Business Impacts of CRM Implementations

by

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ABSTRACT

This thesis aims at examining CRM implementations and at obtaining theoretical and practical evidence to three questions:

- What patterns emerge in successful CRM implementations, and general factors that prevent organizations from achieving expected results in such projects

- What business benefits and impacts (e.g., return on investment, customer value, and redesign of business processes), are typically observed in CRM initiatives

- How companies rearrange their organizational structures to maximize the benefits of CRM

To accomplish these goals the author conducted a review of available literature, and then interviewed members of 3 companies that implemented CRM and 2 system integrators with comprehensive experience in implementation of CRM. This practical experience intended to confirm the findings obtained through the literature review.

The 3 companies researched are market leaders in the Financial Service Industry in Latin America. Consistently, the System Integrators interviewed actively serve the same industry.

The major findings of this work are the following:

- Technology components as well as vendor selection is secondary as a key success factor

- Companies usually do not reorganize themselves due to CRM implementations. Structure models seems to be much more dependent on intrinsic cultural aspects

- Observed business benefits have a high degree of variation, depending much on the situation before the implementation – all researched cases were considered to be successful

Although the sample analyzed is not sufficient to establish generalizations, due to its size and to the impossibility of obtaining reliable numeric or quantitative data, we report our results and interpret as a contribution to the growing body of evidence. Most of the conclusions are consistent with the literature review findings, with the exception of the observed absence of ‘business cases’ in the analyzed companies. The literature claims that elaboration of detailed business cases is critical, whereas in the analyzed companies a less rigorous, but nevertheless detailed, planning was sufficient to ensure success.

Apart from the limitation of the size of the researched sample, due to the relative newness of the theme, part of the literature reviewed was composed by white papers published by CRM vendors, management consulting firms, and independent research and advisory companies.

The research suggests that such implementations have important and lasting effects on the business. It also indicates that the magnitude of the business impacts are intrinsically dependent of the realities of particular companies, and cannot be generalized even within the specific financial services sector. Most of conclusions are based on qualitative analysis, since the number of cases, complexity and variability of the implementations, prevent from generating statically sound analysis. It would be valuable if this research could be extended through other industry sectors, in Latin America, or alternatively to encompass financial service companies from other regions.

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CHAPTER ONE INTRODUCTION

The concepts behind customer relationship management (CRM) are not new, in the sense that businesses have always been concerned in capturing the maximum possible value of their clients, a process that involves naturally the determination of their intrinsic value, preferences, behavior, and historic or past relation within the business. Not new is also the fact that the effective and pragmatic management of the relationship has almost always been restricted by costs and technology deployment.

In the past decades, the competition in almost every segment of the economy has increased dramatically, naturally leading to pressures in the pursuit of economies of scale. On the other hand, the achievement of scale implied in augmented barriers for, or even prevented organizations from, effectively managing the relationship with their customers.

Later, from the late 80’s on, several attempts to overcome the above mentioned relationship management difficulties through information technology appeared in the marketplace\(^1\). Most of these attempts failed to meet their promises due to technology limitations or to high maintenance costs, and consequently rapidly lost popularity. The technology limitations were generally associated with performance problems\(^2\), and the maintenance costs were associated not only with the hardware and software directly utilized, but also with the increasing number of required interfaces with other operational systems, user training and support. In the mid 90’s, however.

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\(^1\) Most of these technologies were known under the general denomination of database marketing solutions.

\(^2\) These solutions were frequently operational in smaller stand-alone equipments. Initially this was quite appealing, due to low investment requirements. Nevertheless, to be effective, a great deal of simplification and summarization of information was required; therefore, as users demanded more sophisticated models, with more data and more integrated to operational systems, the tools invariably offered unacceptable performance.
the theme gained traction again as new technological approaches, cheaper and more effective, emerged in the marketplace in large number and, this time, offered also by traditionally IT heavyweights players – well established and credible software developers as Oracle, PeopleSoft, and SAP, and system integrators like Accenture (former Andersen Consulting), PWC (PricewaterhouseCoopers), and IBM.

As a result the theme CRM became widely commented in recent years, and some analysts even predicted that CRM was supposed to become the next ‘tech wave’ after the Internet fever. Indeed, according to Data Monitor, in North America, the CRM market will grow from $3.9 billion in 2000 to $11.9 billion by 2005. These figures are reasonably consistent with IDC projections; according to IDC the CRM market grown from virtually zero in 1990 to an estimate $5 billion in 2000 and is expected to reach $12 billion by 2004. Nevertheless, few publications offer sound and unbiased information on how CRM and its related technologies affect the businesses, how leading organizations adapt and evolve themselves to take full advantage of CRM and what are the expected and measurable benefits of CRM implementations. Apparently, CRM can potentially bring huge benefits and competitive advantage, but also involves a great deal of risks. Similarly to other complex technology enabled initiatives, it conceivably requires diligent planning, dedicated implementation management and potentially leads to changes in current business processes and organizational structures.

The above-mentioned issues were studied in this thesis, including field research of actual results obtained by organizations that implemented CRM solutions. The research specifically addressed the following issues:

• Patterns and general aspects that emerge in successful CRM implementations (e.g., incremental roll out, detailed business case preparation, intrinsic industry or business peculiarities, technology capability and maturity within the organization, expert support of third parties in the implementation, senior management sponsorship). Alternatively, the research was interested in the patterns that might emerge when one analyses non-successful CRM cases.

• Business returns that are typically achieved as a result of CRM implementations. This assessment does not necessarily imply in quantitative measures. Within this document the terminology 'return' is kept as a broad and qualitative concept, since it is difficult, if not impossible, to obtain numerical values, such as return on investment (ROI), with statistical significance in these kinds of implementations.

• Organizational models that should be adopted by companies to enable them to extract maximum value of CRM. For example, should new divisions be created, in order to effectively use CRM tools, and therefore becoming the point of contact between other corporate divisions (i.e., sales, marketing, customer service, IT)? Or, alternatively, the organizational structures should be hang on, but a new competence and skill mix should be pursuit (i.e., IT professionals – or at least IT literate, marketing and customer service agents working side by side).

1. DOCUMENT ORGANIZATION

The document is organized in five chapters. In Chapter One, as for introduction, present the problem statement and purpose of research. Chapter Two contains the literature review, detailing the obtained information from available literature and in specialized information service agencies.

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such as Gartner Group, Forrester Research, and Montgomery Research Project. The study does not intend to be an in-depth CRM review, but focused and oriented on the three main areas of interest of the research.

Chapter Three presents the method that was applied for the verification of the validity of the information gathered in the previous chapter and, in the following chapter the main findings of the literature review are confronted with data and insights obtained in the research from CRM users, and system integrators. Additionally, Chapter Five contains the Summary and Conclusions of the Thesis.

2. PROBLEM STATEMENT

As companies have invested heavily in CRM related technologies, often they have not realized a corresponding expected return on their investments. As happened with the Internet phenomena, and with other technology hype cycles, a great deal of misunderstanding has been generated about the value-add of CRM solutions and their impact on business. As increasing number of vendors take liberties with reclassifying their products as CRM offerings, it becomes even more crucial that companies understand exactly how their operations benefit in a quantifiable way and are transformed by implementing CRM solutions.

3. CONTEXT

With a previous working experience in management consulting and IT managerial functions, the author is aware of the challenges to effective management of customer accounts and customer satisfaction. This awareness is also true about the inadequacies of products that claim to automate and simplify time-consuming functions such as cold calling, qualifying customers, ordering, and billing.
In the recent past, I have been even involved with the implementation planning of CRM applications. At that time, I faced the difficulty of giving precise answers to clients’ inquiries about the impact of CRM on their firms in terms of relevant and quantifiable measures, returns, investment requirements and organizational change.

4. PURPOSE OF RESEARCH

Although much has been said about potential benefits of CRM, a preliminary search of the literature yielded minimal unbiased empirical research that quantified the costs and business impacts related to investments on CRM solutions. Neither was uncovered in terms of in-depth case studies or interviews in which organizational changes and business impacts (e.g., ROI) were examined against CRM investments. These questions take on more of a sense of urgency in today’s sluggish economy, as firms increasingly base their decisions on whether or not to invest in expensive CRM applications upon the project’s value-add, total organizational resources and skills required, and the manner in which the organization would be changed by the project. Through this work the author hopes to make several achievements. First, to make a modest contribution to the larger body of literature and research on business impacts of CRM solutions, and ultimately, of IT solutions. Second, to promote a better understanding of both the discrete and the less tangible success factors associated with CRM investments. The third and last objective is to evaluate consequences of CRM implementations upon business processes and associated organizational structures.

5. RESEARCH QUESTIONS

Given the objectives discussed earlier, the research was proposed to begin addressing three interrelated questions:
1. How can clients and firms conceptualize and estimate the business benefits of CRM solutions?

2. What are the organizational processes, resources, and commitments that must be in place for a successful CRM implementation? As a consequence, what patterns emerge when one analyze successful CRM implementations?

3. How does the process of planning and implementing CRM solutions transform business processes and related organizational structures?
CHAPTER TWO LITERATURE REVIEW

1. INTRODUCTION

There is a reasonable number of publications covering subjects such as establishing total costs of ownership (TCO) and the business benefits (BB) of information technology related projects. Such bodies of research, however, are still not precise when dealing specifically with Customer Relationship Management (CRM) projects.

Perhaps this is due to the newness of the field, uncertainties about the longevity of the CRM business, or the relative small scale of CRM initiatives – when compared to other well established IT disciplines. Or maybe researchers perceive CRM as a sub-sector of IT and, as such, assume that IT research can be generalized to CRM as well. Furthermore, it can also be due to difficulties in establishing a universally accepted definition of CRM.

Some of the specific bodies of literature reviewed deal with the objectives of this research for IT in general. In so doing, we established an understanding of how industry researchers conceptualize issues for technology investments. Although not yet clear if these findings can be completely or partially generalized to CRM, they do provide a framework to guide our field research. Specifically, by reviewing such literature, we can identify and examine the set of themes that emerged on estimating total investment and the business benefits of IT, of which CRM projects are a form. This also provided a theoretical framework within which to design and ground our research, analyze our data, and report and triangulate our research findings.

Since our research findings will be examined against themes from the literature, they will also confirm, challenge, and add to research on IT in general. Ultimately, however, it is towards the
bodies of work on determining the financial and organizational returns of CRM investments in particular, that we hope to make a larger contribution.

