



Applied Change Management: A Key Ingredient for CRM Success

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Introduction

Customer relationship management (CRM) is a business strategy to acquire, sustain, and grow customer relationships, leading to improvements in organizational financial performance and increases in customer, partner, and employee satisfaction. A CRM strategy is achieved by aligning an organization's people, processes, and technology to better support customer relationships, customer service, and customer needs for the long-term.

To execute a CRM strategy, organizations deploy CRM initiatives. The success of these initiatives depends only partially on the application of rigorous project-management methodologies. More importantly, CRM success depends on the effectiveness of change management.

Change management involves the process of influencing people's feelings, attitudes, mindsets, and behaviors to achieve widespread organizational support for a program of change. According to Gartner, change management "is fundamentally about understanding how change affects organizational behavior."¹ Applied change management therefore is about applying this understanding to actual business situations to achieve real change.

Change management is particularly important for CRM deployments, considering the breadth of business processes and number of employees impacting each customer's experience. On average, more than 30 percent of a company's employees are directly impacted by a CRM implementation. This figure increases as companies incrementally leverage the breadth of CRM capabilities to optimize more of their customer-facing business processes.

CRM change management is also important because all customers—from the emerging customer base of smaller organizations to the millions of customers that large organizations maintain—are impacted by CRM activities. In fact, Gartner estimates that 75 percent of the challenge of building better relationships with customers is contingent on change management, rather than technology.² Gartner also notes that most CRM projects fail when change management fails, not when applications are defective.³

Effective change management, therefore, is a key factor to achieving CRM success. Fortunately, change management is a well-understood practice. Far from an academic discipline or idyllic business philosophy, applied change management is the pragmatic application of proven managerial processes and best practices that consistently realize the cultural, behavioral, and other requisite changes needed for today's organizations to function more effectively. By utilizing a powerful yet simple set of tools and techniques to practice change management in a straightforward manner, managers responsible for CRM change can avoid costly trial and error and will experience success the first time in their CRM initiatives.

¹ Gartner, *Demystifying the Dynamics of Change*, March 3, 2000.

² Gartner, *Pitfalls in CRM Professional Service Resource Selection*, May 24, 2002.

³ *Ibid.*

Customer-Centric Business Strategies Compel Organizational Change

To understand why change management is so critical to CRM, it is important to understand what CRM does and how it fundamentally transforms an organization. At its core, CRM is a way of doing business that links a company’s basic values, business goals, and financial objectives to customers and customer relationships. In doing so, the company aligns its people, processes, technology, organizational structure, and values to this goal of customer-centricity. Realigning a company toward customer-centricity requires a fundamental move away from organizing around specific products or functions. Companies that focus on products or functions often reward behavior that promotes success of individual product or functional silos, as opposed to rewarding customer success. Thus, CRM enables an organization to build better, more predictable, higher-value, and longer-term customer relationships.

Usually a move to CRM is in response to a variety of internal and external organizational pressures, called business drivers, which create a need for change. Examples of key business drivers include customers, competition, operational pressures, business partners, suppliers, financial pressures, economic conditions, and government or industry regulation. Changing from a product-centric focus to a customer-centric focus in light of these drivers requires an organization to formulate new goals, strategies, and tactics.



Figure 1: As the above figure illustrates, business drivers lead to formulation of goals which require strategies that, in turn, require tactics to execute.

Realigning companies to better focus on customers commonly underlies the fundamental strategy of many businesses. However, becoming customer-centric is not easy and requires significant investment in enhancing companies’ customer-facing, partner-facing, and employee-facing processes. An effective CRM strategy, therefore, must deliver more than just robust technology. It should also deliver methodologies and best practices that companies can selectively apply for their specific situations to achieve a high return on investment.

What are the components of a CRM strategy? The same basic elements are at the core of every effective CRM strategy. They are as follows:

- **Effective customer segmentation**—Customer segmentation enables organizations to market to, sell to, and serve customers most effectively by targeting their unique needs and preferences and by understanding their value. CRM strategies therefore are fundamentally based upon identifying unique customer segments and then managing an organization to most effectively serve those segments. Consequently, unique customer relationship strategies are required for each segment. This in turn impacts how a company's people, processes, and technology are organized, deployed, and trained to serve those segments.
- **Integrated multichannel strategy**—A company must provide its customers with the ability to communicate through any channel the customer prefers. This includes channels such as phone, Web, email, face-to-face sales or service interactions, partners, and more. At the same time, customers expect a consistent experience regardless of the channel, and they expect their complete profile and past interaction history to be available during all interactions. An integrated multichannel strategy therefore provides a company with the ability to offer a single face to the customer across all channels.
- **Well-defined, integrated customer-focused business processes**—Business processes are a company's activities. Well-defined integrated business processes that personalize and optimize interactions with various types of customers are a basic element of a CRM strategy. Because CRM addresses customer relationships, those processes that are customer-facing are key. Customer-facing business processes include those of sales, service, and marketing and must be linked with partner relationship management and employee relationship management business processes.
- **The right skills and mindsets**—The right skills and mindsets enable companies to align all employees around a customer-oriented business strategy. An organizational culture that embraces mutual collaboration; information sharing; and trust in selling to, marketing to, and serving customers is imperative to achieving optimal customer relationships. To achieve these desired behaviors, leaders must understand the psychological dynamics of change in people and organizations to effectively execute a transition to CRM and to simultaneously overcome any resistance.
- **The right technology**—Technology is a tool that enables the execution of business processes. The highly collaborative nature of CRM processes requires an organization to track every customer interaction regardless of where, when, or how the interaction occurs. Moreover, the processes require sharing of consistent up-to-date customer information across the enterprise and across all channels to present a single face to the customer and to employees and partners who interact with the customer. This requires deployment of specialized technology tuned for CRM purposes.

