

The CRM Dilemma

By Arne Huse

Traditional wisdom around CRM implementation is that user acceptance (Willingness to use CRM and enter customer activities) *can* be obtained by following basic, often espoused principles:

- Having a vision for CRM that is held and shared by company executives
- Having a clear, customer focused strategy for CRM
- Being fully collaborative with all CRM user groups and using proper change management principles
- Evaluating and changing current processes so that CRM is not simply “Automating a flawed process”
- Ensuring data quality
- Proper user training and follow up

Despite huge investments in CRM by companies, several studies have concluded that 55 to 80% of all CRM and Sales Force automation (SFA) projects are unsuccessful because frontline personnel are not utilizing the CRM system. In addition, other studies speculate that despite substantial investments in technology for the sales force, there has been no noticeable increase in productivity at the organization level (Galvin & Berg, 2003).

The following description (Dych, 2002) provides the widely accepted tools available in CRM for sales personnel:

Sales Process – Sequence of activities that guides the salespeople through the stages of a sales process.

Activities Management – offers a series of easiness to help the salespeople to organize activities with their customers, such as: calendars, meetings agendas, presentations, etc. These activities can be shared with other people in the company.

Sales and Territory Management – allows the salespeople to be associated to customers and sales territories. Through these associations, the salespeople and their managers can check information about opportunities, customers, region, etc.

Contacts Management – allows salespeople to record information about customers they are dealing with.

Opportunities Management – this module allows the salespeople and their work teams to follow-up their business opportunities. The salespeople and their managers can follow up the opportunities and allows managers to generate information about team productivity.

Knowledge Management – it is a module where support information is available to help the salespeople when they are talking to customers, such as: company policies, manuals, presentations, phone lists, proposals, forms, etc.

Basic CRM Truths

1. CRM would be a good thing for most companies

It's hard to argue that having a single, unified view of all our customers, competitors and suppliers would not be anything but positive for a company and their customers. Gaining a better understanding of the needs of customers will allow companies to tailor their offerings and make better business decisions

2. *Effective use of contact management tools by sales personnel will result in happier customers, higher sales and bonuses*

Contact management tools, are paper-based or electronic systems used to keep track of important events, notes and tasks related to an individual's customers. This information is often considered by the individual to be "Owned" by the user and is seldom shared. Effective use of this information allows customer facing personnel to provide their customers with information and guidance tailored to their specific needs. Paper based systems are currently the most widely used by sales personnel in many industries. The primary difference between traditional contact management systems and CRM is moving to a single, enterprise-wide database with no exclusive ownership of customer information by individual users. Such a database also brings additional accountability to users due to easy access to qualitative and quantitative activity reporting capabilities in CRM.

3. CRM is promoted by providers as making activity based controls and evaluation possible.

Understanding and evaluating the activities conducted by employees to achieve currently documented outcomes is the hallmark of most CRM promotional material. This information, along with customer feedback would provide a huge benefit to companies in making more informed decisions in forecasting, resource planning and employee evaluations than most current outcome based control systems.

4. Most "Success Stories" in CRM implementations have been in consumer call centers and in a few highly regulated industries.

Collecting information into CRM about consumers and the valuable feedback they provide to companies through call centers has been the cornerstone of many CRM implementations. These systems serve to "Pass along what the consumer has said" to those that value such information. The recording of solutions or responses given back to the consumer has been much less successful for reasons that became much clearer throughout this study. Regulated industries such as financial and legal require high levels of activity documentation. This documentation often forms the basis of employee payment and regulatory compliance so employees must keep the minimum standards required. In some instances, CRM usage rates have been increased for commission based salespeople by stating that "If it isn't in CRM, it doesn't exist."

The CRM Dilemma

This study takes a comprehensive look at what *really* goes on in the minds of CRM users between the *stated intentions* to use CRM, and the *inevitable failure* of the program due to the lack of input by users, or distrust in the data provided. **This study does not support the conventional view of what CRM can or will achieve in terms of allowing companies to have users submit to activity controls, regardless of how benignly these controls are presented to users.** Examples of common statements include:

- “The company has neither the time or inclination to watch your activities”
- “Information sharing is important with so many people calling on the same customers”
- “The information will not be used against you but we do need reports in order to measure the success of the _____ program”
- “As long as you are getting results, we have no interest in monitoring how you are getting those results”

If the dominant strategy in a Trust/Don’t Trust Dilemma is “Don’t Trust”, by either the company or CRM users, the factors causing the distrust must be removed or CRM will fail.