2. CRM Conceptualization

As part of the possible misunderstanding of the topic CRM in the literature is due to the unclear conceptualization of CRM, this section provides a definition of the concept, which will be followed throughout this text.

CRM is a comprehensive concept that encompasses technologies and processes that enables organizations to effectively manage all customer relationships – this comprehensiveness naturally is accompanied by a large number of varied technological offers. Not surprisingly, organizations that are planning or even implementing CRM frequently do not have a clear understanding of the boundaries and components of CRM.

This section provides an explanation of CRM, since so many different meanings and definitions are found in the literature. It starts presenting a conceptual definition of CRM, and since a fundamental component of CRM solution is software, the section offers also an explanation of the several conceptual functions that should be included in a typical CRM solution, as well as the technical architecture of a CRM installation.

2.1 - CRM Boundaries

The problems with the identification of boundaries as well as the understanding of the several components that may encompass a CRM solution are not unique. Similar to other emerging and comprehensive technologies, it includes a wide range of types of software, and in some cases, specialized hardware. Secondly, due to a marketing effect, as the CRM turned to be a major subject in the agenda of senior management, suddenly almost all software vendors and systems
integrators were providing some sort of CRM solution. Naturally the overwhelming offer of CRM and CRM-like solutions just happened to bring more confusion.

CRM is a quite recent terminology, which started to be used more frequently three years ago. Nevertheless, it is the evolution of the older database marketing (DBM) concept further integrated to other operational systems (especially front-end systems). As the terminology CRM became more recent, and also considering that many DBM implementations were notorious by their inability to meet their customers’ expectations, DBM vendors promptly redressed their solutions. In this evolution, they took advantage of the fact that leading organizations were investing heavily in information technology (IT), and therefore progressively being able to integrate all the corporate data, especially those related to customers, therefore mitigating one of the chronic problems faced by early DBM installations which was integration with data integration.

2.2 - CRM Definition

In the recent past CRM has been seen as the natural next technological wave. As happened with the Internet phenomena, and with other several hype cycles, a great deal of misunderstanding was generated. Trying to catch up the opportunity, suddenly every single vendor was also providing CRM solutions – even when their products had nothing to do with CRM. A good example of this exaggeration was providers calling MRP software as ‘Operational CRM’.

What we understand as CRM can be better expressed by the following definition:
Customer Relationship Management is an enterprise approach to understanding and
influencing customer behavior through meaningful communication in order to improve
customer acquisition, customer retention, customer loyalty, and customer profitability\(^4\).

From this definition, thus, CRM is not restricted purely by technology boundaries, i.e., specific
hardware and software\(^5\), but is a discipline that also encompasses processes and methods in
diverse areas as IT, Marketing, and Sales as might be inferred from the graphical representation
of the CRM process provided in the following diagram.

![CRM Diagram]

2.3 - Functionality

To support effectively organizations aiming at “understanding and influencing customer
behavior through meaningful communication”, CRM solutions encompasses several distinct

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\(^5\) As examples of specific software, one might cite DBMS for data warehouses and data marts,
tools for mining, ETL (Extraction, Transformation and Load), cleansing, and specialist
software for marketing modeling.
functionalities. This document does not provide a description of the functions available in a specific solution of a vendor. Instead, the categorization of functionalities presented below is conceptual, in the sense that they might or not be present in a CRM suite, but nevertheless pertain to what one would call a complete CRM solution. Most of the definitions here to presented have been borrowed from Gartner Group, in a series of studies dedicated to functional analysis of the different market offers.

Gartner's functionality categorization includes 12 key application components across sales, service and marketing⁶.

- **Opportunity management system (OMS)** – Modeling steps in the selling process and including workflow capabilities, OMSs enable business-to-business (B2B) team selling across field and inside sales channels, guiding sales executives to the next steps needed to close deals and manage revenue generating sales activities.

- **Sales configuration system (SCS)** – This system enables enterprises to configure products, pricing, promotions, services, financing options and marketing bundles.

- **Partner relationship management (PRM)** - These applications enhance an enterprise’s ability to work with and leverage demand-network partners to better market, sell and service end customers.

- **Interactive selling systems (ISS)** - These customer-facing technologies and applications allow consumers and businesses to “sell themselves” and conduct transactions without a salesperson.

There are three ISS usage modes:

- **Face-to-face** – Field salespeople or channel partners are in complete control of the ISS in a customer-facing selling situation.

- **Web collaboration** – Sales representatives and customers share control of the ISS over a shared browser session.

- **Customer self-service/electronic commerce (e-commerce) sell side** – Customers are in complete control of the ISS on the Web or at a kiosk.

- **Incentive compensation management** – These applications manage and administer compensation plans, quotas, crediting and adjustments while processing commissionable transactions for a sales organization. They provide extensive reporting and ad hoc query capability for sales, management and finance. They also provide "what if" modeling for financial analysis and plan design. When integrated with technology-enabled selling applications, they provide sales with visibility to the estimated compensation on a deal-by-deal basis, the unique income opportunity of various deal configurations and total pipeline income opportunity.

- **Content management** - These applications allow enterprises to view and access content (e.g., text, graphics, animation and video).

- **E-service** – This involves applications and tools that empower customers, partners and prospects for self-service and interactions with the enterprise via the Internet, intranets or extranets.

- **Call management** - The core functionality of customer service and support (CSS) applications, this component is used to log incoming telephone calls and transactions, and manage the transaction from initiation through closure.
- Field service and dispatch (FS/D) - These complex systems include modules for call management, workforce forecasting and scheduling, contract management (i.e., for purchased and leased assets), warranties, entitlements, depot repair/overhaul, technician dispatch, service parts planning and management, infrastructure maintenance, inventory, defect tracking (i.e., quality assurance) and reporting.

- Personalization – Using continually adjusted end-user profiles to match content or services to individuals, personalization includes determining an end-user's interest based on preferences or behavior, constructing business rules to select relevant content based on those preferences or behaviors, and presenting the content to the user in an integrated, cohesive format.

- Data mart/analytical - This involves using software for ad hoc query, reporting and analysis, and supporting strategic decision-making processes with a data warehouse or data mart.

- Campaign management system - This database management tool is used by marketers and sales organizations to design and execute single-channel or multi-channel campaigns and track the effects of those campaigns by customer segment over time.

As mentioned earlier, it is important to note that industry-specific functionality, e.g., promotions management for consumer packaged goods or available-to-promise capabilities for manufacturers, is not included in this categorization. Furthermore, some of the denominations adopted by specific vendors might encounter here a different definition.

Of the functions presented, three are of particular interest of this research, due to their transformation potential impact on businesses and organizations. Therefore, in our research, whenever became less clear to a interviewee what parts of CRMs were we referring to, or even when one was not aware of all 12 conceptual functionalities of a CRM, the researcher oriented to
consider CRM solution by and large as a broad generalization of Data mart/Analytical, Campaign Management System, and Opportunity Management System components.

2.4 - CRM Architecture

By the time of the first generations of DBM, organizations usually implemented specialist systems, most of the time on a dedicated equipment. The solutions operated upon data that was usually extracted, cleansed and consolidated through a lengthy and expensive process. After this initial step, users utilized the ‘clean data’ in order to support marketing campaigns, segmentation analysis and marketing reports. The data extraction costs and the difficulties in integrating dynamically the DBM results with corporate systems, generate inefficiencies that were responsible for the attributed image of “expensive toys”.

With the evolution of technologies (e.g., data warehousing, mining, middleware for active integration with corporate systems) the integration of functions become increasingly easier, but still far from seamless.

The diagrams that follow depict the components that encompass a complete CRM solution. The maturity and reliability of the technologies is not homogeneous, and the varieties of technologies involved, as well as the implicit effort to implement each, give a dimension of the complexity of a CRM implementation, as well as the potential utilization problems by end-users.
3. ANALYZING THE LITERATURE

Literature was read and analyzed using standard techniques for qualitative data analysis. This involved annotations of main ideas, sorting of annotations into themes and categories, and the ultimate development of constructs. The results are described below in the following sections of this chapter.

4. CRM PLANNING AND DECISION-MAKING PROCESS

As happens with many other complex projects, such as ERP, that encompass simultaneously large investment requirements, technical complexities and potential impacts upon both organization structure and on business processes, CRM implementation projects seems to be initiated as a result of different business needs and varied drivers influence the decision-making processes.

CRM projects emerge in the pursuit of solution to problems, either business or technical related. On the technical side, the existence of several non-integrated platforms (different hardware and software on which integration and data exchange demands considerable and costly effort), with superseded information systems operational in various fragmented databases, along with increasing pressure from users demanding faster and more precise answer to their questions may be a motivation for the implementation of CRM.

In this case, IS/IT professionals usually initiate the process, and their underlying motivation might be simplification of the architecture (disposing a series of old systems, or even being

forced to renew them), and therefore being able to provide a better service level to their clients (internal users in the organization) with a more favorable cost-benefit relation.

Other possible motivation of CRM projects sponsored by technical professionals is to be aligned and up-to-date with the last cutting edge technology offers; conceivably, in this cases the projects are likely to be smaller in size and in investment requirements, and could be seem more as an internal educational or exploratory project.

On the business or user side, one or more of the following reasons might motivate CRM initiatives

- To cope with increased competitiveness of the business environment, users realize that they need new IT solutions, centered on the client (e.g., mapping past relations, complete identification of preferences) to leverage company resources.

- As a sort of mass psychology (mass behavior), as response to competition, and specially indication to stakeholders, organizations found themselves compelled to engage in CRM projects, signaling that the organization is not outdated in technical or business best practices criteria.

In one study\(^8\), from a universe of 226 companies (Fortune 4000) the researchers found that 62% conducted a formal evaluation of CRM, prior to engaging in the process. Furthermore, of that figure 2/3 reported they saw enough value to actually purchase a CRM application. Of those who did invest in CRM, 24% said they were achieving significant operational performance improvements due to the new application; 52% said they saw minor improvements; 25% said they saw no discernible improvement at all. If this statistic is sound enough to generalize, than

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\(^8\) Dickie, J., 2001, "The Last Sustainable Competitive Edge", Interview conducted by CRM Project publisher Barry Jacobs.
only 10% of companies are achieving the goals they set out to accomplish with their initiatives.
This same study brought evidence that many companies engage in the process without a clear
vision of the business problem they are trying to solve; this dangerous and potentially value-
destruct approach is equivalent to a me too “strategy”, just following the market and competitors.

