ABOUT BEST PRACTICES, LLC

"Access and Intelligence for Achieving World-Class Excellence."

Best Practices, LLC is a recognized leader in the field of best practice performance improvement. We operate on the principle that organizations can chart a course to superior economic performance by studying the best business practices, operating tactics and winning strategies of world-class organizations.

Best Practices, LLC has conducted leading-edge benchmark research for top companies since 1992. Our suite of customized Research and Consulting services is designed to assist you in improving your company's performance through benchmarking the winning practices of leading corporations. Visit our corporate website at http://www.best-in-class.com

STUDY ABSTRACT

The twin forces of e-business and globalization have created a Herculean challenge for many companies trying to grow profitability through customer loyalty strategies. Globalization has widened customer choices by expanding a purchaser's reach across countries and continents. E-business tools have made it easier for consumer and business customers to evaluate diverse purchase options. Consequently, the job of building lasting customer relationships has grown far more complex for most companies. Best Practices, LLC launched the CRM Benchmarking Consortium to help research partners overcome these complex challenges to managing customer relationships.

Estimates of CRM program failure rates run as high as 70 percent. What has caused so many organizations to miss the mark on customer focus? Interestingly, benchmark research suggests that successful CRM implementation is not primarily a technology issue. Benchmark partners observed that these CRM danger factors fall largely in the realm of managing “cultural change” towards a customer-centric organization.

This white paper is an excerpt from research profiling a class of companies that demonstrate successful practices in developing the benchmarking function. Information was gathered through extensive surveys and interviews among managers from 14 companies across nine business sectors that included financial services, travel services, pharmaceuticals, aviation, utilities, telecom, construction products, government and retail. Best Practices, LLC analysts employed qualitative and quantitative research methods to identify and probe the winning strategies and operational approaches in customer relationship management implementation among organizations within these sectors.
The following companies were studied for this analysis.

<table>
<thead>
<tr>
<th>Benchmark Class</th>
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<tbody>
<tr>
<td>AAR Corp.</td>
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<tr>
<td>American Automobile Association</td>
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<tr>
<td>Aventis</td>
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<td>Boeing</td>
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<td>Corning</td>
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<td>Eli Lilly</td>
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<td>J.D. Edwards</td>
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<td>Land’s End</td>
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<td>Merrill Lynch</td>
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<td>PSEG</td>
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<td>Raytheon</td>
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<tr>
<td>U.S. Dept. of Veterans Affairs</td>
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<td>USAA</td>
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<td>Vistakon</td>
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Changing your Cultural Focus from Products to Customers

As companies compete in today’s increasingly competitive marketplace, they often find the need to transition their operations from product-focused models to newer, customer-focused approaches. Ultimately, CRM is this mindset that places the customer at the center of business activities. Successful CRM initiatives are able to ingrain this customer-centric mindset deeply into the organizational culture and business model. CRM initiatives that fail to manage this shift are likely to join the 70 percent of companies whose CRM efforts have under-delivered and under-performed.

Consequently, CRM leaders reflect extensively about the tools and tactics that proved most helpful to them in managing this shift from product focus to customer focus. In addition to...
strategy and structure, experienced CRM implementers identify communication, cross-functional customer information sharing, and performance management as other cornerstones of this transformation.

Customers are not interested in products by themselves; they often seek to know that a company has the products and after-sale services to fulfill their immediate and long-term future needs. The diagram above depicts the evolution of the benchmark class towards a customer-centric orientation geared to ensuring customer success through integrated product and service delivery -- not just focused on simple product placement.

**Communication Catalysts.** Evolution towards a customer-centric solutions focus typically involves long-term cultural change. Inevitably, communication emerges as a primary catalyst of such change. Correspondingly, CRM communications are critical to successful CRM implementations. CRM communications are multi-dimensional; they include briefing the organization on program progress, managing expectations, sharing successes, breaking down customer information silos and reinforcing a customer-centric culture.

Not surprisingly, many communication activities fall into the responsibilities of the CRM leadership team. Indeed, benchmarking research delineates that most key leadership steps have a communications face. For instance, the top steps in early leadership activities -- monitoring progress, providing resources, setting goals and priorities, sharing benefits -- are all communications-intensive deeds and actions. The diagram below represents effective methods benchmarked companies have used to convey a customer-focused approach. Without these communication-rich leadership actions, progress towards a customer-centric culture will likely be slow.