Because this study and its conclusions may seem to cast doubt on the overall value in even attempting a CRM implementation, recommendations are made on how companies can increase the odds of a successful implementation substantially. The results of this study have been validated by sales reps and sales managers from several companies (Verbal discussions only) and have been less well received by non sales related personnel.

****The term “Activity Controls” does not refer to activities or information currently communicated between customer facing employees, via emails and/or phone calls, to achieve a specific outcome desired by the originating employee. Activity controls simply mean the ability to observe and record current activities and through analysis, the ability to change future activities and behaviors.**

Activity Types – Two Simple Categories

For the purposes of clarity, I have divided customer activities and non-static information into two categories that will throughout this document be termed “High Cards” and “Low Cards”. Whether an activity is valued as a “High Card” or “Low Card” is determined by the CRM user, not those that may be interested in the information for quantitative purposes.

“High Cards” are employee initiated activities (or information gathered through activities) that require action or attention by one or more additional company employees. Examples of “High Cards” include:

- A retailer wants to open another location
- A customer wants to join a corporate program
- Business planning assistance is requested
- A competitor has purchased the land across the street

- Head of a professional association has said he loved using your new product
- A customer complaint requires follow-up

“High Cards” are currently managed primarily through emails and phone calls between employees. Improvements to the current “High Card” communication process have been often requested by users. Very little quantitative reporting of “High Cards” currently exists at many companies.

It is my opinion that “High Cards” are not the main factor in CRM failures and are, in fact, what sales personnel are talking about when they speak about the need for “Better information sharing.”

The only problematic element here, which will be discussed further in this study, is the ability of CRM technology to add accountability to “High cards” through “pop-ups”, “ticklers”, and delinquency reports.

“Low Cards” are customer activities (or information gathered through activities) that **do not require further action or attention by anyone other than the individual employee, in order to be completed.** Examples of “Low Cards” include:

- I visited the customer
- I took the customer to a baseball game
- Send over a copy of the promotions
- Went over the current promotions with the manager
- Plan a golf game for next month
- I did the new product presentation

“Low Card” activity management, control, and reporting are often desired and requested by managers and are a mainstay in many CRM implementations.

Perfect Versus Imperfect Knowledge (Outcome control versus activity control)

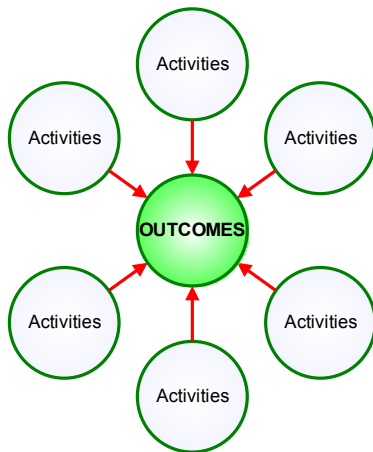
Typically, evaluative processes in business are focused on outcome controls such as sales numbers and product mix because sophisticated ERP systems *should* provide perfect knowledge of these results.

Perfect knowledge in activity control is rare in that it involves knowing *exactly* what steps were done by individuals that led to the (overall) documented outcomes, as well as the results of each individual activity. Current examples of perfect knowledge in activity control include:

- Professional televised sports where the activities of each individual player and position are recorded during play using video and manual documentation by others. Combined with the final game result and individual player statistics, this information exists as perfect knowledge of individual activities and overall team performance.
- High level chess where player moves and counter moves are documented and published along with results. 2,138 games played by chess master Garry Kasparov, against all opponents, have been meticulously recorded showing each move and counter-move by each player, and the final result of each game.

The benefits of perfect knowledge of past activities (and results) by coaches and upcoming opponents are obvious. Such knowledge allows for decisions to be made and

strategies to be created that can dramatically affect future outcomes. An important note here is since, in these two examples, **every activity and result is always recorded without input from the players themselves, players cannot choose to “opt out” of activity controls, if they wish to continue to receive the benefits of being in the game. This study will attempt to demonstrate the length that players will go through to “opt out” of activity-based control systems that do not provide a disproportionately larger reward to perceived risk ratio.**



Hypothetical Suppositions

- If an active, professional basketball player could, *through self-effort*, remove their image from all previous game recordings (Activity controls), so only their comprehensive individual and team outcomes (Stats) remained <http://www.databasebasketball.com/about/aboutstats.htm>

-Would they choose this option?

-If yes, would they encourage others on their team to do the same?

-What if they were given the option of only removing themselves from select games?