Organizations that deploy a CRM business strategy typically must embark on some course of change to optimize how well they implement each of these five core strategy elements with respect to their CRM goals. Changes in people, skills, mindsets, behaviors, attitudes, and culture will be required, with a new focus on collaboration, sharing, trust, and mutual benefits. New customer segments will require the organization to revise corresponding customer-facing, partner-facing, and employee-facing business processes. Finally, CRM-based technology supporting newer customer-centric activities must be deployed across the enterprise, functions, and channels.

Effective Change Management Drives CRM Success

Since deploying CRM strategies requires considerable organizational change, it is logical to conclude that the more effectively change is managed in a CRM project, the more likely CRM is to succeed. A study conducted by McKinsey & Company substantiates this thought.⁴

McKinsey found that for any particular change initiative, a 70 percent correlation exists between how well change was managed and the degree of expected benefits achieved. In the context of CRM, this means that 70 percent of the benefits realized by CRM can be attributed to effective change management.

While CRM benefits can be measured in several ways, typically CRM success is reflected in favorable measures of business performance. These measures, or metrics, will usually show improvements in some sales, service, or marketing key performance indicators. Ultimately, all measures are linked to the overriding goal of increasing dollar returns.

Figure 2 depicts the typical relationship between dollar returns of a CRM project plotted against time with respect to user adoption. Due to start-up and change management costs, immediate dollar returns at the beginning stages of the project may be limited. Over time, as the organization more fully deploys and adopts CRM, higher incremental benefits are realized. Eventually, user adoption becomes so prevalent that network effects ensue, resulting in highly substantial dollar returns.

\$ Returns

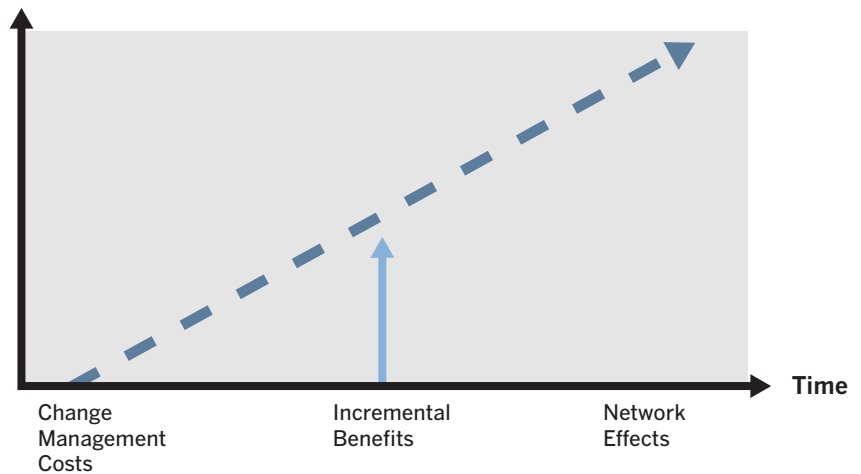


Figure 2: Shown above are the returns over time from successful CRM adoption.

⁴ McKinsey Quarterly, *Helping Employees Embrace Change*. Jennifer LaClair and Ravi Rao.

The arrow in Figure 2, depicting dollar returns, will shift upward or downward depending on how well the CRM strategy is executed. Therefore, executing a CRM strategy in a manner that encourages user adoption will maximize CRM returns.

At its basic elements, change must be managed at both the strategic and tactical levels. Longer-term change—impacting a coordinated rollout of several projects, programs, or initiatives—is managed at a strategic level. At the tactical level, change is managed for specific shorter-term initiatives or projects, such as the rollout of a CRM software solution. Figure 3 compares programs of change management at the strategic and tactical levels in the context of a long-term CRM strategy that includes several CRM project initiatives. The diagram indicates that separate yet integrated change-management activities occur at both the broader CRM strategy initiative level as well as the shorter-term CRM project level.

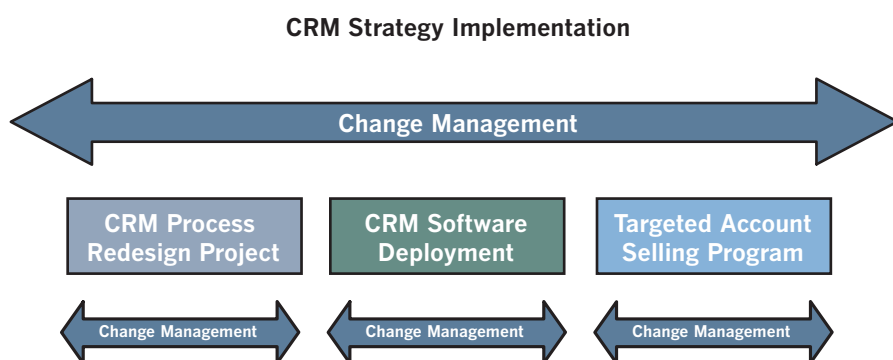


Figure 3: This figure compares programs of change management at the strategic and tactical levels in the context of a long-term CRM strategy that includes several CRM project initiatives.