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**Leadership Steps**

*Strong leadership is a necessary ingredient for creating CRM program success. The top roles played by leaders are monitoring CRM progress, providing resources and setting goals.*

<table>
<thead>
<tr>
<th>Percent of Respondents Reporting the Following Leadership Steps</th>
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<tbody>
<tr>
<td>Monitor CRM Progress: 100%</td>
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<tr>
<td>Provide Resources: 100%</td>
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<tr>
<td>Set CRM Goals: 67%</td>
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<tr>
<td>Set CRM as Priority: 67%</td>
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<tr>
<td>Communicating CRM Benefits: 50%</td>
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<tr>
<td>Build Alliances Around CRM: 33%</td>
</tr>
<tr>
<td>Build Managerial Fabric: 33%</td>
</tr>
<tr>
<td>Involvement with Customers: 17%</td>
</tr>
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What of the following leadership steps has your senior management taken to build your CRM system?

Source: Best Practices, LLC Benchmarking Survey 2001 n=6
COMMUNICATION AND CROSS-FUNCTIONAL TEAMS

The success of customer relationship management programs is not comprised solely of the technology that supports each system. Success equally depends on the employees who will use the CRM system. Executives building CRM strategies must incorporate sufficient change-management planning into the CRM initiatives to ensure employees buy into their new systems.

Companies’ main tool in ensuring buy-in is constant communication. Top-down communication of CRM efforts and front-line information gathering are important success factors when developing high-performing CRM programs. The following graphic represents key tactics that companies have undertaken to ensure buy-in throughout their organizations.

Additionally, leading companies often employ a change management plan that anticipates employees’ resistance and ensures there are sufficient programs that treat the root causes of resistance. For example, employees often resist new technology systems because they fear giving up control to the technology or they fear learning a new program. Managers must provide employees with sufficient communication and education to overcome people's natural fear and resistance to change.

"If you look at the statistics on an IT run project about 75 percent fail. If you look at it more closely, it was often due to the human factors.”

-Director of Organizational Effectiveness, Eli Lilly

Securing Buy-In

Securing buy-in at all levels of the company is a difficult, but critical ongoing step. Benchmark companies use clear communication of CRM expectations and results help gain buy-in throughout the company.

Percent of Respondents Using the Following Buy-In Tactics

| Use of Metrics to Track CRM Performance | 54% |
| Hypothesis of CRM ROI Expectations     | 52% |
| Regularly Monitor ROI Projections      | 25% |
| Use of Customer Panels to Monitor Performance | 5% |

Which of the following tactics are used to win CRM buy-in from senior leaders and front-line employees?

Source: Best Practices, LLC Benchmarking Survey 2001
Develop a formal CRM communication plan to ensure consistency in message delivery and results measurement across functional areas affected by the CRM initiative.

Effective internal communication is critical to achieving CRM success. Leading CRM program implementers develop formal project communication plans for each phase of their CRM programs. Companies use a variety of communication techniques to reach stakeholders with maximum impact.

**Lands’ End** uses “in your face” communication tactics to convey CRM messages to functional manager-level and higher executives. Such tactics primarily include in-person meetings. For example, CRM business leaders hold weekly meetings with functional area leaders (such as sales, marketing, service etc.) affected by current projects to update on project progress and identify improvement opportunities.

The primary tools used to communicate with lower-level employees are a company newsletter, divisional newsletters and intranet sites. CRM messages and progress updates are communicated monthly via each of these tools to let employees know how the CRM program will make them more effective in their jobs.

Communicate the value of a CRM program before rolling out a new initiative to allay fears and resistance to change.

Executives implementing changes realize that workers have a resistance to change, and implementers must work around this extensive aversion to ensure the success of a new program. Many workers fear learning a new system, and others simply do not want to exert the effort required to learn a new way of working. Benchmark leaders ensure buy-in by conveying the importance of a new initiative before rollout. Workers are therefore alerted to the change prior to implementation and notified of expected results.

One CRM leader reflected on the valuable-but-painful lessons learned his company had derived from a significant implementation failure in the past. At great cost and effort, the company had rolled out a strategic-customers information system. It failed due to insufficient communication of the program value for front-line employees. This once-ambitious customer-insights program was designed to capture all contacts and information about the company's most valuable and influential customers. Unfortunately, front-line employees seldom used this early-generation
CRM system. The company extracted many lessons from the failure of this rollout. In addition to not communicating the system’s intended value, other missteps included:

- Pre-existing systems could not integrate with the new system. The new system was a stand-alone that could not link to systems workers already used and found valuable. “If it doesn’t fit into your day to day activities, then why would you bother to use it?” explained a senior sales and marketing executive.