5. **Key Success Factors**

Of the several key success factors (KSF) for a CRM implementation mentioned in the researched
literature, the following were identified as more relevant, as several different authors consistently
cited them:

- Planning
- HR Factor
- Implementation Pace
- (Re) Training
- Strategic Approach

The following sections describe in more detail the characteristic of each of the above ‘key
success factors’

5.1 - **Planning**

Several authors consider that proper planning, and elaboration of a formal Business Case\(^9\), is a
major key success factors to CRM initiatives\(^10\). In this sense, as a consequence of the profound

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\(^9\) Due to the relative importance of the Business Case theme, a specific section is dedicated for it
in the end of this chapter.

Choosing a Vendor, and Planning for Risks”, AMR Research white paper.
impacts in the organization and business process CRM projects cannot be considered as pure technology or software package implementation projects. Such projects have similarities to complex projects such as ERP implementation, where detailed planning of specific objectives are mapped to technical, process, and organizational actions, ultimately producing measurable results. Along this vein, improper planning may condemn the initiatives to premature preemption, due to unpredictable requirements of critical resources.

5.2 - Organizational Issues

Some authors advocate that not only multidisciplinary and multi-skills teams\textsuperscript{11} should be established for successfully conduct CRM projects, but that planning and implementation of CRM systems should actually be led by business-related managers (i.e. marketing)\textsuperscript{12}. This is a significant departure from the traditional technology related projects, where IT executives had the leadership role and other stakeholders had at most a chair in the project committee or a sponsorship role. The case for a marketing executive to lead the team is justified by the general characteristics of marketers:

- Used to act as the customer advocate within the company
- Understand the complexities of a changing marketing environment
- Able to managed the customer touch points (call centers, media, direct marketing)
- Accustomed to create the offer and message for the customer

\textsuperscript{11} Typical CRM projects may affect several distinct areas in an organization, hence requiring involvement of professionals with a large breadth of competences and skills. Such areas and competences may encompass Marketing, Sales, Operations, Customer Service, and IT divisions such as Legacy Systems.

\textsuperscript{12} Taeschler, D., 2001, “Marketing Leadership in the Planning and Implementation of CRM”, Gráfica.eCRM Corp. white paper
Such opinion might be seen as radical, and only one article specifically highlighted the marketing role. Nevertheless, it seems to be consensus that CRM must transcend organizational barriers, in opposition to a pure technical project, and has to have active involvement of users from marketing, sales, customer service, and any other area that have direct or indirectly contact with customer – since those will probably be significantly impacted and transformed by a CRM initiative. Along this vein, a vendor\textsuperscript{13} recommended as best practice for the organizational structure for implementing the CRM project the following:

a) Centralized Review Committee, which defines strategic direction and spending, and establishes personal accountability with senior management for implementation success.

b) Management team of business leaders, IT leaders and CRM partners. This team ensures that the project stays focused on meeting each functional group’s specific needs.

c) CRM project team, responsible for the day-to-day execution of the project plan, including mapping business processes, planning organizational change activities, defining system requirements and allocating resources.

According to Shahnam\textsuperscript{14}, the basic vision enterprises have of CRM encompasses the use of technology to create competitive advantage through:

- Sales and marketing resource optimization

- Superior customer relationships

- Service excellence

\textsuperscript{13} The Siebel Journal: Best Practices, “Inside Big Blue’s CRM Transformation”, 2002

Nevertheless, this vision is restrained by the fact that CRM market is fragmented, with point solutions clustered around each of the multiple, separate segments that touch an enterprise’s customers, including:

- Call centers
- Web/electronic presence
- E-mail response
- Direct sales and indirect sales
- Campaign Management

Most companies also are failing to create a cohesive vision for their CRM initiatives. Often, CRM is assumed to be a single purchased software package. In other cases, either purchased and internally developed tools lead to disparate components that does not lead to a coherent architecture.

Apart from identifying organizational, or human resources, aspects that are relevant to the implementation process, no further information was provided regarding the organizational structures, or the mix of competences and skills, that should be deployed by companies that have their CRM operational.

5.3 - Phased Implementation

Although the literature suggest that preparation of detailed business case is critical for the success and continuity of the CRM program, but this does not means that the implementation should be a one shot effort. Accordingly, as CRM must be seen as a continuing evolving program, its implementation should be segmented in small manageable pieces (Siebel 2001).

Such approach confer several benefits to the project:
• The organization benefit from the short cycle implementations, making more immediate use of delivered tools.

• Teams and management tend to be more focused in short-term projects, increasing the likelihood of success.

• Gradual implementation allows the business case (planning) to evolve progressively.

Through this recommendation, implementation projects should last 3 to 6 months, creating an effect of a stream of rollout of small CRM projects.

5.4 - Training and Skill reinforcement

Two aspects are emphasized in training programs of successful implementations: first the tools implemented by the project require by themselves extensive training, but more important is the potential transformation of the way business is conducted. In some CRM implementations, the business processes are completely affected – customer prospecting, selling cycle, customer support – and therefore not only the use of the tool must be covered, but users have to be retrained in their own functional roles, learning new skills.

5.5 - Strategic Approach

Successful companies define a clear strategy to drive greater satisfaction into higher sales from their most valuable customers. Their executives build a customer-centric organization that can execute the satisfaction strategy. They then use their technology investments to become more effective in identifying high-value customers and satisfaction drivers, create tailored solutions to improve satisfaction, and continuously measure the results to ensure they capture value.

The majority of companies does not formally adopt this implementation philosophy, since half of the cases, according to the researches in the literature, do not even conduct a formal planning
process. Nevertheless, the conclusion drawn here is that from the universe that conduct planning, which are reportedly more successful than the average, those who adopt a strategic approach achieve superior and lasting results.

6. The Impacts and Business Benefits

A mix of quantitative and qualitative impacts has been reported in the literature, as result of CRM initiatives. There is no evidence of typical results per industry. The impacts seem to be more related to the intrinsic reality and characteristics of each organization, such as effective use of technology and efficiency of current business processes. Moreover, if one considers that more than 50% of the initiatives (Johnson 2001) does not have metrics to back conclusions, it became even more difficult to analyze the results of CRM initiatives from any other measure taken simultaneously, implying that quantitative results per industry with statistical relevance are still not available.

Some researches indicate that CRM projects are, finally, starting to meet expectations, and even delivering return on investment\(^\text{15}\). According to AMR Research, 74% of CRM projects met expectations, including qualitative expectation such as “the project has an overall positive impact on customer prospecting”.

In the past, most of problems reported in CRM implementations were related to Sales and Force Automation (SFA) modules. Currently, according to some punctual inquires, the perception is gradually being improved, as shown in the following figure.

\(^{15}\) Considering cases where business cases were prepared, or otherwise metrics were established and their values compared in a matter of months after going live.
For most large financial institutions, Customer Relationship Management (CRM) is not new. Many have already made significant CRM investments, especially in customer interaction—providing standardized, high-quality service interactions, and in customer value—analyzing the
relative profitability of customers. According to research conducted by Accenture\textsuperscript{16} indicates that returns on investment (ROI) figures as high as 65\% are not uncommon, for institutions that invested in integrated market intelligence. In these initiatives the complete cycle of data gathering, data analysis, optimization, campaign management and personalization, produces valuable and common customer information that is ‘spanned’ for all applications that have a point of contact with the customer\textsuperscript{17}.

A situation faced by most companies, huge amounts of data remain roughly idle, as organization don’t have sufficient resources – including time, skills, and appropriate technology – to transform data into customer knowledge. Transaction systems capture unimaginable volumes of data about customer activity, but create real challenges for managers hoping to glean insight into how to win more customers and better serve existing ones. Despite having a wealth of transaction data, few organizations have developed capabilities to aggregate, analyze, and use customer data to generate real business value. Though the business world is witnessing an explosion of interest and investment in CRM software and other analytic technologies, many fail to exploit those technologies effectively\textsuperscript{18}. As a result customer satisfaction ratings remain largely unchanged.

\textsuperscript{16} The research conducted by Accenture in 2001 comprehended sample of 20 customers, and detailed economic analysis of 6 cases.
\textsuperscript{18} Harris, J. and Davenport, T., 2001, “Crouching Customer, Hidden Insight”, Accenture white paper.
Benefits are achieved through processes and people, hardly by software. Strengthening the perceptions built in the previous sections, business results and impacts are obtained through diligent process of identifying business problems to be attacked, establishing measures and targets, assessing risks and accommodating the necessary changes. In this sense, vendor options play a secondary role. Indeed, although there is a natural tendency to give significant importance to the selection process of CRM software, and sometimes even basing the whole strategy on the vision and reputation of a specific vendor, decision-makers better-off if they have their strategy based on own needs, goals, and processes.

According to an AMR Research study, vendors typically overvalue their applications' roles in a CRM strategy. The benefits claimed by vendors as typical for companies that implemented their solutions were not confirmed in an independent study.

Contrary to vendor claims, the study suggests that there has been very little advantage in buying from one of the big three CRM vendors. In nearly all categories of business benefit, the companies using one of the market share leading applications were outperformed both by lesser-known CRM vendors and the in-house development effort.
The software brand does not matter; software is just a means to an end. A great project team backed by a responsive organization can make a weaker tool shine, and a weak project team backed by an inflexible organization can make the best functionality fail. Investment in the team, the process definition, and the executive leadership, and seems to be much more relevant than the perfect functionality.

There are hundreds of vendors selling at least some part of a CRM vision. The following is a list of the top ten vendors in the market today: Siebel Systems, Nortel Networks, Oracle Corporation, PeopleSoft, SAP, E.piphany, Kana Communications, Onyx Corporation, Interact Commerce, and Pivotal Corporation. The figure below show the perceived benefits for the CRM market leader in 4 categories of business results.
7. ESTIMATING THE BUSINESS BENEFITS OF IT INVESTMENTS

7.1 - Making The Business Case For CRM

The downturn in the nation’s economy has led to a reduction in enterprise budgets for IT projects (Remenyi, 1999)\(^{19}\), specially considering that in the last few years the IT expenditure of the average companies has grown substantially, sometimes at the expense of other business units, due to investments in ERP, Y2K, and ecommerce. Increasingly, corporations are requiring that technology vendors and service providers, including those in the CRM industry, specify investment, costs components and the benefits accrued, especially return on investment (ROI), for an investment in their products and services (Phifer, 2000\(^{20}\)). This current trend has arisen because in the past many enterprises invested in expensive IT programs without a thorough appreciation of how difficult and expensive it would be to acquire, implement, and manage the system over the life of the investment. Gartner (2000) estimates that when an enterprise purchases a sales automation CRM package, the cost of use associated with one salesperson can range from $28,000 to $40,000. Dickie (2001) indicates a far less disbursement level, although still significant, at $18,000 per agent. That of deploying a call center application is $35,000 per agent. These exceedingly high expenses, coupled with the uncertain rate of project success, are now exacerbating the high sensitivity of customers to further investments in CRM.

