

A Success Model for CRM Implementation

AND HOW TO AVOID THE MOST COMMON MISTAKE.



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A Success Model for CRM Implementation

WHITE PAPER

It is finally happening...after two decades of anticipation, Customer Relationship Management (CRM) applications are hitting the mainstream. Companies in record numbers, and of all sizes, are implementing packaged CRM applications. This is good news for business executives who have intuitively known that CRM could help their business, but were concerned about the seeming lack of success and adoption for those companies that had implemented these systems before them. The key question for many of these business executives as they create their CRM strategy is; where will they gain strategic advantage if their competitors are implementing these same CRM applications? Many are quickly realizing that integration represents the key differentiator for CRM. Integrating their CRM application into the enterprise effectively leverages institutional knowledge of customers into actionable competitive advantage for their sales and service teams. Companies that can leverage their existing information assets better can turn CRM from a tactical project into a key strategic initiative.

Over the past decade, in my role as a sales executive for a leading CRM integration vendor, I have worked with hundreds of companies seeking to integrate their CRM applications into their overall enterprise environment. Some of these companies have struggled to get it right, but many have found success. What distinguishes the successful integration projects from those that have not delivered? Interestingly enough, the answer to this question is not complicated and is the inspiration for the CRM integration success model outlined in this paper.

The most common mistake that companies make when integrating their CRM application happens right at the beginning of the project; ***they try to do too much***. This mistake is not surprising since integration is such an ill-defined project in the first place. In any organization, there seems to be reams of customer data that could be integrated. You cannot possibly integrate all of it at once. So what's the most important data to be integrated today? What should you consider in a later integration phase? This paper will provide a framework to help answer these questions and increase the probability of a successful CRM project.

Many people think that CRM integration is pretty straightforward...just make these darn systems work seamlessly with the same data. If only it were that simple. The challenge is that companies implement multiple applications for a reason; each is designed to support the needs of a particular user group in performing their specific tasks. Each of these systems has different priorities, different data structures, different user interactions, and different levels of importance to the business operation. One of the best examples of this is the difference between an accounting and a sales system. Accounting systems are designed under a set of defined rules (FASB), require extensive data validation and follow rigid and documented step-by-step processes. Sales systems must be responsive to customers...which cannot be expected to operate by any set of rules. Sales system users capture information as it comes available throughout a very fluid customer-defined sales process. In fact, the value of a sales system is not defined by any one piece of information, but by the collective value of a large set of "imperfect" data. Can you imagine a sales person not being able to complete a task because they did not fill in an extensive list of required data elements?

That system would be completely unusable for the salesperson. Conversely, imagine an accounting system that allowed users to put in an accounting transaction that didn't balance. That system would be unusable for a completely different reason. Given that these systems are so different, you can imagine the difficulty in trying to tightly integrate them. By building dependencies between the systems, you can in essence detract from the core purpose of each and diminish their individual usefulness.

So what can we take from this interdependency discussion? Don't go into a CRM integration project with the goal of consolidating applications together. Instead focus your integration efforts on enhancing the usefulness of each of the individual applications. As we will see later in the paper, there are times when tightly integrating applications together makes sense. These tend to be the most complex and costly projects, but for certain companies, can deliver great benefit. The good news, however, is that all companies can gain great benefit from more loosely coupled and simpler integration approaches.

As I look across the many CRM integration projects that our customers have completed over the past decade, I have been able to identify three distinct levels of integration that companies implement; ***data replication, data synchronization, and process integration***. Each of these categories has its own characteristics, implementation requirements, benefits, risks, and costs.

Data Replication – The Value of Information to Knowledge Workers

Data replication is by far the simplest and least interdependent type of integration. With replication, a copy of certain customer data that resides in one system is added to the customer records in the CRM application, with data moving in only one direction. Typically the replicated data is "view only" in CRM; that is it cannot be modified by the user, but provides more complete customer data to increase the effectiveness of CRM. The following chart outlines common replication scenarios and the benefits of each:

Source	Data	Description	Value
Web site, marketing lists	Leads	Load leads on real-time or ad-hoc basis into CRM	Increase lead conversion rate and reduce administrative costs
ERP	Orders/Invoices Product line items	Copy and update order and invoice data along with product details into CRM	Increase revenue through product-based sales targeting Improve customer service
Call center	Support incidents	Provide real-time support call history and status to CRM	Improve customer service
Field service	Service tickets	Provide real-time service ticket history and status to CRM	Improve customer service
Call Center ERP	Support contracts	Copy and update customer support agreements in CRM	Increase contract renewal rates
ERP Data providers	Credit history	Provide company credit history in CRM	Increase revenue by targeting credit-worthy customers Reduce collection costs

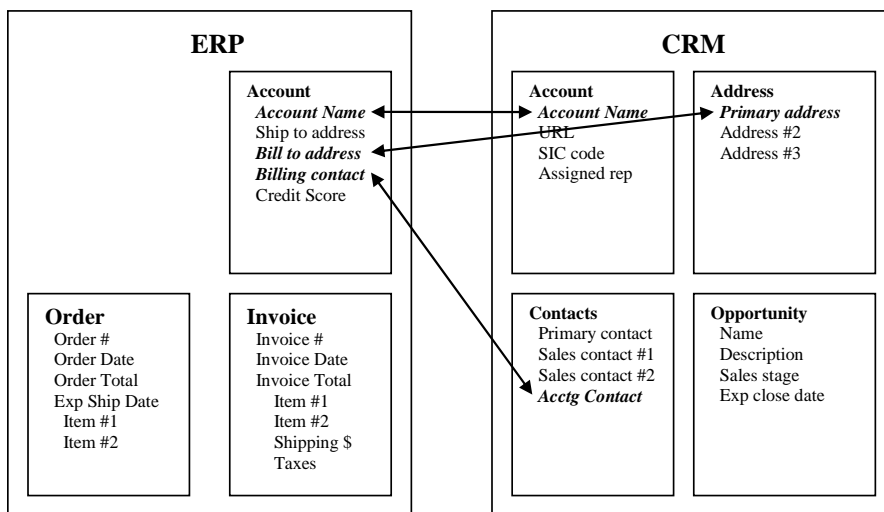
Bear in mind that implementing a replication scenario may involve extending the data model of a packaged CRM application if the key data elements you wish to share do not exist in the base configuration of CRM.

By providing this additional information about customers within the CRM system, sales users can improve the quality of customer interactions and more effectively target customer opportunities.

Replication has another benefit that is not so obvious; it dramatically improves the adoption of CRM by users. CRM is one of those odd business applications where adoption by its “users” is difficult to mandate in most cases. It is rare to find a case where a sales rep that was 200% of quota lost his or her job because they didn’t put their sales activities in a CRM system. So how do you get these individuals to adopt your CRM system? You provide them information in CRM that will help them sell more...information they couldn’t otherwise get. This type of quid pro quo in many cases has formed the basis for successful CRM implementations.

Data Synchronization – The Value of Efficient Consistency

The objective of synchronization is to maintain the same set of customer information in multiple systems, reflecting changes made in one system across the others. Synchronization typically focuses on the more basic demographic customer information that is common to multiple systems such as company contacts, addresses, phone numbers, etc. The following diagram depicts a typical customer synchronization scenario between a company’s ERP and CRM system:



As you can see from the diagram, only certain subsets of data within each system are being synchronized. Given the varying structures of these systems, it is not uncommon to see multiple integration “touch points” between systems to support a synchronization scenario.

By reflecting changes made in one customer database across all customer databases, data entry effort is dramatically reduced, errors are eliminated, and your entire organization is working from the same information.

Process Integration – The Value of the Well-Oiled Machine

With process integration, data is shared from one system to the next based on each systems role in an integrated customer process. The most commonly discussed customer process relating to CRM systems is

the quote to order process. The following chart outlines the integration steps required to support quote to order activities between a CRM system and a back office system:

Step	From	To	Data	Description
1	ERP	CRM	Product Catalogue	Provide CRM with latest available products and pricing
2	CRM	ERP	Quote	Provide ERP with quote for demand planning and calculate "available to promise"
3	ERP	CRM	Quote	Provide CRM with product availability for quote
4	CRM	ERP	Order	Place order with ERP
5	ERP	CRM	Order	Provide order confirmation
6	ERP	CRM	Order Invoice	Provide ongoing order deliver status and final calculated invoice including shipping and taxes

One thing to consider in process integration is that the order of the steps is extremely important. In the above example, if the quote is created from an invalid or out-of-date item from the product catalogue, then the ERP system will not be able to support later steps of providing product availability dates or processing the order. Additionally, in most cases, data replication and data synchronization are prerequisite integration requirements for implementing process integration.