While practicing change management at both the strategic and tactical levels is important, the underlying principles are similar for both. What then are the key elements of implementing a successful program of managed change? Before looking closely at these elements, it is helpful to examine change-management failures that contribute to CRM failures. Each is attributable to an incorrect or insufficient practical application of change-management best practices.

In the context of CRM, change management typically fails in the areas of vision, strategy, leadership, people, processes, and technology.

CRM vision, strategy, and leadership form the core of any CRM change-management effort, since vision and strategy set the initiative's overall direction, while leadership drives the effort. Therefore it is important to get these right from the beginning. CRM easily fails, then, when no CRM vision is formally created, when no underlying business goals are established, and when no practical plans are conceived to achieve these goals. Moreover,

when leaders fail to establish a sense of urgency to accomplish change, fail to garner sufficient influential political support throughout the organization, and fail to maintain project momentum, change projects easily fall short.

People issues are also a common reason for CRM failures. Regardless of how well a CRM initiative is strategized, it is the people throughout the organization, at all levels, who execute the strategy and who determine whether or not the change effort will succeed by how well they act on it. Therefore if an organization's culture resists change, does not support CRM or its values, and desires to maintain the status quo, the change effort can fail. Even if a culture accepts change, the change effort may nevertheless be inhibited if employees do not possess the new skills demanded of a CRM strategy or if employees are not provided with the proper training to develop these skills. Additionally, incentives that do not promote behaviors required by CRM can result in a failed change initiative, as can the use of organizational performance metrics not aligned with underlying activities that promote CRM.

Business processes and technology that do not properly enable or support a CRM strategy also contribute to CRM change failures. If customer-facing business processes—such as those for sales, service, marketing, and partner management—are not understood, intelligently defined, or designed to focus on value creation for the customer, the CRM initiative loses its advantages. Also, merely automating ineffective processes, rather than optimizing them, can not only cause failure, but also accelerate it.

Technology, such as CRM software solutions, may not be adopted by the user community and thus lead to change-implementation failure if the technology performs slowly, incorrectly, and complexly; is not user friendly; or performs in any manner that makes employees' jobs more difficult than before the CRM initiative. Additionally, if the technology used to deploy CRM does not integrate well with other enterprise software systems, the CRM project benefits decline.

Clearly, CRM projects can easily fail if change management is not performed skillfully and orchestrated well with the other aspects of a CRM project. Fortunately, well-proven change-management processes and best practices are available to successfully guide managers as they embark on this activity.

Reasons for Change Failure

John P. Kotter of Harvard Business School is a leading authority on change management. In his book *Leading Change*, Kotter identifies eight common errors that organizations experience when pursuing change initiatives. They are:

- Allowing too much complacency
- Failing to create a sufficiently powerful guiding coalition
- Underestimating the power of vision
- Undercommunicating the vision by a factor of 10 (or 100 or even 1,000)
- Permitting obstacles to block the new vision
- Failing to create short-term wins
- Declaring victory too soon
- Neglecting to anchor changes firmly in the corporate culture

Kotter goes on to explain the consequences of these errors. They are:

- New strategies aren't implemented well
- Reengineering takes too long and costs too much
- Downsizing doesn't get costs under control
- Quality programs don't deliver hoped-for results
- Acquisitions don't achieve expected synergies

In the context of change management required for CRM projects, these errors must be avoided to properly execute the CRM strategy and deliver the expected results.

Managing Change for CRM Initiatives

Once an organization's management understands its CRM business goals and how it wishes to align itself around customers, change management can be applied to achieve the CRM objectives. Yet because change management addresses psychological factors such as behaviors, attitudes, and emotions, successful change implementation may be perceived as a wildcard in the CRM success equation and thus difficult to manage. Fortunately, change management has been studied extensively. Behaviors associated with the adoption of change in an organization are predictably consistent and therefore can be successfully managed by applying just a small set of tools—comprising processes and levers—to effectively achieve desired change.

Figure 4 illustrates a useful framework to guide change-management activities for any CRM initiative. The framework lists six key process steps in the change project. For each process, several levers of change management are applied to accomplish specific objectives. The degree of importance that any one lever plays for a process is highlighted as well. Using this framework, an organization's management can determine how to plan for and execute change management in detail.

Processes	Levers					
	Compensation/ Rewards	Boss' Behavior	Policies/ Processes	Training	Communication	Organizational Structure
Create Need for Change	Not Applicable	High	Not Applicable	Medium	High	Not Applicable
Build the Leadership Team	High	High	Not Applicable	Low	Medium	Medium
Set and Communicate Direction	Not Applicable	High	Medium	Medium	High	High
Align the Organization	High	High	Medium	High	High	Medium
Lead the Transition	Not Applicable	High	Low	Low	High	Not Applicable
Determine the Need for the Next Change	Not Applicable	High	Not Applicable	Not Applicable	Medium	Not Applicable

Importance of Lever


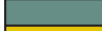


High	
Medium	
Low	
Not Applicable	

Figure 4: Shown above is the change-management framework.