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Several researchers²¹ have proposed mechanisms for establishing the business benefits of IT investments. The need for tangible, pragmatic benefits, with accompanying ROI was examined by Remenyi (ibid) who asserted that to make a business case for IT/CRM, several conditions have to be met:

- Identification of specific business outcomes so that there is a thorough understanding of the problem or opportunity to be addressed by the IT investment.

- A clear establishment of the availability of sufficient funds to finance the project through its life cycle.

- A clear identification of the positive returns on the investment (as determined by financial and qualitative factors).

- Addressing of stakeholder issues such as project sponsorship, champion, manager, and potential adversaries.

- The strategic alignment of the investment to the organization’s strategy in such a way that it explains why and how the corporate business and IT goals are supported by the technology.

- A clear addressing of technology issues. In this context, management should ensure, that across the organization, the technology is understood and the right people & time frames are in place.

- Finally, the systemic and project-specific risks should be identified, and a plan should be created detailing how such risks can be mitigated.

Other researchers also described factors for consideration in making a business case for IT/CRM investments. (Dyche, 2001), suggest that a business plan be created to explain the value

proposition. She also suggests that a tactical implementation plan be developed to justify the program to management. But the effectiveness of such a document will depend upon the strategic priorities of the firm.

The arguments against the execution of Business Cases for CRM projects might usually be induced by the fact that these projects involves a great deal on newness and unforeseeable results. Therefore, management would prefer a flexible learning process, able to accommodate changes as the organization get insights about the possibilities provided by CRM, instead of a “made up” detailed plan, filled with uncertainties. Some vendors are particularly found of employing this argument while offering their “complete” or “deep” solutions.

The above logical reasoning apparently can be rebutted by research (Johnson, 2001). According to a study conducted with 100 end users across industries that implemented at least on portion of a CRM strategy, it was found that:

- Companies that develop business cases and do formal Return on Investment (ROI) studies are more likely to meet their goals.

- 74% of CRM projects met expectations, but only 12% of projects exceeded them.

- Contrary to what vendors want companies to believe, vendor choice makes little difference in the grand scheme of things.

- Companies must plan and budget for the risks inherent in CRM initiatives.

In that universe researched, despite the significant amount of resources invested, only about 40% of the companies conducted a business case preparation and measured results, indicating that 60% have little or none idea of expected value to be delivered from the investment. For that 40%, a mix of metrics and indicators were used in the justification of the investment:

- 78% used customer satisfaction/retention rate
• 71% used reduced cost of services
• 59% used increase in sales/revenue
• 57% used new customer acquisition
• 52% used reduced cost of sales
• 50% used head count reduction

In other study\textsuperscript{22}, from a universe of 226 companies (Fortune 4000) the researchers found that 62% conducted a formal evaluation of CRM, prior to engaging in the process. Furthermore, of that figure 2/3 reported they saw enough value to actually purchase a CRM application. Of those who did invest in CRM, 24% said they were achieving significant operational performance improvements due to the new application; 52% said they saw minor improvements; 25% said they saw no discernible improvement at all. If this statistic is sound enough to be generalized, than only 10% of companies are achieving the goals they set out to accomplish with their initiatives.

Those who advocate the business case approach suggest also the use of quantitative and qualitative indicators to evaluate the CRM initiative. Measurable results can be quite compelling, intangible results cannot be overlooked, since the failure to address evenly qualitative and quantitative aspects risks losing management support as e-business hype wears off and the economic slowdown shrinks discretionary spending.

The true benefit of building a strong qualitative and quantitative business case for CRM is having data to use to continue to drive additional CRM projects, as opposed to the educated guesses the majority of companies are using today (Johnson, 2001).

\textsuperscript{22} Dickie, J., 2001, “The Last Sustainable Competitive Edge”, Interview with Jim Dickie conducted by CRM Project publisher Barry Jacobs.
In terms of insights into customer behavior the following can be obtained:

- Better understanding of product mix, grouping, and cross-selling opportunities
- Discovery of new markets they did not know existed
- Identification of purchasing patterns, buying frequency, and seasonal variations
- Identification of their best customers and what they are buying
- Ability to target content and marketing to the right audience
- Identification of drivers of customer retention and profitability

In terms of quantitative measures, companies evaluating CRM results, and establishing a ROI model could consider the following metrics:

- Increase in total number of customers
- Increase in revenue per customer
- Improve customer retention rate
- Decrease the cost to acquire customers
- Decrease the cost of sales
- Decrease the cost to retain and serve customers

The following tables present examples of metrics that could be used in establishing the quantitative portion of a business case.
<table>
<thead>
<tr>
<th>Key Metric</th>
<th>Supporting KPIs</th>
<th>Proposed Solution</th>
<th>Customer Benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Sales</td>
<td>Sales force productivity</td>
<td>Sale productivity tools: face time with customers, collaborative selling, training and knowledge; SFA: opportunity, pipeline management; marketing effectiveness; lead quality</td>
<td>Increase selling time by 9% to 26%</td>
</tr>
<tr>
<td></td>
<td>Partner/channel productivity</td>
<td>PRM - order processing, warrantee administration, returns management, content distribution, lead management, call support</td>
<td>15% reduction in collateral distribution, 20% to 30% reduction in partner support calls</td>
</tr>
<tr>
<td></td>
<td>Quotation/proposal generation time</td>
<td>Product configuration, proposal generator</td>
<td>Increased cycle time from days, weeks or months to hours or even minutes</td>
</tr>
<tr>
<td></td>
<td>Order/configuration accuracy</td>
<td>Customer self-service - order entry configuration</td>
<td>Increased order accuracy by 18% to 76%</td>
</tr>
<tr>
<td>Key Metric</td>
<td>Supporting KPIs</td>
<td>Proposed Solution</td>
<td>Customer Benchmarks</td>
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</tr>
<tr>
<td>Cost/lead</td>
<td>Marketing automation - Campaign Management, email marketing</td>
<td>Decreased cost per lead by 35% to 60%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade promotion effectiveness (process cost and waste)</td>
<td>Trade promotion management - automate planning and execution</td>
<td>Decreased cost to manage trade funds by 15% to 33%; decrease trade spending by 6% to 11%</td>
</tr>
<tr>
<td>Cost to Acquire</td>
<td>Campaign effectiveness (lead quality)</td>
<td>Marketing automation - campaign management marketing analytics, reporting</td>
<td>Increased lead-to-sale ratio by 1 % to 6%</td>
</tr>
<tr>
<td></td>
<td>Collateral/content costs</td>
<td>Marketing intranet, email marketing, PRM</td>
<td>Decreased collateral cost by 10% to 40%</td>
</tr>
<tr>
<td></td>
<td>Event costs</td>
<td>Online events, seminars and trade shows</td>
<td>Decreased from $100- $300 to $2-$10</td>
</tr>
<tr>
<td>KEY METRIC</td>
<td>SUPPORTING KPIs</td>
<td>PROPOSED SOLUTION</td>
<td>CUSTOMER BENCHMARKS</td>
</tr>
<tr>
<td>------------</td>
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</tr>
<tr>
<td>Cost to Serve</td>
<td>First call dose rates</td>
<td>Contact center - skills-based routing, knowledge management, training, and scripting</td>
<td>Increased close rates by 9% to 40%</td>
</tr>
<tr>
<td></td>
<td>Escalation rates (tier one to two)</td>
<td>Contact center - knowledge management and training</td>
<td>Decreased escalation by 20% to 60%</td>
</tr>
<tr>
<td></td>
<td>Deflections of calls and emails to Web</td>
<td>Web self service - FAQ, rich knowledge base, web collaboration</td>
<td>Defied 10% to 33% of calls in year one: 20% to 60% in years 2 and 3</td>
</tr>
<tr>
<td></td>
<td>Agent productivity - resolution time</td>
<td>Contact center - knowledge management, scripting, and training</td>
<td>Decreased resolution time by 22% to 68%</td>
</tr>
<tr>
<td></td>
<td>Field agent calls per day</td>
<td>Field service - accurate scheduling, inventory visibility, and skill allocation</td>
<td>20% to 50% increase in productivity (calls per day); 50% reduction in fix time</td>
</tr>
</tbody>
</table>
CHAPTER THREE RESEARCH DESIGN & METHODS

In order to validate and enrich the understanding built on the literature review, a field research was conducted. The field research approached basically representatives from the Financial Services Industry of Latin America, in order to obtain a deeper knowledge of the characteristics of CRM in a specific sector. In a second moment, the author interviewed systems integrators, which experience is not restricted only to that specific industry.

1. PARTICIPANT SAMPLE

The research sample consists of two categories of participants, each providing their particular points of views upon the questions being investigated:

- System Integrators: companies devoted to implement the CRM software for the end users, and therefore typically have thorough knowledge of the software (either in technical or functional terms) and ability to recommend required adaptations on clients’ business processes and organizational structure. Again here there would be some potential misleading information, as system integrators, such as Accenture (former Andersen Consulting) has interest in augmenting the seeable benefits of the implementations, while minimizing the downside, since they sometimes even have a stake in the CRM developers.

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23 Originally the research intended to include suppliers in the research (companies that develop and market CRM solutions). The responses from these participants, though expected to be overoptimistic in the reported benefits and upside of CRM implementations, would be interesting in order to produce unbiased results. Nevertheless, due to internal policies and other difficulties, the author was unable to personally interview vendors. Alternatively, the vendor’s voice was captured from white papers and other documents recommended by the vendors themselves.
Two System Integrators were contacted and interviewed in this stage. The information and insights obtained from the interviews were complemented by white papers written by their companies. The author also interviewed a consultant with large experience in CRM implementations, who is no longer working for a System Integrator but for a leading strategic consulting firm.

