Why CRM most the time doesn't work?
&
What to do to make it work?

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Introduction

In 1987, long before the CRM was invented and long before Don Peppers developed one2one marketing, I owned and run very successfully, together with my sister a small company that developed and marketed worldwide educational software for banks. Our IT infrastructure was limited tot 3 stand alone PC's without graphical screens and with 10 MB hard disks. We ran a software called Framework which integrated a database, a spreadsheet and a word-processor. We printed out, sometimes overnight, all our commercial material on an HP dot-matrix printer that never broke down.

In that constellation I started my first CRM system. It was very basic and not user friendly but ***it worked!***

Each time we communicated with a customer we would enter coded information based on pre-defined codes in a free format field. This allowed us at track any time our activities with each of our contacts and (semi) automate the follow up. ***It worked!***

Why did it work? The answer is simple. We were only three people in the company, all three of them owners of the company. Each of us had a personal interest in the success the company as well as in the success of the other partners. We all understood the importance of the ability to use this information to follow up with our contact base.

Even that it was complicated and not user friendly, each of us would accurately input the data of each intervention with a customer. We sold the company successfully to a bank after 5 years.

Since then I have been working with hundreds of companies that tried to set up CRM systems. Several of them spending millions of Euro's to licences and customisation of very sophisticated CRM systems. ***Only a few of them managed to make the system work*** as they wanted to.

This is unfortunate. A CRM system that works is an invaluable MIS (Management Information System) that offers numerous ways to ***competitive advantage***. If you don't have a CRM yet or If you recognise your own situation it is worthwhile to continue reading.

The issues

In larger organisations CRM systems are complex systems and implementation of these systems are important change processes. Often the failure of the CRM system is organised by the company itself due to poor change management.

The success of the CRM system depends largely on the quality of the input of data. The cost of data entry is in most cases over time even more important than the licence and customization cost. Data entry is time consuming. In most cases this data entry has to be executed by sales executives, highly paid consultants and even managers and directors. In large organisations if properly done we are speaking about ***several FTE's feeding the CRM system***.

Most likely the most important factor in failure of CRM systems is the **lack of buy-in** for the CRM system by these highly paid employees. This leads to low levels of discipline in the data entry.

Hereby an example that will sound very familiar to those of you who already use CRM. A few years ago. I met with one of the top sales people of a customer I was consulting. The charming young lady told me she didn't have time to chat as she had to put the sales data of the last two months in the CRM system. A few weeks later I met with a customer of this organisation who asked me what was my relation with a colleague of mine that visited that same customer the previous day. I did not know that this customer had previously contacts with our company. ***Surprised that I was nog succefull with this prospect?***

The reason of this lack of buy-in is obvious. The sales people and other commercials (and their line-management) ***do not have or do not understand their own benefit of the system***. They see this part as an overhead that costs time and that contributes too little to their own success. In the worst case they see CRM as a control system. Often they feel threatened by the CRM system as they have to release the invaluable information about their customers that empowers and protects themselves.

It is not all the fault of the users. Often the users have to enter information that is irrelevant for themselves. Reports are hard to produce and **do not give the information they need**. Data entry forms are user unfriendly and so on.

All this results in superficial, sometimes incorrect and late data entry. CRM systems are characterized by the **"Garbage in, garbage out"** principle. The success depends a lot on those who have to feed the system.

Consequently a key success factor is to develop your CRM in such a way that it becomes a tool that delivers value to those who have to enter the data. ***The key question is: How to achieve this?***

Motivate commercial staff to comply with CRM?

Your CRM system is an intelligence system about your customers and your potential customers. As a company we want to create quality data and statistics about who they are, their buying behaviour, their size, their location, their nature and many more. In order to have reliable statistics it is important that your data is as complete as possible. Ideally you should achieve that nearly 100% of the interactions with your customers are documented.

The data collected in your CRM may also be used to support sales. Your CRM systems may also serve as a Sales Performance System that helps both sales management, account mangers, team leaders, consultants and sales man to evaluate their own performance. This however is the area where many CRM systems fail.

Sales organisations and sales processes vary from one business area to another. Depending on your business and the type of customers the success of your business may depend on the quality of account management, of the team selling, on prospection or on customer service. Very often more than one of these areas may be applicable to your business.

As a CRM manager you should understand the KPI's of the commercial organisation and the commercial staff. Relevant, comprehensive and user friendly reports that fit the needs of the commercial staff should be provided. These reports should match the KPI's so that they form a dashboard for the commercials. Unfortunately this is often not the case.

An important stakeholder is the commercial line management. They need information on the performance of their individual team leaders as well as a dashboard for their entire team. Assuring that the reports you provide from a management tool for the sales management will assure their buy-in. This buy-in is crucial to get the support of the line management to manage compliance with the individuals.

A good example of how understanding and empathising with the sales people can help to achieve compliance is what I experienced implementing a Sales Performance and Sales Forecasting module. We used a model to calculate the probability on success that we borrowed from General Electric. The sales had to enter a number of criteria and the system would calculate automatically the sales funnel.

Sales people found this too complex and were very sceptic to the system's forecast. Allowing them to enter their own view on the probability reduced the resistance significantly.

Besides a much better compliance this allowed the sales manager to compare the forecast of each sales person with the theoretical forecast. Some sales people scored better than the system but others did significantly worse. This gave us insight in how well the sales people knew their own customer.

Facilitate the data entry?

A very critical issue influencing the effectiveness of CRM systems is the data entry. The data in the CRM system is only as accurate as put in by the commercial staff. The information put in must be correct, complete and the timing is, certainly for sales of essence. Only if the data is complete and reliable the reports produced by the CRM system will be reliable. The quality of your conclusions and decisions will depend on the input.

The data entry should preferably be done on a daily basis, especially in environments where team selling is important. It is also very useful for sales management if data entry is done almost immediately.

From the point of view of a commercial person however, the data entry is often considered as overhead that is required by the management. Even if they understand the importance of this task they will often lack the discipline to sit at their desk on a daily basis and put in all the data of their activities of the day before.

Doing the data entry is important from another point of view. It takes much longer to enter the data let us say a week later. Besides that it will be a lot harder to recall all the information a lot of information will generally be lost. These are often small things and details such as hints on future business the customer has given, references to other potential contacts but very often also promises the commercial made to the customer. Who doesn't recognise the sales person who promised to something and it never happens. Guess why?

Another issue is the time consumption of data entry. First of all this represents a significant cost to the company. Secondly commercial people often tend to approach more customers in order to raise their chances to achieve their goals. Still a lot of managers will expect from their sales people to meet a lot of customers as often as possible.

Generally speaking this approach is correct. In most businesses the results are better if more customers are approached. This principle is simple and often applied. Managers as well as sales people often forget that this rule only applies if customers are properly served as well. If the information (CRM) we have about our customers is poorly managed the efficiency and effectiveness of these sales meetings will go down drastically.

This principle has to be taken into account while design (and customizing) the user interfaces and the data entry part of your CRM system. It is important that the froms you present to your commercials fit their sales process. Too often this is not the case as standard forms, provided by the CRM provider are general and not specific enough. This often results in frustration for the sales people as they have to enter either data that is not relevant for their business or they can not enter the data they would like to enter.

The second factor, and possibly the most import one is the time required to input the data. Entering complete, relevant data for one sales call usually takes between 5 and 15 minutes per sales call depending on the business. With an average of 4 sales calls to report per day this amounts between 20 minutes.

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