Levers of Change Management

The six key process steps of applied change management each employ specific levers to achieve unique objectives. These levers of change management are briefly discussed below.

Compensation and Rewards

Compensation and reward systems provide incentives to positively reinforce desired behaviors that promote organizational goals. The behaviors and performance of employees, departments, and business units all are impacted by such systems. Examples of compensation and rewards include salary, bonuses, awards, benefits, performance reviews, promotions, praise, and public recognition.

For each relevant change-management process step, compensation and rewards must be implemented to positively reinforce the desired behaviors pertaining to that step. In CRM, this means performance-evaluation systems must promote behavior that is customer-centric, collaborative, and in the best long-term interests of the organization. For example, customer satisfaction metrics might be added as evaluation criteria for employee performance reviews, complementing the traditional performance measures of sales revenue achieved or service calls resolved. Subjective measurements of behaviors, such as the degree to which an employee exhibits customer focus and collaboration, might be added to performance reviews as well. People who are promoted and hired into the organization should be those who visibly exhibit the new behaviors desired. Also, high-profile rewards can be used to publicly recognize employees or departments that exhibit encouraged behaviors.

Performance metrics that indicate how well organizational objectives are achieved can be utilized as a potent tool in compensation and reward systems. These metrics should be quantifiable and impact areas that change must be measured against. For CRM, this typically involves the functions of sales, service, marketing, or partner management. Several aspects of each function should be measured—such as revenue, cost, and quality achievements—with a set of metrics. These metrics, and the targeted result of each, should be established at the outset of a change project and specific individuals held accountable to them.

Boss' Behavior

The boss' behavior consists of actions, attitudes, and decisions of a supervisor, manager, or executive. This ultimately indicates the degree to which the boss actually supports the publicly communicated message of change. Consequently, the boss' behavior is a powerful factor that influences employees' perceptions of how credible the leadership's commitment to change is. This substantially impacts the success of the change project, because employees must believe in the change effort to embrace it. Yet they won't embrace it unless they believe their management does first and that subordinates are expected to embrace it as well.

A company's leaders must send a credible message of change to the organization by ensuring that the daily actions, decisions, and words are consistent with the change publicly promoted. To signal that a message of change is genuine, the boss must "walk the talk" so that employees observe that the executive actually believes his or her own message by acting on it, rather than just talking about it or leaving others to demonstrate. The executive must incorporate into daily behaviors—not just conversation—the very changes and values being promoted.

Policies and Processes

Policies and processes are formalized, standard, and accepted practices adhered to within an organization, guiding the performance of daily work. Since a change project typically requires modifications to the way a company does business, corresponding changes to the company's policies and processes are usually required.

Modifications to policies and processes span the breadth of organizational activities. For CRM, examples of activities impacted may include initiating and closing sales opportunities, maintaining customer relationships, serving customers, marketing functions, addressing customer complaints, managing partner relationships, managing employee relationships, and using a customer relationship management system.

Training

Training and development programs teach employees new skills and then reinforce them. These new skills help employees execute redesigned customer-facing business processes, use new state-of-the-art CRM technology, and interact more effectively with customers. Surprisingly, though, many CRM projects do not provide employees with sufficient training and development, or training and development efforts mistarget the skills needed. Since employees can demonstrate only the skills they have mastered and can accept change only when they feel comfortable with it, well-executed training and development programs are requisite to providing employees with the confidence they need to carry out their new tasks.

When designing training and development programs, care must be taken to define all the skills that employees will need. Once this task is completed, the programs are implemented in a variety of ways, including formal training classes, documented training collateral, and mentorship programs. However, the establishment and delivery of training programs to introduce skills is only the first step. The next step is to reinforce and maintain this skill base. Consequently, ongoing programs and resources to achieve this must be provided.

Communication

Communication that is flawlessly, sensitively, and effectively performed is a powerful means to sell change. For CRM projects, reassuring communication is especially important because most employees and partners who are affected by change interact with customers and therefore must embody the new behaviors and

values desired by the organization. Moreover, there are usually a large number of customer-facing employees and partners who must be impacted by the message.

For communication to be used as an effective lever, it must be performed with sufficient frequency and breadth to reach a wide audience of employees and other stakeholders. A variety of communication methods are available to achieve this, including employee portals, emails, broadcast voicemails, newsletters, memos, videos, luncheons or breakfasts, meetings, and speeches. Written communication is also an effective media, in the form of memos, newsletters, and email. Nonverbal communication often sends a stronger message about the intentions and feelings of the communicator than verbal communication. To capitalize on this, management must be conscious of the signals they send by their nonverbal communication and exploit them to reinforce the message of change.