- Companies (end-users): companies in industries that have a long tradition in the utilization of CRM solutions such as the financial services sector can provide a consistent and comparable experience on the specific areas of interest of this research. Otherwise, the research would become subject to analyze projects with completely different objectives and strategies, preventing from any objective conclusion.

Along this vein, the author interviewed three companies from the Financial Services Industry (all of them market leaders in Latin America). Naturally, it is unwarranted that the findings for these companies can be generalized for any other financial services company outside that region.

2. **Interview Execution**

The Financial Services industry was selected because of the number of references in the literature and cases, as well as the tradition of the industry in IT deployment. This also increases the likelihood of uncovering a broader set of issues against which to examine assumptions from the literature on organizational change, and business benefits. A second reason for the selection of this industry is the fact that the researcher of this thesis has worked several years as a consultant in this specific industry.
The author recognizes that vendors might have a tendency to maximize their strengths whilst omitting or minimizing deficiencies. Nevertheless, their perspectives can provide additional insights that lead us to probe further and in a more focused manner when interviewing integrators and end users. Hence, due to the impossibility of interviewing vendors\textsuperscript{24}, we extracted their perspective through an additional analysis of documents indicated by the vendors. Systems Integrators\textsuperscript{25} play an extensive role in the sales, integration, and service of CRM solutions across all sectors of the installation base. Although vendor agreements may bias the responses of SI towards vendor claims, this skewing might be attenuated by the fact that we are not seeking their evaluation of competitive products. Notwithstanding, system integrators can draw upon their wide range of experiences to create an in-depth profile that is representative of those found with the different types of CRM installations and customers.

Customer participants were selected from leadership positions in departments that are most often involved in planning, implementing, and managing CRM solutions. A sample of employees from user-companies provides several advantages. First, it further ensures our access to a breadth and depth of experiences from which to draw during our research interviews. Second, end user customers have personal experiences of the actual costs, organizational transformations, and business benefits associated with CRM investments in their respective companies. This first-hand account will provide a context within which to discuss and contrast proposed research theories of business and organizational impacts from the literature review. Third, end user customers are more likely than vendors or SI to provide an account that is not biased towards the

\textsuperscript{24} Even if some interviews were conducted, the obtained perspective would be limited anyway, since nowadays there are more than eight hundred CRM vendors.

\textsuperscript{25} Typically, CRM vendors partner with SI to sell, implement, and service their products in the market.
marketing claims of vendors. Finally, this sample of participants can provide data that, after
analysis and interpretation, will be used for triangulation of data from the literature and SI.

Data Collection, Analysis, and Interpretation

Data was collected in via semi-structured interviews of the participants. Before the interview the
participants received a document explaining the objectives of the research and the specific
questions to be covered. In sequence was conducted a one-hour interview. The interviews were
guided a) by opening questions that establish rapport and provide a background of the CRM
investment and b) by questions in the interview design⁵⁶. The goal was to obtain data from each
participant that will be used to create a general profile of organizational considerations, costs,
and benefits in their respective firms and departments.

Once data has been analyzed and interpreted, the profile was created considering the following

- The conditions under which their respective CRM investments have been successful,
- How this sample of participants (collectively and individually) conceptualize and assess
  business benefits, impacts and returns from investment in CRM;
- A comparative analysis of these findings a) within and across companies and b) with those
  of the literature review on general IT investments.

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⁵⁶ See Appendix 1 for the Interview Design
3. DATA RELIABILITY AND LIMITATIONS

Several factors contribute to the difficulty of conducting valid research and obtaining reliable data on CRM research such as ours. First, as expressed by researchers like Short (2001)\textsuperscript{27}, there are simply too many points in organizations and in their business and IT processes on which to collect data. This is confounded by the fact that some of these points are intangible and not easily measurable. Second, even if relevant data points could be identified, one must have "before" and "after" data for valid comparisons. Keeping such data typically is not the practice of most firms. Second, as is asserted by some researchers, CRM is an enabler and not a causal link in business outcomes. To support this assertion, they highlight the significance in the role played by management and employees in achieving results in their respective companies. As such, Dr. Short cautioned, results in one firm cannot be generalized across all firms. If this is true, then there will be great difficulty in knowing if common financial indexes are accurate and valid measures of the contribution of CRM to a firm’s financial and business outcomes.

Despite the validity of some of the concerns about assessing CRM benefits, companies are, nevertheless, demanding such results from CRM. In this thesis, is recognized the inherent difficulties of framing the cost-benefits of IT/CRM. It is also understood the inadvertent and mistaken tendency to conduct assessments of the success of IT as if such investments were independent of organization-specific factors.

\textsuperscript{27} Interview with Dr. Jim Short by Padmore, Sloan Graduate School of Management, October 10, 2001
CHAPTER FOUR    RESEARCH FINDINGS

The research was focused on organizations of the financial services industry, in particular located in Latin America. Although the identification of the organizations within this document was not permitted, it can be stated that they have prominent position in their markets, and a long tradition in implementing complex technology enabled solutions, including CRM.

The initial sections of this chapter provide a brief presentation of the industry background and its dynamics, in order to provide a better understanding the importance of CRM to this industry. The remaining sections present and summarize the findings, which are essentially qualitative in nature. The impossibility of providing quantitative data for this research was twofold; first, the environment itself is extremely dynamic, typically with several important actions and projects happening simultaneously and, therefore, is difficult to establish precise accountability of specific initiatives. Second, these organizations are inserted in a highly competitive environment, where traditionally more detailed and specific performance indicators are publicized only on a need to know basis.

1. CONTEXT AND MARKET DYNAMICS

Until the 90's, the financial services sector in the most important Latin American markets was characterized by a large number of institutions, private and state-owned, which played in a highly regulated and protected environment. Nevertheless, with 90's the following factors caused fundamental changes in the marketplace.

- The state decided to reduce significantly its presence in this sector. Among the reasons that justified this trend was a) the necessity to increase focus on essential responsibilities of the state, b) necessity obtaining additional resources through privatizations.
• The market became more sophisticated, requiring massive investments in technology and modernization. Along this trend, institutions that enjoyed economies of scale achieved important competitive advantage.

• Simultaneously with the process of diminishing the presence of the state in the financial services sector, and following a global tendency, government started reducing legal barriers and promoting the competition in the sector. As a result, new global players started to build solid presence the Latin America.

• In general, major Latin American economies became more stable, with much lower level of inflation. In the past inflation was a substantial source of income for financial institutions, obtaining easy gains by simply financing government debt at highly interest rates with assets provided by their clients. In a new low inflation environment the corporations were forced to find other revenue sources.

As a consequence of these factors, the larger and more competitive players, including the new entrants – global players, systematically acquired the small and medium institutions. The consolidation required massive expenditure in technology, reorganization and process adaptation, but, on the other hand, represented by and large a substantial source of new clients and revenues, essential to benefit from scale. Later, as the growth opportunities through acquisitions ended, institutions found that a reasonable alternative would be to increase the life-long client value, and, at the same time prevent customers from migrating to the competitors – in this context, financial institutions realized the potential value of CRM solutions.
2. **ARCHITECTURAL BACKGROUND**

The researched institutions, by and large are financial conglomerates that provide products and services throughout specialized divisions such as Credit, Savings, Insurance, and Checking Accounts. This organization, although effective in terms of individual product or service management for extremely high number of accounts and transactions, brings several difficulties in providing a unified customer vision, where targeting and cross selling are not possible.

The implications can be summarized as follows:

- The Information Systems, centralized in mainframe computers, are usually developed and maintained by the individual corporate divisions. Furthermore, each Division or Product System keeps customer information in a different format and with their own data concepts, adequate for the specific product or division requirements.

- Customers execute transactions (e.g., deposits, investments) through several distinct channels and systems, such as banking by phone (either using call centers or CTI systems), branches, ATMs, and Internet.

- The massive data volume kept in the separate systems prevents organizations from effectively consolidating customer information. According to hardware manufacturers, the data centers used by those divisions are within the largest worldwide.

3. **CRM PRACTICAL EXPERIENCE**

The practical evidence heretofore exposed was gathered from clients that experienced different CRM approaches. CRM is a very broad and complex discipline, and it is practically impossible to obtain two or more installations that aimed at achieving similar objectives through analogous
strategy (i.e., implementing same sort of CRM components addressing the same specific
business problem and with a comparable strategy).

Nevertheless, interesting insights were obtained from this effort, including:

- Organizations compete on nearly the same market and form the same customers
- Due to their intrinsic requirements, ready to use CRM suites\(^{28}\) were not chosen; instead, a
  variety of CRM components were chosen and installed.
- The maturity and experience with CRM related technologies are different, but not inferior to
  2 years

### 3.1 - Implementation Patterns and Success Factors

Despite of the fact that on the user side the organizations researched adopted different
implementation approaches, and even present diverse degree of maturity of CRM within the
institution, interesting patterns emerged from the collected through the interviews. Some of these
patterns are slightly discordant from vendors’ recommendations, as summarized in the last
chapter, Conclusions.

As mentioned in the previous section, the corporations deal with massive volume of data – both
from customer and transactional information, which is processed in systems centralized in
mainframes. Their inherent non-integrated architecture, turn any attempt to obtain consolidated
data across the multiple databases a major task. Incidentally, in the end of the 80’s some

\(^{28}\) Most of the ready to use CRM solutions failed to meet performance requirements. Due to the
massive volume of data involved plus the complex system integration problems, the majority
of the tested tools proved to be, until that time, unsuitable.
financial institutions started to build Customer Information Systems\textsuperscript{29} (CIS), Customer Information Files (CIF), and data warehouses. Despite some initial benefits, these systems fall short from expectations, and in some cases the whole development effort has been abandoned, due to the following interrelated reasons:

- CIS, CIF and data warehouse, projects can be seen as infrastructure projects. In this sense organization benefit from them indirectly, by means of other information system that appropriately take advantage from consolidated and clean information. The system per se, in a stand-alone base, provides minimal value to the organizations\textsuperscript{30}.

- The value of these initiatives was first detected within the IT divisions. Indeed, in the researched sample the original initiatives were taken and sponsored by IT executives, and these kinds of projects were even more perceived as technically oriented by non IT executives.