- Executives did not gain buy-in for the system. Executives expected country heads to implement the system on a country level, but this strategy failed because executives did not first gain the country unit buy-in.

- System development did not incorporate countries’ input. Country level input was never gathered during the development of the system. Therefore, country units felt slighted and rejected the system.

This experience helped reinforce the critical importance of ongoing multi-channel communication in this company's current CRM implementation. The following diagram illustrates the pitfalls that accompany poor CRM communication.

**Implementing CRM Initiatives Without Communication**

Obstacles to CRM Initiatives:

- Large-scale changes enacted without sufficient preparation and throughout organization often fail.
- Lack of communication with all employees causes distrust among the workers and resistance to changes.
- Companies that do not gather employee input overlook great ideas and a chance to increase employee involvement and build buy-in for new initiatives.
**Communicate value regularly through a customer relationship management newsletter to ensure all stakeholders are aware of occurrences.**

The success of customer-focused initiatives hinges on clear and consistent communication between team members and key customer stakeholders. Companies that maintain sufficient communication ensure that all key stakeholders understand the value of the system and are updated on program status.

As Aventis worked to implement a new customer-focused system, the customer relationship management team realized that all key customer relationship management (CRM) program stakeholders wanted and needed regular updates. To ensure sufficient updates, the team established a monthly newsletter to ensure ongoing updates. The newsletter communicated the CRM system's value and shared information on the pilot project and other activities. Additionally, the monthly newsletter has information on how CRM will change the business.

As more and more members of a company interact with customers at different stages in the customer relationship lifecycle, it's imperative organizations be able to share customer information throughout the enterprise. “It’s no longer just the doctor and the rep,” observes a European-based business unit Vice President for pharmaceutical company, Aventis. “The sales rep used to feel like an owner of the doctor, but now the information and the analysis is for everyone to access, and it’s all shared.”

The following graph represents effective communication methods that benchmarked companies have used to convey a customer-focused approach.

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**Proven Communication Methods**

*Effective communication is imperative for generating buy-in and managing CRM program implementation. The majority of communication takes place in meetings, presentations and newsletters.*

<table>
<thead>
<tr>
<th>Communication Method</th>
<th>Percent of Respondents Reporting</th>
</tr>
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<tbody>
<tr>
<td>Small Meeting</td>
<td>100%</td>
</tr>
<tr>
<td>Formal Presentation</td>
<td>67%</td>
</tr>
<tr>
<td>Large Meeting</td>
<td>67%</td>
</tr>
<tr>
<td>Email Newsletter</td>
<td>67%</td>
</tr>
<tr>
<td>Informal Discussion</td>
<td>50%</td>
</tr>
<tr>
<td>Print Newsletter</td>
<td>33%</td>
</tr>
<tr>
<td>Annual Report</td>
<td>33%</td>
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</tbody>
</table>

Source: Best Practices, LLC Benchmarking Survey 2001 n=6
Communicate key customer-focused initiatives from the top of the company down to front-line employees to generate company-wide CRM support.

Front-line employees respond positively to strong, steadfast leadership - making it critical for senior leaders to be customer-focused. Benchmarked companies initiate communication of overarching CRM strategies and initiatives from the senior executive level and cascade the messages down to front-line employees through corporate intranets, company and business unit newsletters, departmental intranet sites, conferences and demonstrations and meetings.

For example, Lands’ End began its CRM initiative with a renewed commitment to strategic planning. In past years, the company admittedly had not done extensive formal strategic planning. For the 2000 fiscal year, however, the company developed an extensive CRM strategic plan and shared it with all employees who would be affected by the plan. Company executives stressed the imperative to always put the customer first. They also communicated the steps necessary to execute the strategic plan and the roles each employee would play in executing the plan.

Lands’ End’s corporate marketing organization, which leads the CRM initiative, facilitates the communication between strategy-setting executives and customer-facing employees via a corporate intranet. The company also communicates CRM messages via its company-wide newsletter. The following diagram depicts the various ways Lands’ End communicates CRM messages through the ranks.

**Cascading the Customer-Focused Message from the Top-Down**

Leading CRM implementers communicate key CRM decisions frequently from the top of the organization down to front-line employees via a variety of media to ensure everyone is aware of the latest developments of the organization’s CRM project.