Special effort should be taken to provide employees with opportunities to engage in two-way communication with management regarding the change effort. Since people support what they create, the more deeply that employees shape change themselves, the more enthusiastically they will take part in implementing it. An effective way to involve employees in change planning is to hold collaborative interpersonal communication forums with change-program decision-makers, where employees can provide input, challenge directions, and otherwise express concerns or opinions regarding change. Such forums may include small-group meetings, one-on-one meetings, off-sites, town-hall meetings, luncheons, or breakfasts. After employees provide input, it is critical that they receive proper constructive feedback about the views they express in order to demonstrate that employee views are taken under serious consideration.

Organizational Structure

Organizational structure refers to how a company's departments, functions, and reporting relationships are designed to interact up, down, and across the chain of command. This is a powerful lever to apply for promoting change because organization structure strongly influences information flows, decision-making, accountability, working relationships, and direction-setting.

An organizational structure designed to promote the goals of a change effort will facilitate open communication channels that provide decision-makers with accurate, insightful information from a variety of sources. The structure also can be tuned to promote cross-functional collaboration and information that best serves customer needs. This might be achieved with a blend of formal and informal reporting relationships coupled with appropriate responsibility and accountability. Visibly changing organizational structure to promote change goals communicates that management expects the organization to work together to achieve tangible change.

Create the Need for Change

The first step in managing change is creating the need for change. This means convincing the organization's employees and other stakeholders that a need for change exists, so that they enthusiastically embrace the change effort and become active willing participants in it. This step should be done early and publicly in the project to provide a compelling and guiding direction.

By influencing people to care about the change, strong enthusiasm and personal energies will be instilled in the organization to drive change through. To achieve this, employees and other change stakeholders (such as partners) must understand the overall vision of change and the urgency to achieve it. They must understand why there is a need for change, why the need is immediate, what the company's intended new future is, and how it will get there. Each employee must then understand his or her personal stake in the change. How does the situation affect him or her? How will the change be beneficial, and what needs to be done to achieve it at a personal level? These factors must be communicated in such an effective way that each employee enthusiastically supports the change effort and will play a role in achieving it.

As an example of creating the need for change, consider the issue of customer churn in a wireless telecommunications company. Realizing that the cost to acquire a new customer can be up to ten times more than the cost of retaining an existing customer, an executive team wants to abruptly stop high churn rates, which can be in the range of 20 percent per year or greater. Reversing this churn rate however will require substantial cultural and other changes to the organization, necessitating the active participation and cooperation of all employees. Therefore, to create the need for change, management articulates the troubling cost ramifications of the company's high churn rate, outlines the negative consequences that will occur if the churn rate isn't reversed, and then describes a program to overcome it.

Build the Leadership Team

To manage the process of instilling change, a leadership team, comprising influential supportive managers at all levels of the organization, must be formed. These individuals will champion the change effort and oversee activities to ensure that it succeeds. This team also will create a culture that facilitates change by promoting best practices, highlighting successes, driving results, holding people accountable, and resolving conflicts.

Senior executives must head this team, since executive sponsorship and support are typically the most critical factors influencing whether or not a change project succeeds. The importance of executive sponsorship particularly applies to CRM change projects because the changes required to move a product-centric or functional-centric organization to a customer-centric organization are usually so significant that the influence of top executives is required to overcome the cultural resistance, inertia, political battles, disagreements, and other similar challenges that crop up when considerable cross-organizational change takes

place. Since resistance attributed to internal factors plagues CRM projects and frequently contributes to their failure, strong executive sponsorship and commitment to enforce change in the face of criticisms and organizational discomfort is an imperative.

Senior executives, however, cannot drive a change project by themselves. No matter how much they support the project, achieving change requires all employees to modify their behaviors and activities. Consequently, a broad alliance of powerful executives and managers must become part of the leadership team to drive project goals down through the entire organization. This unified alliance is key to building the political support needed to overcome hurdles and resistance to change. To encourage active participation on this leadership team, executives must ensure that team members understand that their involvement is critical, and that the risks they take in visibly championing change are recognized and will be rewarded. While representatives from both line and staff organizations of all levels of management should be represented in the alliance, it is the line managers who will most effectively drive a change in behavior, since CRM typically addresses front-office customer-facing activities which are primarily the domain of line positions.

Set and Communicate Direction

The leadership team, once formed, will set and publicly communicate direction. The goals of change and methods of achieving them must be so clear that they not only are self-evident, but they also may be used as guidelines for employees and stakeholders to use for acting in a self-directed manner when aligning their daily activities with the change mission. Consequently, this activity should be considered as one of selling and marketing the message of change. As with most sales and marketing endeavors, the methods of executing it vary depending on what will be most effective for the specific circumstances.

In communicating direction, executives and managers must outline change goals and report progress made against those goals to employees throughout the duration of the change project. They must communicate the message of change every chance they can and integrate it into their daily activities to demonstrate credibility. This will consistently capture employees' attention and reinforce the need for change. In executing this activity, the leadership team must send not only an effective verbal message, but also an effective nonverbal message as well.

As an example of employing both verbal and other forms of communications to promote executive and organizational commitment to a CRM change initiative, the CEO of an Asia-Pacific energy company uses his organization's CRM software on a daily basis, via his desktop computer, and judiciously enters data into the system when he speaks with customers. All customer-facing employees know he does this. In his day-to-day conversations with employees, he consistently asks about their recent customer interactions and whether or not they have entered information about those interactions into the CRM system.