Typically process integration centers around those activities in the sales cycle that involve an event or transaction, such as a sales quote, an order, an invoice, a credit verification, a contract renewal, a product return, etc. By coordinating these activities more efficiently across the users and systems involved in these processes, companies can accelerate revenue and cash flow, eliminate redundant effort, and provide a better experience to their customers.

CRM Integration – What are the Costs?

CRM integration projects can have varying levels of costs, both during the initial project and on an ongoing basis. As a general rule, the complexity and resulting costs associated with an integration project will be exponentially greater for two-way or multi-directional integration projects versus one-way integrations. Complexity also rises dramatically as more and more dependencies between applications (and their respective user bases) are expanded. When we look at costs, they tend to break down into two major categories; (1) the technical implementation and support costs and (2) the organizational disruption costs, with the latter in many cases greatly underestimated. The following is a summary of the costs to be considered when embarking on a CRM integration project:

Technical implementation and support:

- ✓ Integration requirements analysis and design
- ✓ Integration software (including maintenance, support, training, and upgrades) whether purchased from a vendor or developed internally

- ✓ Application “Adapters” particularly when applications are targets in the integration (another reason why one-way integrations can be simpler and less costly)
- ✓ The costs of ensuring data integrity across systems (especially costly with synchronization and process integration due to the need to maintain updateable data in multiple systems)

Organization disruption costs:

- ✓ User training and orientation around the use of the newly integrated systems (sometimes referred to as “reengineering”)
- ✓ Risks and costs of creating dependence between mission critical transaction systems and CRM
- ✓ The political barriers of data ownership and coordinating activities across functional areas of the business (one of the most common being CFOs that don’t want salespeople messing with their back office data)

The following chart maps the three levels of CRM integration against the above criteria to represent the relative cost of each option:

Cost and Disruption	Data Replication	Data Synchronization	Process Integration
Integration Requirements & Design	Low	Med	High
Integration Software	Low*	Low*	Low*
Application Adapters	Low	Med**	High**
Maintaining Data Integrity	Low	High	High
Training and Orientation	Low	Low	High
System Interdependence	Low	Med	High
Political barriers	Low	Med to High	High

* Assumes the purchase of a full function CRM integration platform

** Although 2-way, synchronization involves much simpler application touch points

It becomes apparent that as we move from one level to the next, the cost and disruption of each grows exponentially.

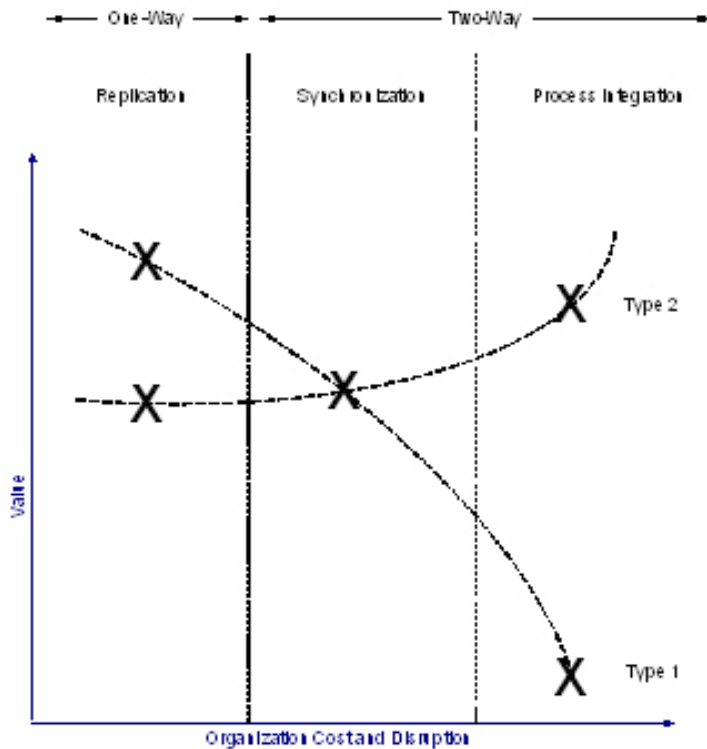
The “Value vs. Cost and Disruption” Curve

So now that we understand the relative costs of the three different types of integration, how do we make sense of the relative benefit of each? To answer this question, it is important to understand how your company markets and sells its products. To illustrate how a company’s sales and marketing process impacts the value side of the equation, let’s define two types of companies on the opposite ends of the spectrum. We will refer to one category of company as Type 1 and the other as Type 2.