It is conceivable that players would prefer outcome controls over activity controls, particularly during “Slumps” or if they received any negative feedback based on activities, rather than outcomes. This decision would be much easier if other players also opted out of activity controls to spread the blame or justify the decision.

- If, when Garry Kasparov was actively playing chess, he could choose, *through self-effort*, remove his previous individual moves from *public* record, leaving only win/lose outcomes <http://www.chessgames.com/perl/chessplayer?pid=15940>

-Would he have chosen this option?

“CRM has to be easy for users to input their activities into or they won’t use it”

How easy does CRM have to be for users to input their activities?

Before one can answer this question, it is important to look at user resistance to automatic activity control systems in use, that require no effort by users to provide the information about their activities.

Opting out of a non-user-inputted, automated activity control

For users that have been assigned an automated activity control system, any opportunity or decision, to disengage or “mutiny against” the control system, will be weighed against perceived value or penalty by the user in doing so. One such anecdotal example came out of a conversation with a friend that has served with the Canadian military in Afghanistan. All Canadian military personnel are equipped with GPS transmitters that provide their information and location, to officers remotely guiding their actions. These GPS transmitters are used both in non-combat maneuvers here in Canada as well as in combat situations in Afghanistan. The purpose of GPS in training situations, is primarily to evaluate the activities and movements of troops as they perform their maneuvers to documented results (Low Cards). This information provides *perfect knowledge* of user activities and subsequent results, without any effort required by users to provide the information. Unlike peacetime training, in combat situations air cover is provided and GPS information is used to keep bombs from being dropped on troops and to generally keep them out of harms way (High Card), *as well as activity controls*. While activity control in peacetime serves to prepare troops for combat situations and thus protect them from harm, the *perceived value* by troops is far less and “Big Brother” is the common term used to describe GPS-based activity controls in training situations. My friend confided that a common course of action by troops during training is to disable the GPS transmitters whenever possible. This collaborative, “Mutiny” approach against the “Low Card” activity controls, are often endorsed by junior officers that are held accountable for activity control information gathered about troops under their command. The same users, I was told, would never consider “opting out” in combat by disabling their GPS transmitters because the perceived value of higher safety outweighs activity controls.

Customer benefit is often weighed against the self-interests in activity controls

No where is this statement more appropriate than in the bitter battle between Yellow Cab drivers in New York City (NYC) and the Taxi and Limousine Commission (TLC) regarding the “Low card” activity controls of drivers using Global Positioning System (GPS) transmitters. Historically, NYC Taxis were not dispatched but were “flagged” by passengers and only accepted cash as payment. Manual “Trip sheets” were maintained by drivers listing pickup and drop-off points and the fare amount. This documentation formed the basis of declared income by drivers. In 2005 the TLC mandated that as of October, 2007, all NYC Taxis must have GPS transmitters installed with passenger terminals that also allow passengers view their location and pay by credit card. Passenger pickup and drop-off points with fare paid are recorded automatically recorded by the GPS units and transmitted real-time to the TLC. This system eliminates manual trip sheets and provides the TLC with an accurate and unbiased view of NYC Taxi driver activities and income. Many punitive controls have been put into place by the TLC to ensure compliance by drivers and continuous system usage is mandatory for employment NYC taxi drivers have rallied heavily against these new “Low Card” activity controls, complaining about the cost of the units as well as the loss of privacy and autonomy. Interestingly, no statements by drivers admit the benefit to passengers of paying by credit

card, nor address the (unsubstantiated) possibility that drivers rely on undeclared income made easier in a manual trip sheet system. TLC statements have focused on benefits to passengers and for drivers the ending of manual trip sheets. To my knowledge, driver income accuracy has not been addressed in statements by the TLC except that the automated trip reports will only be available to the IRS by subpoena. The TLC has also addressed driver concerns regarding the issuance of tickets for traffic by stating “There are currently no plans to issue traffic citations based on GPS data.”

Hypothetical Suppositions

- When the IRS is aware that automated, accurate records of taxi-driver income are available, will subpoenas for these records increase over those for the manual trip sheets?
- If a taxi-driver is involved in a traffic accident and there will be a GPS record of how fast the cab was traveling, will the claimant demand the record?
- If the TLC receives traffic complaints about drivers, will they be forced to look at GPS driver data?
- Can activity control (Low card) data such as this be left unused once its existence is known?