Align the Organization

As Figure 1 indicates, business goals ultimately determine an organization’s direction. Business goals drive business strategies. In turn, business tactics are executed to achieve these strategies. Business goals, business strategies, and business tactics must be aligned to realize the desired end results. This requires the organization to align itself around the goals, strategies, and tactics. Often, considerable organizational change is required to achieve this.

Figure 5 presents an example of a corporate alignment map. This map is useful for planning the alignment of corporate goals to the organization’s projects or activities. First, corporate goals are mapped to their business benefits. Benefits are mapped to the processes that achieve these benefits. In turn, the processes are mapped to technology initiatives. Finally, initiatives are mapped to specific systems or projects. Using the information presented in this map, the organization can validate that its activities are aligned with overall corporate goals.

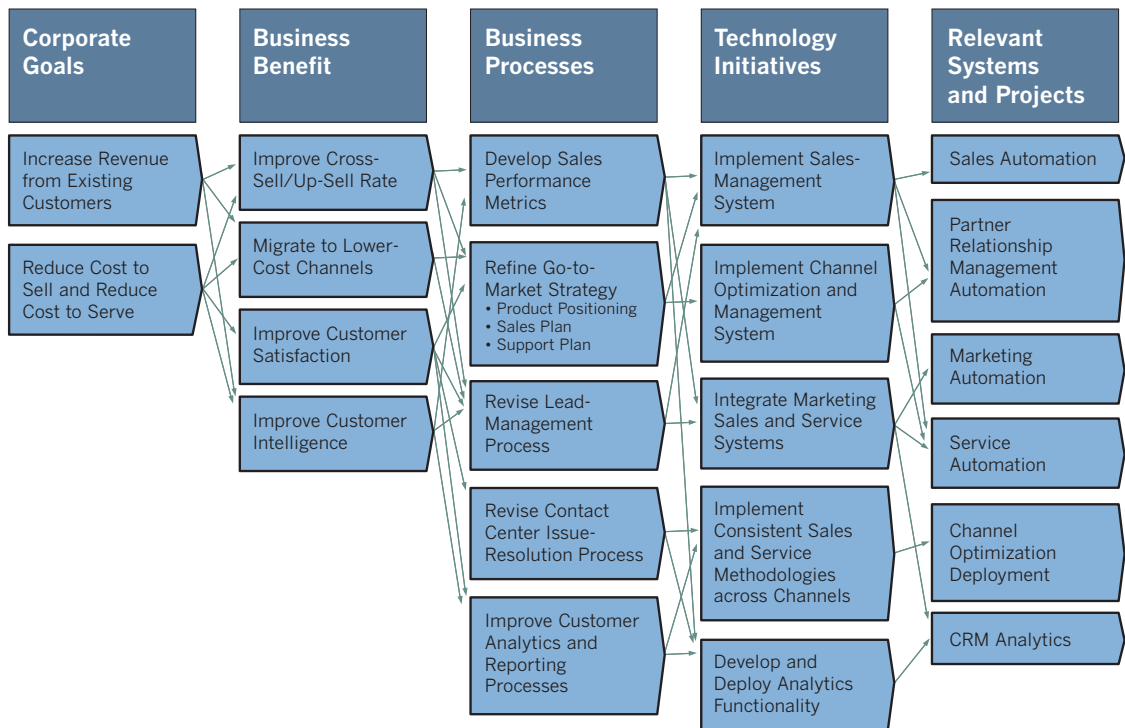


Figure 5: The map shown above illustrates the alignment of corporate goals to the organization’s projects or activities.

As indicated in Figure 5, broad organizational alignment will impact many areas. In the context of CRM, key areas of alignment typically include compensation and reward systems, performance measures, training, policies and procedures, and organizational structure. Each of these areas must be tuned to promote the activities and behaviors that positively achieve desired goals, strategies, and objectives.

How Change Impacts Performance Measurement

Companies that define specific and measurable objectives to gauge success achieve their goals more consistently than other companies. By utilizing metrics to assess how well goals are achieved, companies not only understand what corrective action may be needed, but also have a definitive understanding of what constitutes success. This same concept applies to change-management projects and produces similar benefits. As change project objectives are better defined, measured, and acted upon, the greater likelihood change project goals will be achieved and recognized. Consequently, to maximize the effectiveness of change initiatives, project goals must be defined and translated into a set of performance metrics. To promote accountability, every metric must have an owner who is responsible for the metric and who understands the drivers of it. Using this information, an action plan can be developed to address performance gaps if needed or to declare successes.

Examining metrics and assessing performance only at the end of a change initiative is insufficient. Exclusively employing static metrics to gauge performance is similarly insufficient. ***To effectively bring about successful change, managers must understand and measure the momentum, or pace of change, throughout the duration of the change effort.*** This will provide managers with a more complete understanding of trends, variances, and progress as they occur in real time, so preemptive corrective action can be taken if needed. To achieve this, checkpoints must be established to measure aspects of change at frequent intervals throughout the change initiative's duration. This effort commences at the outset of the project and continues at predefined regular intervals thereafter. Ideally, checkpoints are taken every three months until the desired change is well-established and institutionalized within the organization.