Type 1 – These are companies that have intensive, relationship-focused sales processes. They generally need to educate their buyers about their products, have longer sales cycles, and have direct and indirect sales teams skilled in the “art” of relationship, value-based selling. Industries that tend to fall in this category include financial services, professional services, healthcare, capital goods manufacturing, and much of high technology. These types of companies generally benefit the most when you provide their knowledge workers with information that enables them to target customers better and more effectively manage customer relationships. Given that the transaction side of the customer relationship is generally an occasional event in the sales process that does not dominate the lion share of the sales team’s efforts; they tend to gain diminishing value from additional levels of integration. This is particularly true for process integration.

Type 2 – These are companies where the majority of the sales process is centered around transactions. Their customers generally require less information about the features and benefits of products and are more concerned about things like quantity on hand, price, and availability. Industries that fall in this category include consumer goods, distribution, process manufacturing, and commoditized high technology. These types of companies generally benefit the most from integrated, coordinated, and efficient management of customer transactions. Type 2 companies still benefit from data replication and data synchronization, but ultimately realize the greatest strategic advantage through process integration.

The following chart illustrates the relationship between value versus cost/disruption for Type 1 and Type 2 companies across the three levels of integration. Companies can extend this model to include those specific requirements within each of the three integration categories to assist them in determining the relative priority for each requirement.



Plan Strategically, Implement Tactically

So where does all this information lead us? How do we use it to drive successful CRM projects? In my experience, those companies that plan strategically yet implement tactically are the most successful. Thinking strategically means developing a long-term integration plan that is flexible to the changing needs of your business. Utilize the value versus cost/disruption model to establish your long-term priorities. It is also best to implement on a technology platform for CRM integration that can grow with you as you implement this long-term strategic plan. The best implementations of integrated CRM adhere to the following simple, three-step success model:

Step 1 – Accelerate your CRM project with early success

It is always best to start with something of high value that you can implement simply, in a matter of days or a few weeks. In this phase, seek those integration capabilities that will be of high value to your CRM user, given the adoption challenges we face. In all Type 1 companies and most Type 2 companies, data replication of critical customer data into your CRM system (leads, orders, product purchase detail, contracts, service tickets, etc.) is the best first step. Give your users the data that will help them sell, and they will gravitate to your CRM system.

Step 2 – Build momentum with success

By achieving immediate ROI and user adoption in the first phase, you can establish the momentum to support lasting success with CRM. Document your successes and you will have the credibility and political capital with both executives and users to deliver greater value through additional CRM functionality and integration. Remember, exceeding expectations early is critical to establishing lasting project success.

Step 3 – Leverage that momentum to expand CRM integration

You can now expand your implementation to additional high value integration capabilities, whether through additional data replication, adding data synchronization, or for Type 2 companies, expanding to include process integration.

With the right long-term plan implemented on a technology platform that can expand with your changing business, your CRM investment will be well positioned to deliver meaningful and sustainable competitive advantage.

About Scribe Software Corporation

Scribe Software Corporation provides cost-effective, no-coding solutions that can be used as the only tool businesses need to integrate virtually any application, data source or Software as a Service (SaaS) platform. Scribe solutions are simple to configure and provide ease of modification as business processes change. They are especially popular among organizations running Microsoft Dynamics CRM, Dynamics GP, Dynamics NAV and Sage SalesLogix applications as well as Salesforce.com and Microsoft Dynamics CRM Online. Scribe Software is led by experienced technology executives from Microsoft, Oracle, AutoDesk, i2, Vitria, Dun and Bradstreet, and WebTrends. For more information about Scribe, please visit www.scribesoft.com

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Peter R. Chase is Executive Vice President and founder of Scribe Software Corporation. With over 10,000 customers, Scribe is the leading provider of mid-market integration solutions. In his capacity at Scribe, Mr. Chase has advised numerous CRM vendors as they formulated their strategic integration strategies. He has also worked with many of Scribe's customers to ensure a successful rollout of their enterprise integration solutions.