CRM system (Hippner et al., 2004).

A consistent implementation of CRM project, requires diligent preparation and a structured approach. Firstly, the corporate strategy should be defined clearly, followed by a customer-oriented setup of processes. This will have a positive impact on the success of CRM project (Gerth, 2001).

## **5. Summary / Conclusions**

CRM implementation seems to be rocket science, because still only 20 per cent of CRM project are successful. Even though this big fail rate seems to be unacceptable, we have to accept that CRM is still in the learning phase, and like other emerging technologies, its development following the process as explained from Gartner Groups “Hype Cycle”. After the first phase of enthusiasm, CRM seems to find itself now in the phase of “Trough of Disillusionment”, where the next phase is then the “Slope of Enlightenment”

Figures of sales are proofing that CRM has still a high reputation even though there are a lot of pitfalls on the way.

Organizational readiness is requested from companies. In the context of CRM implementation does this mean, that companies have their processes aligned towards the customer and they are stable. A higher level of maturity of processes is supporting a smoother implementation of CRM and the project is more likely to be successful.

Customer Relationship Management is a solution for nearly all challenges from the market and thus supporting successful companies. Customer relationships can be made more profitable and direct communication on individual basis is providing a customer centric approach. Suppliers of CRM systems are promising that companies are more successful with CRM Systems and convincing managers to implement CRM. The CRM-business is still booming, but CRM projects are not delivering benefits as promised. This means, projects are finally closed with significant higher expenses as planned, cost savings do not come as expected (Kehl & Rudolph, 2001).

Reasons for the high failure rate are manifold, but integrated processes are a main prerequisite for successful CRM implementation.

It seems that companies want to jump on the train for this CRM hype, because more and more companies are participating. Competitive markets are forcing companies to find new ways to understand and focus on the customer. The CRM-market is promising a lot, but if companies do not prepare for this challenge upfront, the chances for successful CRM implementation are rarely low. Analysing processes with customer and adjusting them to the new requirements for a customer centric approach is a key challenge and needs a lot of ambitious work upfront. It is simply not realistic to assume, that it is possible to have CRM fully implemented three months after procurement of CRM software from the market. The figures of failed CRM projects are proofing that there is more participation required to achieve successful relationships with customers.

Processes are a kind of foundation, and a solid foundation is necessary if a CRM-house shall be built on it. It doesn't make sense to invest a lot of effort and money into a CRM-solution, if underlying processes do not fit into a customer centric programme.

Market and business environment are changing rapidly and consumers are more demanding and very flexible in their purchase patterns. In view of changing markets, companies must find opportunities to build even long-term relationships with their customers to achieve competitive advantage (Kracklauer, Mills, & Seifert, 2004).

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