- In dynamic environments, such as the financial service industry, systems are modified constantly due to regulation issues and competition. This volatility jeopardized even more the fragile condition of CIF like systems, mobilizing critical human resources and increasing the requirements of investments and expenditure for maintenance and expansion.

\textsuperscript{29} The main component of CIS was a database contained consolidated and summarized customer information. Analogous to data warehouse architecture, data flows from virtually every transactional system, but instead of keeping its granularity, data is consolidated and summarized in order to provide better performance and lower systems requirements and costs.

\textsuperscript{30} One can argue that such developments bring the benefit of superior discipline in the IT environment, since the central repository enforces adoption of common standards, implementation of consistent data concepts and definitions, and eventually favor error detection (e.g. integrity) among systems. Nevertheless, we consider that these benefits are conceivably marginal.
In summary, the combination of these factors (perceived low value, lack of proper sponsorship, budget overrun) caused many initiatives to cease or at least to have their comprehensiveness restricted.

Ironically, at the same time the above process was occurring, some non-IT divisions such as Marketing were also trying to develop solutions to their particular problems, as for example, product development and campaign management. For these initiatives, divisions employed stand alone solutions supported by external service providers and system integrators. Actions like this culminated with implementation of database marketing systems and became for a period very popular due to a) initial low entry costs involved (hardware much cheaper than mainframes, and development costs lower than compared CIS and data warehouse costs), b) relative independence from the IT Division, which sometimes is seen as non responsive to user and business needs, and c) implemented quickly when compared with other traditional information systems.

Soon later, limitations came to become more apparent. As applications became more sophisticated, the amount of processed information increased, performance became an issue.

Moreover, with the rapidly proliferation of these systems in the organizations, maintenance of the “data stovepipes” that fed the systems became incredibly complex, and eventually consistency and integrity problems across systems reduced dramatically their value. Ultimately, this architecture has become too costly, and difficult to manage and maintain, and eventually has also been displaced.

Despite of this not promising background, organizations still kept looking for technology enabled solutions that would leverage their information assets to the extent of maximizing the value of their clients, and at the same time reducing the propensity of loosing the most valuable
to competitors. Then, in the mid 90's, reported successful cases where new approaches and tools were deployed, started to echo in that organizations. Following is summarized the aspects that enabled these attempts to be more successful

- Involvement of all stakeholders. In spite of engaging in projects sponsored solely by IT or by the users, in the researched cases we found that the reported successful projects were truly jointly conducted by IT and user-areas. The ultimate leadership management of the project was conducted by IT managers (except in one case), major decisions were taken in committees were several different areas have active role. The cited major decisions encompassed budget planning, sourcing, contract approval of system integrators, milestones approval (eventually suspension of activities). In one case, senior management established that in order to increase commitment of the parts established that the success measures of the project, in terms of execution, reflected in the bonus received by managers.

- Detailed Planning. In all cases managers reported they invested a great deal of time in planning activities before starting the project. Nevertheless, none reported the execution of a complete business case, as recommended by some authors in the literature. By no means they claimed a business case is useless, but they argue that their body of knowledge was

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31 Success is clearly a perception – it is very difficult to extract quantitative measures, due either to non-disclosure policies and to simply inexistence of measures. But this perception, nevertheless, is characterized by increased utilization of CRM tools implemented, non interruption of CRM-related investments (even during this recession period), and the crescent involvement of users and IT in the jointly development of new solutions (see next chapter)

32 Another aspect that increasingly helped this strategy was the fact that currently business managers are much more literate in IT, whereas IT is much more involved with the business side; therefore the gap between them and the communication problems are significantly smaller nowadays.
insufficient to elaborate a well-detailed case, with specific and measurable benefits, marketing and operational actions, recurring investments, expenses and additional revenues. The organizations felt that despite their previous attempts in related projects, their knowledge was adequate for establishing broad goals and principally to establish criteria for contracting system integrators, and other providers.

- **External Support.** CRM implementation is for most organizations a new discipline that demands engagement of large number of people, huge investments, and redesign of business processes. They found critical for the success the early involvement of a System Integrator, even before contracting the specific CRM solution components\(^{33}\).

  While a partnership with a knowledgeable system integrator is helpful even in the planning phase, they claimed that the implementation is a learning process, where organizations progressively learns possibilities, new applications, and consequently require substantial ability to be flexible and accommodate changes. In this sense, signing up a multi-year detailed contract may be a very complex task and require a great deal of renegotiation as change requirements are posed. Alternatively, one organization suggested that a generic long-term program should be envisioned, with small manageable segments of three to four months where, at the end of each one there is a formal validation process and no automatic continuation obligation – an additional benefit would be also a motivation for the integrator maintain high motivational level and allocate the best professionals available.

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\(^{33}\) One interviewee suggested that preferably the system integrator should have no relationships or alliances with vendors, in order to guarantee unbiased advisory services. Nevertheless, this opinion was not unanimous within the organization.
3.2 - Business Impact Assessment

Frequently, the researched literature mentioned that although companies have been investing huge amounts of resources in CRM related projects most of the investment does not translate in the expected benefits and returns. Notwithstanding, in the sample universe researched a better reality was perceived. The term perception is appropriate since little measured evidence is available in order to prove the value of such initiatives. This is intriguing as these types of organizations are usually extremely concerned with measurement of return of investment of products and projects. Before presenting the findings, the following section list characteristics, restrictions and limitations of their business environment that prevent from precise (or even any quantitative) measurement of business impacts.

Business Characteristics

- The researched corporations manage a highly dynamic environment in which regulatory environment\textsuperscript{34} and competition demand frequent modification of product offered by the bank and consequently their supporting systems and operational databases.

- In the last 5 years frequent mergers and acquisitions implied in systematic need for business process revision and systems modification. To a large extent these frequent modifications

\footnote{In order to comply with regulation, institutions frequently have to undertake large efforts to adapt their systems. As for example, in one of the Latin American countries, banks have been instated to adequate their systems to a central clearing systems which in the opinion of IT executives demanded maintenance of all systems in a effort comparable to the Y2K project, but riskier.}
prevented the organizations from measuring effective results from specific projects\textsuperscript{35}, and usually they had to measure the aggregated effect.

- The magnitude of the figures dealt with by these institutions, even in a global scale perspective, is significant. Largely concentrated, some corporations have more than 10 million clients. In only one specific channel/system (banking by internet) the number of transactions can reach 25 million per month.

To manage such corporations, some adopt effective but complex organizational matrix where one dimension is responsible for product (design, marketing, performance), other dimension is responsible for channels (marketing, sales, share and overall profitability) and a third one systematically pursue system and business process improvements.

**Challenges related to measuring CRM projects results**

Apart from the complexities of the business, as mentioned in the previous section, frequently the researched organizations face situations where in a project the expected technology to be deployed is unproven, at least within the financial institution\textsuperscript{36}. In this cases the institution does not chose specific metrics to assess the value of the project. This does not mean that the institutions in the researched sample are exempt of justifying the value of a CRM related initiative when proposing internally the project. On the contrary, management is very concerned with projects with intangible or unpredictable results. Therefore, apart from obtaining

\textsuperscript{35} The effects, as well as the effort, of finalizing such processes sometimes last years. For example, on major acquisition involved the absorption of an institution about 20\% of the size of the acquirer and millions of new customers.

\textsuperscript{36} More than once the interviewee reported that vendors attempting to sell their solutions frequently refer to benchmarks observed in industry sectors completely different, such as retail and telecommunications where, for example, the business selling cycles and products are completely different. Therefore most likely these experiences and indicators are useless.
sponsorship from several stakeholders, they alternatively opt for one or a combination of the following approaches:

- **Proof of Concept on Known Process** – if the solution to be deployed in the project has a high degree of newness (and associated risk), is to produce disputable or unpredictable benefits, and depends on huge investments, the organization conduct a “proof of concept” project usually over a very familiar business process. With these projects, the organization tries to reduce the uncertainties of risky implementations, and monitor the effects over the process. If they judge that even such approach has a potential harmful downside, usually conferred by a unproven technological component, they conduct – directly by themselves or demanding the vendor to set it up – an extensive laboratory stress test of those components.

- **Limit Scope** – in some cases a proof of concept is simply not feasible. If the project demands high investments and there is conceivable doubt about the benefits, one of the companies explicitly opt to break the project in as many segments as possible and establish minimum hurdles at each milestone.

  At any milestone, every other initial condition being equal, if the project fail to generate the benefits for that block or time box, the whole project is likely to be suspended, before a higher sunk cost is produced.

- **Other Justification** – apparently this is one of the most used approaches, especially if after a “proof of concept” the company is still unable to estimate clearly the benefits. In this generic classification, they search for substantial benefits elsewhere in the organization, especially when these projects require expenditures in preparatory projects such as a data warehouse or a data mart, as for examples, the benefits of the redesign of business processes, the benefit of redesigning and merging systems and databases of acquired institutions.
Business Impacts

The previous two sections provide some insights of the difficulties management face in establishing and clearly measuring the return of the projects. As reported, frequently in a four-month project manager faces, apart from the challenge of dealing with new technology, multiple changes in the business process and in the systems involved in the project. In such cases, even if management had a roughly estimate of business impacts and benefits, keeping precise track of the modifications due to the exterior accommodations is impractical.

On the other hand, there is a general perception of management and of the Project's Steering Committees that most of the initiatives are on the right track. This perception can be founded by the fact that very few CRM-related projects are discontinued or are rolled-back after implementation. This is not irrelevant evidence, considering the high exposure and visibility of the projects, due to the number of team members and departments mobilized, the impact on business processes, and ultimately the amounts invested (The interviewees did not allow disclosing precise figures, but approximate percentages/ratios of project disbursement to total IT budget. The CRM-related projects easily reach 5% of the year-budget; in one case, after some promising CRM projects the program gained traction and the institution invested in one project more than 10% of the whole IT budget).

The qualitative results obtained by the interviewees are (the presented sequence does not imply in order of importance or implicit value):

- Improved Product and Process Design – supported by CRM analytics (data warehouse and several marketing intelligence tools), institutions are being able to redesign and customize
products targeted to specific market segments. This perception is not based in the number of new products launched, but on "informal feedback" provided by Marketing, as well as by the increased dependency on marketing intelligence tools; consequently, even if the number of products and campaigns remain in the same level as in the past, interviewee claims they’re now designed assisted by those tools.