When establishing metrics and performance goals, a baseline must first be established against which to compare actual results during the project. To attain baseline figures, key managers must gather current performance data at the project outset and mutually agree on what the baseline measurements are. Then, managers must agree upon the targeted future improvements and expectations. By understanding the baseline and expected improvements, managers will be able to gauge how successfully change is emerging based on the interim metrics observed as the project proceeds.

Lead the Transition

Once the groundwork to implement CRM change is established in the organization, management can then lead the transition to institutionalize it. According to Gartner, “True CRM means changing the culture, behavior, and structure of the enterprise to focus on the needs and wants of the customer. A managed program of change will jump-start organizational collaboration. Only a program of managed change that builds the internal organization into a force of collaboration across all departments will transform an enterprise and build a customer-centric culture.”⁶

To institutionalize change, the leadership team must deploy the preparations for change. Redesigned compensation and reward systems must be implemented, along with the new policies and procedures, fresh training programs, and optimized organizational structures. At the same time, senior executive sponsors must be actively, visibly, and consistently involved in the change project. They must provide hands-on day-to-day leadership and support to drive the project to successful completion. Some studies indicate that between 20–50 percent of an executive’s time must be committed to a change project to make it succeed.⁷

Another key activity in this process is the skillful management of employees and other project stakeholders so that each contributes favorably to the project outcome. The 2x2 matrix in Figure 6 provides a guideline to help in this effort. The matrix maps each stakeholder based on the support they provide for the CRM project to the power they have influencing the project’s success. Each stakeholder will fall somewhere in one of the four quadrants. Each quadrant corresponds to a unique strategy for managing and communicating with the stakeholders in that quadrant. The four quadrants are:

- **Leverage**—Highly supportive and powerful stakeholders must be leveraged to achieve project goals. These are the most critical players and are absolutely critical to realizing change.
- **Convert**—Nonsupportive yet powerful stakeholders resist change and must be converted to support the change initiative.
- **Support**—Highly supportive yet less-powerful stakeholders must be supported and leveraged to promote the change effort. These individuals usually represent the bulk of employees who will be responsible for carrying out the day-to-day activities envisioned after the change effort is complete.
- **Manage**—Stakeholders who are not supportive and who have little power should be managed to minimize any negative influence they have on change.

⁶ Gartner, *True CRM Requires Organizational Collaboration*, J. Radcliffe, E. Thompson, B. Eisenfeld, December 13, 2001.

⁷ McKinsey Quarterly, *How to Make Reengineering Really Work*, Eugene Hall, James Rosenthal, and Judy Wade, 1994.

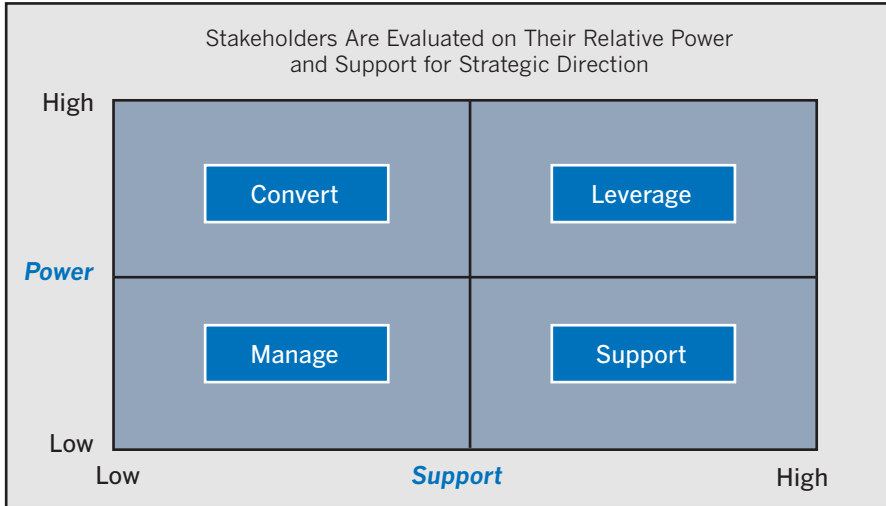


Figure 6: Shown above is the stakeholder management matrix.

Managing stakeholders, particularly those who are resisting the change, can be a delicate process. The act of inspiring change and gaining the support of others often requires winning people over individually. Consequently, effective employee and stakeholder coaching must be part of the change-management execution process. People require empathy as they adjust to the changes occurring in the organization and day-to-day roles and therefore need coaching to adapt to these changes smoothly and quickly. Supervisors, and even a special change-management team, should offer ideas, insight, and support throughout the change process.

Sometimes resistance to change isn't caused by direct lack of support for the project. Rather, it's based on incorrect perceptions, because results are not visible. In fact, many change projects are discontinued, to the surprise of project participants, because its achievements are not known to higher management. This often occurs when the time frame for delivering results is too long. To avoid this, several short-term wins must be engineered to occur over the duration of the project. This will continually substantiate the project's value, maintain its visibility, and reinforce its support from management.