![Diagram showing cascade of CRM messages from top-level leadership to customer-facing employees via meetings, intranet, newsletters, conferences, and demonstrations.](image-url)
Maintain frequent communication with key stakeholders to communicate CRM program progress and sustain organizational buy-in.

CRM leaders emphasize the importance of thinking of CRM efforts as an ongoing program of projects designed to build necessary CRM capabilities and link them to other initiatives, such as sales force automation or e-business. CRM leaders must communicate frequently with customer-facing employees to demonstrate program successes and sustain buy-in to program initiatives.

Lands’ End uses pilot groups of front-line employees to test small CRM-related projects. Once the projects begin to produce results, such as achieving cost-savings or increasing customer satisfaction, the company demonstrates the successes for visual learners. It also holds weekly meetings with functional managers to keep them attuned to advancements in the CRM program and the benefits that certain projects hold for their functional groups. Interviewed executives advise that CRM leaders consider who is delivering what message and anticipate the responses they will receive from functional group leaders. Communication of decisions that affect the division level must consider who will be impacted. It is also important to know what is expected of division-level and front-line employees – such as whether CRM leaders simply seek buy-in or whether they need champions for the CRM program.

Maintain an open-door policy to encourage customer-facing employees to supply feedback on CRM strategy development and execution.

Two keys to Lands’ End’s successful CRM employee input process are its executives’ open-door policy and the corporate culture, which encourages open idea sharing. An interviewed Lands’ End CRM business leader notes that senior executives are very down-to-earth and truly value front-line employee input. The company has a flat organizational structure that encourages discussion between senior management and lower-level employees. “In fact, I had been here for 10 years before I saw my first organizational chart,” reports a CRM business leader.

Address program details first and then move to generalities to allow people to air immediate concerns.

In order to gain widespread buy-in for a new initiative, a customer relationship management team must ensure that a sufficient number of people are on board from the beginning. To get initial players in the game, companies must enable customers to express their fears and opinions about CRM implementation.
Eli Lilly, in handling the emotional side of customer relationship management changes first, addressed the concerns of individual people. The team gave workers a chance to air their concerns, and the team addressed the details of the program and cleared up specific worries before moving on to the generalities. The team addressed the emotions associated with details through one-on-one conversations. Team members discussed individuals’ expectations and hypotheses.

Challenges arose when the team refused to see the details, and leaders pushed to move on to overall strategic views, rather than tactical items. By confronting the details first, people addressed their emotions and were able to move on to the more general topics. If the team had failed to address individual concerns, the emotions would have festered and built into much a stronger resistance, according to the Director of Organizational Effectiveness. “That allowed us to free up the thinking so that they could get out of their turf wars,” she explained.

**Establish documented reward and recognition programs to more easily transition to a customer-centric organization.**

To ensure that employees continue to utilize the full functionality of a CRM system and begin to transition into a customer-centric organization, companies have been implementing reward and recognition systems that are based on monetary and non-monetary compensation.

One company’s reward and recognition program provides monetary and non-monetary recognition on a monthly and quarterly basis. Award criteria is based upon service performance in addition to recognizing the efforts of both individuals and teams who embrace these principles in their daily work environment:

- Client Focus
- Respect for the Individual, Teamwork
- Responsible Citizenship
- Integrity.

Additionally, peer recognition programs allow all levels of the organization to acknowledge the efforts of their co-workers, management

**Award criteria reinforces those behaviors that promote an environment of trust, employee commitment, partnership and empowerment and recognizes all leaders and teams who achieve results through consistent use of these behaviors at all levels of the organization.**
team or other employees who contribute to the success of the organization and go “above and beyond the call of duty.” Furthermore, the company announces monthly and quarterly award winners through its intranet site and via recognition presentations.

BEST PRACTICES, LLC CUSTOMER SERVICE

This white paper presents research from Best Practices, LLC’s recent benchmarking study – “Countdown to Customer Focus: A Step-By-Step Guide to CRM Implementation.” Additional customer service benchmark research includes:

- Achieving World-Class Customer Service: An Integrated Approach
- Countdown to Customer Focus: A Step-By-Step Guide to CRM Implementation
- Best Practices in E-Service
- Improving Customer Satisfaction and Retention through Differentiated Service Levels
- Best Practices in Sales Force Automation
- Managing World-Class Call Centers: Site Visit Findings
- Customer Service Call Center Survey & Profiles
- Call Centers: Executive Insights for Excellence
- Achieving World-Class Customer Service
- Best Practices in Customer and Employee Satisfaction Management

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