- Increased Sales – Marketing, Channel, and IT managers feel that sales per product and service has been improved, but nevertheless don’t feel comfortable in providing a specific rate. During the CRM process, several concomitant initiatives (system, marketing, products) have been conducted. Moreover, managers understand that the achievement of superior results depend not only on the availability of tools but also in the growing competence and maturity in the use of them. The whole process conceivably comprehend several months before the organization become proficient and therefore it is very difficult to claim specific metrics to the CRM process, since much noise (i.e., changes in products, business processes) occur during that timeframe.

- Cost Limitation – The measures of costs are somehow easier do be shown, although not exempt from contestation. After the massive investment in CRM projects, management feels that they are able to cope with the increasing scale without proportional cost surge. Nevertheless, although is clear that IT has a preponderant role in enabling economies of scale, not every IT investment is CRM related. Some executives also claim that economies of

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37 This reported benefit was spontaneously indicated only by the organization that has a longer experience and tradition in the use of the data warehouse and business intelligence tools spread within the organization.
scale generated by frequent acquisitions allied with managerial pressure for pursuing optimized use of resources also cause a relevant motivation for cost control.

- Improved Client Retention – According to the interviewees, here the CRM enthusiasts find important base for further initiatives. After implementing the projects, churn rate in the most important segments decreased substantially (also aligned with the proper determination of ‘what an important segment is’) – although objective measures of client satisfaction, and their evolution, was not disclosed (even after most of the mergers occurred, a substantial number of large institutions remained active in the market, meaning that in principle the reduced churn rate is not just a consequence of limited number of options for the dissatisfied customers).

- Improved Information System Quality – This is another positive qualitative benefit, especially for the institutions that enjoy the use of data warehouse (DW) and CRM analytics for a long period. This central repository induces (is not an enforcement) superior IT discipline and practices. Since the DW concentrates data from diverse operational systems, the requirement of common data conceptualization, plus the required processes of extraction, transformation and load (ETL) causes hidden problems and inconsistencies to become more apparent and therefore fixed. Moreover, it helps the dissemination of well-established concepts (data definition) among the divisions of the corporation that are involved with system development.

- Increased Productivity – Productivity is a major concern for Channel Managers; increased pressure for higher profitability, associated with overlapping presence of branches (especially due to mergers of institutions with concentrated presence in the same geographical area) was notoriously diminished with the new CRM tools now available. Even without substantial
growth of customer base, sales expenses become much more rational, focused, and effective, increasing the productivity. Productivity in this context maybe expressed in revenues per account, number of products consumed per customer, and number of accounts per account officer (or total headcount).

- Integration and other “Side-Effects” – the final benefit of the CRM process is a sort of unintended side effect. With the joint mobilization of users with varied backgrounds and IT professionals, the institutions come to enjoy an unprecedented level of integration and dynamism among business, operational and IT areas. As the success of the integration spreads more and more throughout the organization, this promising aspect is expected to be transmitted other areas that are not currently involved with CRM.

3.3 - Organizational Impacts

Organizational impacts varied within the analyzed sample. As several bodies of the literature suggest the reorganization in order to become more client-centered, the author expected to find innovative organizational structures, where new departments or divisions enlisted professionals with different and complementary skills, professional backgrounds, and core competencies. The rational behind such ante vision was justified by the inference that new technological instruments supporting technology enhanced business processes would impact organizations structures in such a degree that naturally new cross-functional and cross-competence organizations should emerge.

Nevertheless, in only one institution a new division was created, and in this case no major revolution was attempted, in the sense that the new division was a somehow traditional IT division, empowered and focused to deliver CRM solutions.
Consequently, we concluded that although CRM is a powerful process that transforms companies in many and diverse ways, organizational design and structures are ultimately determined by the culture and management beliefs. It is worthwhile to note also, again, that these organizations have a long tradition in deployment and management of IT.

Organizational Models Adopted

Case 1 – Specialization

As a result of the successes obtained in the last years, a department responsible for the coordination of CRM initiatives climbed to a senior status, reporting directly to the senior IT executive (who has a seat in the Board).

This division is very articulated and integrated with the business areas, sharing responsibilities over many decision-making processes with the Committees formed by users. Although its professionals are a sort of “IT new generation” they’re still IT professionals, and yet no other type of professionals, from the business ranks, were enlisted in the area.

Case 2 – Status Quo

Traditional IT departments dealing with CRM technology relate to either traditional organizations, structured along geographical or product dimensions, or complex models, structured in product-channel matrices.

In this case, as long as the IT professionals are closely integrated with the business and functional areas, and all the parties share a common vision and responsibilities over the results, the institution does not feel a necessity of creating a separate organization. Moreover, they feel this prevent the rest of the organization from feeling that privileges
are been conceded due to the involvement with a new technology (many conflicts of these type were risen during the "new-economy fever").

4. **Summary of Findings**

<table>
<thead>
<tr>
<th>Patterns and Key-Success Factors</th>
<th>Engagement of all stakeholders (IT, business and functional areas) seems to be the single most important factor. Naturally this commitments preferably should be translated in common objectives (e.g., compensation bonus)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Detailed Planning, accommodating great space for flexibility and revision. It is useless to establish a detailed fixed objective up-front, since organizations still have little idea of potential paths (&quot;they do not know what they do not know&quot;). Important to reemphasize that his by no means is the same as blind execution.</td>
</tr>
<tr>
<td></td>
<td>Wise utilization of external support, such as knowledgeable system integrators. This strategy enables companies to internalize quickly best practices and to avoid common pitfalls.</td>
</tr>
</tbody>
</table>
### Business Impacts and Returns

| **Increased Sales**: enable cross and target selling more effectively |
| **Cost Limitation**: enable organization to augment the client base without proportional increase in costs |
| **Improved Client Retention**: evidence of reduced churn rate after implementation of CRM processes |
| **Improved Information System Quality**: CRM processes help enforcing several practices and disciplines that influence positively the overall information systems’ environment |
| **Increased Productivity**: Sales per agent and sales per channel become more effective |
| **Integration “side-effects”**: close relationship among users and IT, pursuit of shared objectives, create a favorable esprit de corps in the organization, influencing even areas that originally were not engaged in the CRM process. |

### Organizational Impacts

Surprisingly no common “best practice” in terms of reorganization after CRM implementations emerged.

Apparently, evidence points that organizational structures are dictated and influenced more by intrinsic culture than by particular technology enabled processes, despite the magnitude of benefits and impacts of the mentioned processes.

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38 Most benefits here listed were assessed on a qualitative basis
CHAPTER FIVE CONCLUSION

This chapter presents a brief summary of the research major findings, further analyzing convergence and differences among the literature review and the practical insights obtained through the interviews.

1. RESEARCH PROJECT SUMMARY

The research covered the related questions, repeated in the table below, concerned to CRM implementations, particularly in the Financial Services Industry in Latin America. The adopted approach was the conduction of a literature review, followed by a series of interviews to confirm or rebut the theoretical findings.

<table>
<thead>
<tr>
<th>RESEARCH QUESTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• What patterns emerge in successful CRM implementations, and general factors that prevent organizations from achieving expected results in such projects</td>
</tr>
<tr>
<td>• What business benefits and impacts (e.g., return on investment, customer value, and redesign of business processes), are typically observed in CRM initiatives</td>
</tr>
<tr>
<td>• How companies rearrange their organizational structures to maximize the benefits of CRM</td>
</tr>
</tbody>
</table>

Such research design imposed some limitations on the value of the conclusions, since they were restricted to one specific industry sector. Notwithstanding this constraint, the conclusions were by and large aligned with the literature review, reinforcing their validity. Furthermore, it might provides a small contribution to a larger scale research project encompassing other industry
sectors in that geographical region, or, alternatively, other financial service companies from other regions.

2. **Findings Summary & Literature Review and Interview Comparison**

2.1 - **Technology Choices**

Although CRM is a discipline that only make sense if enabled by technology, surprisingly the technology choices plays secondary role when evaluating the returns and business impacts. Much more important, according to the literature review and field research is the planning process, alignment of the initiative with strategic objectives, and the approach to execution.

2.2 - **Sense of Purpose**

CRM is a powerful concept, but only produces important and lasting results when the organization is capable of identifying clearly the business problems that will be addressed by CRM and is willing to commit the necessary resources to the endeavor. Resources are not simply restricted to investments, but also mean committing key human resources in the process, rethinking business processes and implementing the tools and reengineered processes. Also necessary is the openness of senior management, in the sense that fundamental values and truths well established within the organization may be challenged when implementing a customer centric organization.

One small exception for this rational, obtained from the interviews, can be found when organizations are dealing with a complete new concept, to the extent that the organization cannot figure potential impacts or benefits. In these situations, it might be useful conduct an exploratory project, for educational purpose, with limited scope. Nevertheless, once understood the technical
potentialities, further large-scale deployment have to serve a business problem and be aligned to the strategic objectives.

2.3 - **Key Success Factors**

In terms of key success factors, little was learned in addition to the general precept to complex projects. Nevertheless, the formal and detailed planning process should be emphasized again. The literature review indicated several benefits of having a business case, especially during downturn periods when parties dispute restricted and limited resources. In the researched cases, the interviewees reported that they did not prepared a business case, but they recognize that this was not necessary only because CRM process has been maturing for years and sponsorship provided by senior management was extremely clear and strong.

The role of senior management as active sponsors was strongly emphasized by all interviewees, fact that was not clearly presented in the literature.

2.4 - **Organizational Impacts**

The research, in neither front, was not able to identify optimal organizational structures to be implemented due to CRM process. Apparently the organizational structures are strongly tied to cultural and to other strategic aspects peculiar to the organization. In nowhere was found evidence of organizational redesign or restructure due to the CRM process. This finding was particularly surprising to the author, since admittedly CRM impacts business processes, which are of course supported by people fit in organizational structures. Moreover, the author suspected that a cause of past failures was due to inability to adapt their organizations.

Just in one case analyzed, the company opted to create a new IT division with an executive vice-president, to manage the CRM evolution.
2.5 - Business Impacts and Returns

The research was not able to characterize "typical business returns". Extensive qualitative data was gathered, and even quantitative data referring to possible range of business impact values achieved through CRM initiatives is presented in this document, but the ranges are too ample, and not confirmed in the field research, to be characterized as typical results. Furthermore, as stated in Chapter 4, the returns, as a relative measure, are more related to the current status at the moment of the implementation than to the deployment of a specific technology.