Automating the decision to “Do the right thing”

- If, rather than locking out the ability to override the security timeout period on company Blackberries, IT instead issued a request to users to protect company and customer information by *choosing* to leave the security timeout enabled
Would many Blackberry users make up justifications for disabling or overriding the security timeout?
- If toll booths were completely run on the “Honor System” without automated enforcement, would drivers stop to pay the toll for the good of all or would they justify to themselves why they do not need to pay?
- If the TLC allowed cab drivers to choose whether or not to install GPS and rely on “Market forces” instead, would drivers install the units to the benefit of passengers or justify to themselves why they do not need such activity controls?
- When police departments can decide whether or not to have forward facing video cameras in their patrol cars, why does it usually only come about after racial-profiling lawsuit settlements?

I could go on and on with many cynical examples regarding human nature, but the main point is that activity controls are viewed with distrust. CRM cannot automate compliance in its standard form without matching customer locations with a complicated GPS system that our many corporate cultures would not support. “Beat the system” would become an inventive game enjoyed by many.

So why can't we just tell users they HAVE to enter their “Low Card” activities into CRM?

Simply, it doesn't work. If it did work, the majority of CRM projects would not continue to fail. In fact, sales managers will sometimes conspire with their reps against CRM if they receive negative feedback from superiors about the activities recorded in CRM.

Applying Game Theory

Game theory seeks to understand the “play” or action that will give the player the greatest individual payoff, with no concern for the payoff to others. This is called the “Dominant Strategy”. CRM is an *iterative prisoner’s dilemma (IPD)* because both users and overseers face the dilemma not once, but over and over. Approaches to Prisoner’s Dilemma (PD) typically address such topics as the social contract or the rule of law, but this does not really get to the root of the issue. If a contract or law is used as the mechanism to ensure cooperation, it may seem to obviate the need for trust. What is really needed is collective, unforced cooperation or trust, freely bestowed in both directions.

In his book *Six Degrees*, Columbia University sociology professor Duncan Watts sheds some light on two essential requirements for generating and sustaining collective unforced cooperation: “First, individuals must care about the future. And second, they must believe their actions affect the decisions of others.”

The Prisoner’s Dilemma

In 1950, Rand Corp. scientists Merrill Flood and Melvin Dresher, researching game theory in terms of its possible applicability to global nuclear strategy, came up with a series of non-zero-sum puzzles. From this evolved the Prisoner’s Dilemma:

Smith and Jones are arrested on suspicion of a crime. Their attorney tells them the evidence is flimsy, so if they both stay silent, their sentence will likely be a year at most on minor charges. The suspects are put in separate cells and each visited by the district attorney with the following deal:

- If you cooperate and confess to the crime but your accomplice remains silent, you will go free because you cooperated, and we will jail your partner for 20 years.
- If you confess and your partner does, then he will go free and you will get 20 years.
- If you both confess, you’ll both get 10 years

	Smith Silent	Smith Confess
Jones Silent	Both get 1 year	Smith goes free. Jones gets 20 years
Jones Confess	Jones goes free. Smith gets 20 years	Both get 10 years

A strategy of mutual silence results in the best collective outcome, but it requires the partners to trust each other because it places the silent player at risk of being exploited for the other’s gain. The dominant strategy therefore, is to confess (Defect).

The CRM Dilemma

Let’s replace the suspects with CRM users and overseers. Let’s also replace “confess or stay silent” with “trust or don’t trust.”

CRM User Trusts – I will freely utilize the CRM tools and record my activities for the benefit of customers knowing that these activity controls will not be used by overseers to measure and critique my performance. Information gathered will not be used in resource management studies to study possible workload increases or staff reductions

Overseer Trusts – I see no need in running quantitative reports on the activities of those we oversee because we believe they only work in the best interests of our customers and the company. I will continue to rely on outcome controls to assess employee performance.

CRM User Does Not Trust – If I record my activities in CRM, the information will be used against me. Reports will be run to determine if I am working hard enough. The company will have data they can use to reduce staff by giving me more work.

Overseer Does Not Trust – I need CRM users to enter their activities so I can run quantitative reports and better understand what they do to achieve outcomes. By tracking their activities, I can make better business decisions and use the information to evaluate employees. I can use the information to coach and encourage employees to better performance

	Overseer Trusts	Overseer Does Not Trust
CRM User Trusts	Optimal outcome for both. CRM is used as a tool to benefit customers	Maximum overseer benefit. Activity controls are used against CRM user.
CRM User Does Not Trust	CRM is not used for entering activities. Overseer is unaware CRM is not being used. No benefit	CRM is not used for entering activities. Overseer is aware CRM is not being used.