Managing the Cycle of Change

When leading a change effort, management will benefit from knowing ahead of time how change will be perceived and accepted in the organization. Efforts to achieve change and manage resistance can therefore be planned based upon the expected behaviors. Fortunately, organizational change efforts follow a consistent and predictably cyclical pattern called the cycle of change. The cycle of change comprises five phases and is illustrated in Figure 7.

- **Uninformed Optimism**—In the earliest stages of a change project, before any real change execution begins, a state of uninformed optimism exists in which the idea of change appeals to most, particularly considering internal promotion and marketing activities about the change effort. In this stage, the realities of what will be necessary to secure change and the resistance that will be encountered is not yet understood.
- **Informed Pessimism**—Informed pessimism creeps in when challenges that must be overcome to secure change become understood, and the path to meeting those challenges appears overbearing. Consequently, at this stage, support for the change project is most seriously declining, and as a result, risk of discontinuing the project is greatest.
- **Hopeful Realism**—After the change effort achieves some wins and overcomes what before appeared to be insurmountable problems, the project reaches a stage of hopeful realism. Here, attitudes about the project primarily focus on possible achievements, albeit with hard work.
- **Informed Optimism**—When the project successfully delivers even greater achievements, these positive results generate momentum to release a fresh burst of energy for completing the project.
- **Rewarding Completion**—In this final cycle stage, change activities are complete, and the desired behaviors become ingrained in the culture.

By understanding the emotions and behaviors occurring in each of these phases, managers can proactively prepare for each phase and exploit it to work as a positive force for the change effort.

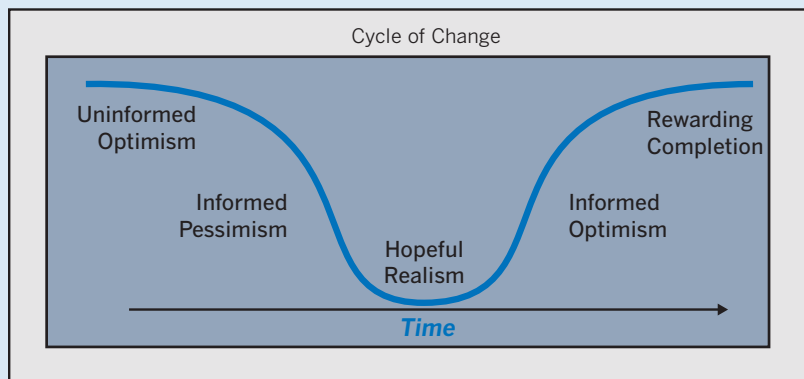


Figure 7: Pictured above is the cycle of change.

Determine Need for the Next Change

The ultimate goal of a change strategy is to transform an organization in response to a business need. Regardless of how successful a particular change effort is, the dynamics of a business environment will require the organization to change again at some point in the future. Additionally, knowledge gathered and improvements gained from one change effort will naturally lead to ideas for additional, more-optimized change. Further, the cultural modifications any one change effort achieves usually require continued monitoring so that the organization does not revert back to its old ways. Consequently, company leaders must continually examine the need for additional changes to promote the long-term viability of their business.

Case Study: CRM Change Failure Turnaround

A North American energy services provider pursued CRM to prepare for expected deregulation in the energy market it served. The initiative's primary goal was to improve how the company sold to, marketed to, and served its customer base. Shortly after the CRM solution was rolled out, however, several challenges surfaced. In the call center, call-handling times significantly increased. Customer service representatives required more assistance in dealing with customers, and their turnover increased. Additionally, the sales and marketing staffs who intended to use CRM tools did so only minimally.

A follow-up study attributed many of the challenges to poor change management. Ineffective training was a key issue. While training efforts focused primarily on the use of CRM features, there was little explanation about new business processes, how to execute upon them, and which ones were facilitated by the new CRM software system. New questions that customers would ask relating to the deregulated business environment were not addressed in training, nor were the correct usages of the CRM system to handle those questions. Training efforts also did not explain how to link up to the many external systems accessible through the CRM system and how to enter data in those systems correctly. This resulted in data integrity issues. The system also performed slowly, and some business processes were not aligned properly with the CRM system. Consequently, the organization developed a lack of confidence in the system, including the data residing in it. Those departments not required to use the system didn't or did so minimally. Thus the company did not achieve the system's full strategic benefits.

To resolve these issues, the company formed a project-steering committee composed of influential managers from the call center, sales, marketing, and other departments. Key committee responsibilities included defining a long-term CRM strategy, creating a related communications strategy, driving change management, expediting resolution of problems, maintaining visible executive sponsorship, and better understanding and coordinating all CRM initiatives in the company so that they aligned properly with the company's other business strategies. The company undertook additional remedial steps, such as involving experts in process redesign and documentation, defining software performance requirements, providing improved training, and ensuring system users had a consistent high-quality experience.

Conclusion

Change management is one of the most critical activities contributing to successful adoption of CRM strategies. Yet many CRM projects fail because the organizational, cultural, and behavioral changes underlying CRM are managed ineffectively. Several factors contribute to this. All can be avoided by understanding the best practices of change management and applying them effectively. By committing the time, effort, and resources to understand and strategically use change management, organizations can substantially promote CRM adoption and the success of their CRM projects.



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