3. Future Research

Considering the conclusions and insights obtained in this thesis, and its limitations as well, it would be valuable if additional research of business impacts could be conducted in sequence. In order to expand the current body of knowledge, and further confirm the present findings, it would be valuable if future research could address:

- Additional cases in other industries than the Financial Service Industry, in order to compare the current findings with of the other industries

- Additional cases in other geographical regions than Latin America, in order to validate especially the organizational aspects

- Within the sample universe chosen, obtain also failure cases, in order to provide a different perspective of patterns for successful implementations; this might be even more valuable since the current study addressed only successful cases
APPENDIX 1 – INTERVIEW DESIGN

To increase the ability of comparison among the several distinct interviews, a common script was adopted structuring interviews in a similar way.

The interviews were segmented in three parts. In the first part the interviewee was again introduced to the objectives of the research and restated the way the results would be used, specifically in terms of disclosure. Following the main body of the interview was conducted, and in the third and last segment the major points were repeated as a way to guarantee proper understanding (sometimes this confirmation was done afterwards by e-mail).

Below is presented the structure of the interview (main body of questions)

3. CRM IMPLEMENTATION CONTEXT AND PROJECT MANAGEMENT

<table>
<thead>
<tr>
<th>Questions</th>
<th>Rationale of the Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>What kind of business or technical problems motivated your organization to engage in a CRM investment?</td>
<td><em>Introductory question.</em> To see if there were any specific business goals for which the CRM investment was being made (vs. the absence of goals and the deployment of a exploratory) To understand whether the initiative was provoked by previous initiatives, such as customer systems, and therefore the CRM could be considered as a reaction or attempt to solve a technical problem In which ways the CRM is expected to have impact upon a) the Company’s Strategies, b) Business Model, c) Competitors and Market Place</td>
</tr>
<tr>
<td>Concerning the CRM selection and decision</td>
<td><em>To determine if organizational issues and sponsorship have...</em></td>
</tr>
<tr>
<td>Making process, how could you characterize it in terms of stakeholders involved, RFP, Planning and criteria used.</td>
<td>been taken into consideration in the planning process. Furthermore, to explore if previous experience in other complex projects was taken in account. To understand what are the drivers to select a specific solution (e.g., technological standards, comprehensiveness and flexibility of solutions)</td>
</tr>
<tr>
<td>---</td>
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</tr>
<tr>
<td>How was characterized the implementation process in terms of composition of the team, engagement of users, use of external resources, and project leadership. Did this process achieve your intended objectives?</td>
<td>To determine success criteria. Establish criteria for later comparison and contrast of successful and unsuccessful CRM implementations.</td>
</tr>
<tr>
<td>What do you wish you had known prior to undertaking the investment that could have favorably impacted the results of the project?</td>
<td>Lessons learned. Space for interviewee to state if the process was successful or not and why. Allow us to pose what if scenarios based on success and/or failure criteria as defined in the literature (e.g., planning sponsorship, vendor support).</td>
</tr>
</tbody>
</table>

4. **Organizational Impacts Considerations**

<table>
<thead>
<tr>
<th>Questions</th>
<th>Rationale of Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>What has been the impact of this undertaking upon your organization (during the project and post-implementation)?</td>
<td>Open question, generic, to explore issues and impacts on organizational change due to the implementation.</td>
</tr>
<tr>
<td>What surprised you about how the organization changed or did not change after the installation?</td>
<td>Continue to explore organizational impacts, and unplanned outcomes.</td>
</tr>
</tbody>
</table>
| In which ways the organizational structure has changed (or should have changed) due to the CRM. | - Insights here are particularly valuable to compare findings of the first part, in terms of key success factors.
- Explore the ways the organizational structure has to evolve as a result of the CRM. Aspects to be analyzed include report lines, skills and competence mix, headcount, new departments.
- Explore the roles of IT and other areas such as marketing, and sales, before, during and after the implementation. Furthermore, if the roles or relationships of the above mentioned areas has changed, in which ways the rapport between the traditional IT and user-areas is expected to evolve.
- What organizational designs have been tried, due to the CRM implementation, without success (e.g., Matrix, Outsourced) |

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### 5. Understanding Business Impacts

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>RATIONALE OF QUESTION</th>
</tr>
</thead>
</table>
| How did you estimate the total cost of investing in your CRM solution (before you actually installed it)? | - To establish the realities of how companies actually establish metrics for posterior cost-benefit analysis.
- To assess how effectively companies develop comprehensive and detailed planning in CRM initiatives. |
<p>| How much have the actual costs in installation and over time departed from the estimates? Was it what you anticipated? Why/why not? What, if any, were the impacts over the project. | - Considering that cost overrun is frequently a major death cause of IT projects, this question is posed in order to identify possible causes for success/failure. Additionally, this question is fundamental to assess any quantitative |</p>
<table>
<thead>
<tr>
<th>Question</th>
<th>Benefit Claimed by the Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>What surprised you about the actual costs?</td>
<td>- To establish a comprehensive picture of costs using contributions from each participant</td>
</tr>
<tr>
<td>Given what you have learned, how would you now determine the total cost of investing in a CRM system?</td>
<td>- Further exploration of the previous question. Specifically should be addressed here the differences in cost estimates and overruns of major cost and investment components of CRM projects (i.e., external service providers, software including utilities and tools, hardware)</td>
</tr>
<tr>
<td>Is it feasible for an organization to predict with accuracy the total costs of CRM implementations?</td>
<td>- To address issues of the cost of intangible processes associated with the CRM installation and ownership</td>
</tr>
<tr>
<td>What about indirect costs? How would you handle them?</td>
<td>- Same. Explore how costs that are not clearly assignable to a specific area are handled, and how this reality could be compared to other ‘traditional’ projects.</td>
</tr>
<tr>
<td>How did you expect your department and company to benefit from CRM before the actual CRM installation?</td>
<td>- To determine if an alignment had been made of CRM to a business objective.</td>
</tr>
<tr>
<td></td>
<td>- To establish a baseline of initial expectation and the extent to which the installation met, exceeded, or failed to meet expectations.</td>
</tr>
<tr>
<td>What were the actual business benefits of the CRM Project?</td>
<td>- To determine what CRM projects were considered successful and unsuccessful</td>
</tr>
<tr>
<td></td>
<td>- To understand factors they associate with successful installations</td>
</tr>
<tr>
<td>How did you establish the benefits that you identified (related to the above question)</td>
<td>- To understand the dimensions and metrics employed in the assessment of the overall outcome</td>
</tr>
<tr>
<td></td>
<td>- To establish the realities of how companies actually measure ROI and other business benefits (for later comparison with the procedures outlined by researchers)</td>
</tr>
</tbody>
</table>
APPENDIX 2 – VENDOR CATEGORIZATION

Currently, more than 800 vendors claim to offer CRM solutions. Nevertheless, no single vendor, even the market leaders such as Siebel, offers comprehensive enough CRM application suite to cover all the functionality required for a large enterprise to support CRM. Considering the complete IT architecture diagram, as defined by Gartner Group, it is easy to understand the difficulty to provide such a comprehensive offer.

In a complete CRM implementation the whole architecture may encompass technology provided by that 8 to 12 vendors. For a better classification of the different categories of CRM vendors, refer to the following table (Gartner 2001)

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<table>
<thead>
<tr>
<th>Vendor Category</th>
<th>Brief Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM application suites</td>
<td>Designed for large and midsize enterprises comprise integrated software application suites for selling, servicing and marketing.</td>
</tr>
<tr>
<td>Technology-enabled selling (TES) applications</td>
<td>The application of technology to enable selling through all desired sales channels, including field/mobile sales, inside sales/telesales, third-party selling partners, direct over the Internet, and retail sales. The goal of TES is to integrate technology with optimal processes to provide continuous improvement in sales team effectiveness, as well as balance and optimize each enterprise sales channel.</td>
</tr>
<tr>
<td>Technology-enabled marketing (TEM) applications</td>
<td>It involves analyzing and automating the marketing process. Because the role of technology in all aspects of business is growing, marketing departments must make it a strategic imperative to use information and IT to build competitive differentiation. TEM includes a proactive strategy for using information and IT in marketing, with the ultimate goal of TEM is to allocate marketing resources to the activities, channels and media with the best potential return and impact on profitable customer relationships. The new metrics of customer profitability, customer lifetime value and share of customer will be needed to supplement the traditional metrics of market share and penetration.</td>
</tr>
<tr>
<td>Customer service and support (CSS) applications</td>
<td>Once known as the complaint-handling department, CSS is responsible for retaining and extending customer relationships once a product or service is sold. Customer service interacts with customers, on a reactive or proactive basis, more frequently than any other organization and is critical for maintaining customer satisfaction. Due to the increasing complexity of customer interactions, customer service organizations need a complex technological infrastructure that is flexible, extendible, scalable, and integrated</td>
</tr>
</tbody>
</table>
Electronic commerce (e-commerce) applications | E-commerce involves the use of communication technologies to transmit business information and transact business. Taking an order over the telephone is a simple form of e-commerce. Internet commerce is also e-commerce; however, it is only one of several advanced forms of e-commerce that use technology, integrated applications, and business processes to link enterprises.

Telephony | Voice telecommunications systems

Integration middleware (for linking the front to the back office) | Basically, middleware is the software "glue" that helps programs and databases that may be on different computers work together. More formally, middleware is "runtime system software that directly enables application-level interactions among programs in a distributed computing environment." Its most basic function is to enable communication between application programs or DBMSs within a single-application system or across multiple-application systems.

External services providers (ESP) Consulting: Management Consulting | Issues relating to business processes (re-engineering) or change management:
IS Consulting includes system architecture design or development, or IS organizational planning; Application or Technical Consulting includes project management and development, technology assessment, and project tuning. Outsourcing: A contractual relationship with an outside vendor that is usually characterized by the transfer of assets (e.g., facilities, staff, or hardware); can include facilities management, infrastructure management, or remote call management for customer service contact centers. Systems Integration: Large (more than $3 million), complex IS project that includes designing or building a customized architecture or application, as well as integrating it with new or other existing hardware, packaged and custom software, and communications; heavy reliance on an external contractor for program management for most or all phases of system development.
| Application service providers (ASPs) | The delivery of application functionality and associated services across a network to multiple customers using a “pay-as-you-go” pricing model. |
APPENDIX 3 – BIBLIOGRAPHIC REFERENCE


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