In a typical CRM scenario, this “game” is played over and over by individuals, groups, and overseers. **The *dominant strategy* by all is to “not trust” because it brings the highest payoff for overseers and the least potential negative payoff for users.** Unfortunately, CRM and other activity data collection technologies have brought about distrust by those whose activities are being recorded, regardless of the stated intent of the data collection.

CRM and the Promotion of Distrust

Typical in many CRM implementations is the ability to add accountability to particular business processes, groups, and functions. During the collaborative CRM development process, groups arrive at agreements in *how long a particular process should take and what steps are involved*. A business process framework is built in CRM around these agreements and reporting templates are created to document each step in the process. **What usually goes unsaid** is that a particular group, individual or element in the business process has been perceived as being tardy or incomplete in their part of the process. By building work flow around the business process, people and departments can

(finally) be held more accountable for their part in the process. It should be noted that CRM does not have feelings. CRM does not care if you are sick, had a death in the family or had two people in your department quit yesterday. If the work flow is designed to assign you a task and start the accountability timer for the completion of your task that is exactly what it will do. Whether the result is animosity towards CRM or the person that set the work flow in motion, these issues must be *openly* discussed before such work flows are even considered.

According to my research, many work flows have been abandoned and returned to email. Although many reasons such as “complexity” and “accessibility” are given for these failures, I believe the *real reason* is the unspoken hope that CRM will bring accountability to areas that people have yet been unable to. It can't.

Being a passionate believer in the value of CRM as a valuable tool for companies, this research was very disheartening for me when I came to the realization that CRM as I dreamed of it, cannot succeed. I discovered through candid conversations that the “CRM is going to be a great tool for us” statements made by the users I had worked with, were merely lip-service and they actually looked upon it with great concern. Despite assurances that managers had no intention of using CRM data to control their activities, users distrusted and abandoned the program because no amount of change management would quell their suspicion of activity controls.

A New Approach

I feel my research has validated the true killer of most CRM projects:

- It isn't executives not demanding people use the program
- It isn't lack of change management
- It isn't lack of training
- It isn't technology
- It isn't ease of use

The true killer of most CRM projects is the propensity to focus on the “Low Cards” because doing so demonstrates what users perceive as the *true purpose* behind CRM.

- “Just put this little X in the box after you do the presentation”
- “Just tick off the main topics discussed during your meeting”
- “We just want to keep each other in the loop of what we are talking to the customers about”
- “We just want to look at how your activities in this promotion relate to increased sales”
- “How long do you think it should take to present this to all your customers?”
- “How many calls do you think you can or should be doing each day?”

“It is a rare dog that will carry the stick with which it is to be beaten.” – Douglas Hartle

Recommendations

1. Remove CRM from our vernacular
 - If my research conclusions are to be believed, we will never truly be able to “Manage our Customer Relationships” through a centralized database, because all users hear is “Managing the *way I manage* my customer relationships.”
 - I am suggesting we change to a completely new way of looking at this program and form a PACT

PLANNING

And

COMMUNICATION

TOOL

PLANNING

It is well known and accepted that proper planning is vital to the success of sales personnel, yet many start their week or even their day not knowing what they have to do. Many sales personnel visit customers without a clear understanding of the goals of the call, nor has the company provided them with all the tools they need to succeed. I believe that customer facing personnel understand the value of planning and would accept planning appointments or sales calls, with *specific* customers in their Outlook Calendars as many do now (Customer name is just text currently). The reward for creating such appointments would be a list of *customer specific* reports and information, designed to make the selling process easier, and ultimately demonstrate to the customer that the employee and the company *really* do care about their business. These reports would be automated and would be sent to the employee before the appointment. Content would have to be discovered through collaboration, but some ideas I have had are:

- Major events in the industry
- Major events in the customer’s community
- Press releases regarding competitors
- Sales, product mix, marketing, etc.
- Current promotions and reminders (But no “I did it” reporting back)
- Business best practices
- For contractors – Major projects announced in the community
- Upcoming events

The customer facing employee would be offered these reports based on their role and they could choose a result the customer will be interested in.

COMMUNICATION

“First, individuals must care about the future. And second, they must believe their actions affect the decisions of others.” – Duncan Watts on the Wisdom of Trust

Every business has “High Card” activities that need to be communicated efficiently to other employees, suppliers and business units in order for the activity to progress. The problem for most companies is these activities are not attached to the customer record. By using a system that integrates with Outlook or the company email system, these activities can quickly be linked to the customer, with no additional steps required. By improving communication of “High Card” activities and linking those activities to customers, PACT can be truly viewed as a valuable tool by employees.