

Building a CRM Business Case

By: Steve Snapp, Sr. CRM Consultant, ISM
Swain Scheps, IT Project Manager/Technology Writer

The cure for project chaos and organizational commitment-phobia lies in creating a sound business case for your CRM initiative. Getting everyone on board and rowing in the same direction isn't just a luxury; it's a key ingredient to success. Here's a primer on getting your project off on the right foot; this article outlines a simple, powerful Business Case document that takes the measure of CRM's impact on your company, lays out concise project objectives, and quantifies costs and benefits for all to see. Your CRM Business Case will leave only one question unanswered: "when do we get started?"

Boiled down to its essential components, a successful CRM initiative aligns people, process, and technology. Put another way, CRM success comes down to putting the best tools in the hands of the right people, and having them execute processes that result in meeting tactical and strategic goals.

But of course your CRM idea – as sound as it may be - is likely competing with other information technology projects for funding and resources. When your company's decision-makers gather to assign spending priorities for the coming year, they'll assess costs, benefits, and risks of each project against the others. And if your CIO knows his history, you may be up against another obstacle: the ghost of failed CRM projects past.

The Size and Shape of CRM Failure

Information technology projects are notorious for their high failure rates. And within IT, CRM is in a league of its own; fully 2/3rds of every CRM initiative comes to naught. Sometimes the failure is obvious: a company abandons the software implementation after insurmountable technical hurdles surprise the project team, or budget overruns surprise the accounting team.

But the project doesn't have to end with a smoking hole in the ground for it to be a failure. Often the problems don't appear until the implementation is complete and the client support teams start discovering that the shiny new CRM software can't do everything they were promised it could.

Even more insidious is a project failure that masquerade as a success. This happens when a company fails to establish measurable objectives, or doesn't account for all the subtle or indirect costs of a new solution. The net result is that client-facing processes are less effective than they were before, but it's not obvious to anyone how or why.

And every day another company proves your instincts are correct by embarking on a CRM project that's doomed to fail before it's even a glimmer in the CEO's eye.

Due Diligence, not Do Diligence

Project failure comes from three places: lack of stakeholder commitment to the project, a disproportionate focus on technology rather than people and process, and an overall failure to plan for the changes CRM can bring about. A well-written Business Case is the starting point for resolving each of these problems.

To do that, your Business Case will need to do the following:

- Define your team's priorities and how they dovetail with the overall priorities of the business
- Describe the teams involved in current CRM-related activities, the existing tools they use to accomplish their tasks, and the steps they follow in each process
- List the pathologies of the current CRM arrangement, obvious and subtle
- Calculate the cost of the CRM-related problems, the consequences of doing nothing, and the benefits of making changes

The Business Case document contains all the important information needed to persuade stakeholders to embark on a CRM project. But the document, and the information contained within are only manifestations of a more profound process of analysis that a team undertakes when it commits to a Business Case. The format described in this article will ensure your team is taking care of only the most important due diligence. The document will make sure you're prepared to answer questions for every team touched by CRM:

- Sales and Support will want to know what daily processes will be affected.
- IT will want to understand what tools it will be asked to support.
- The Accounting & Finance team will need the numbers, and they'll need to feel comfortable that estimates are accurate.
- Executives will expect to see bottom line results, the big picture.

The business case will set the stage for answering all these questions. Losing the support of any of these groups could stop the project in its tracks. And when key people aren't committed to the success of your project they can contribute to its ultimate failure without even knowing it.

CRM: People, Process, and Technology

Most people think about the technology tools first. That means software, but it could be any tool your team uses to track client contacts, maintain contractual information, provision accounts, or a whole host of other client-facing processes. Next on the list are the people – the teams and individuals responsible for using the tools. Their skills, attitudes, feelings, and capabilities are paramount to CRM success.

Finally, the part too many people forget, a successful CRM implementation is about processes. Process is a second-order effect of the stakeholders, but aligning processes to support the people, and to use the tools effectively is a project imperative.

Companies consider CRM initiatives for a variety of reasons. Perhaps your company uses antiquated systems to manage all the processes connected with clients. If your business has made an acquisition or introduced a new service it may require a second look at the supporting systems. Or maybe the CRM system you installed a few years ago hasn't fulfilled all the promises made by their sales team.

Whether you've got access to the corporate checkbook or not, you'll need to decide if your instincts are right about the CRM project you have in mind. When software sales teams come calling, the rest of your company may fall under the spell of their siren's song. But somebody needs to be lashed to the mast as the rest of the company goes overboard. Creating a business case not only protects you from doing something stupid, it's what makes your case to the non-believers. And best of all, the business case lays the foundation for the next steps in the project.

CRM Business Case Principles

Before embarking on the Business Case building process, it's important to establish some guiding principles that will govern how you gather and present information.

- **Accuracy:** double-check numbers and calculations. Attempt to get several perspectives on how close the models you create tie into the real world. Make the document readable by eliminating typos and carefully editing the text.
- **Honesty:** never shy away from risks or negative elements. Address them head-on and do your best to remove bias in the style and substance of your document.
- **Relevance:** the purpose of the business case is to inform stakeholders of the costs and benefits of a CRM project. Make your point clearly and efficiently on subject areas affected by the project covering IT, non-IT, and intangible costs.
- **Brevity:** limit breadth and depth. Don't turn your Business Case into a plan to re-make the entire company, and don't write a tome that would make Marcel Proust envious. Your goal is obtaining a decision to take the next step. Demonstrate that you and your team have thought through the ramifications of your CRM project. And provide enough detail so major questions are either answered or explicitly deferred to a later phase of the project.

Business Case Contents: Overview

Compelling documents all have one thing in common whether they're books, essays, or business letters. That common thread is that they tell a *story*. No, your CRM Business Case isn't going to be an adventure or a thriller, but it will have a narrative arc that guides your reader from one plot point to the next, from the start of the story to its conclusion.

Fortunately, well-done CRM is a good story to tell. The Business Case will communicate a foundation of information at the beginning that will be referenced throughout the document. Every subsequent section of the Business Case document will then prepare the reader for the sections that follow. The Business Case document will reveal the past

and present, and give a vision of the future. It will present challenges and risks, and will follow them up with solutions.

Your outline looks like this:

- Document Overview Information
 - Executive Summary
 - Company-Specific Project Background
- General CRM Information
 - CRM Definitions
 - Why CRM Fails
- Company-Specific Information
 - CRM Priorities across People, Process, & Technology
 - Current Situation (As-Is Model)
 - Ideal Situation (Should-Be Model)
 - Impact of Change Summary
 - CRM Preliminary Budgets & ROI
 - Implementation Budget
 - Technology Budget
 - ROI Summary
- Conclusions, Recommendations, and Next Steps Page

Parts 1 and 2 get the reader up to speed on current events. They provide the necessary foundation so each reader starts with the same set of facts by the time they get to Part 3 – the solution. The solution expands on the themes laid down in Parts 1 and 2 by demonstrating company people, process, and technology as pieces of the overall CRM picture.

By keeping the concept of narrative in mind, you provide your readers with a roadmap for understanding the information you're about to present to them. Notice how the CRM Business Case moves back and forth between the general and the specific, citing CRM best practices, and then describing how they apply to your company.

Too many project justification documents are nothing more than a hodgepodge of information, where the authors expect the readers to assemble the puzzle pieces. A healthy CRM Business Case doesn't take such risks; it walks the reader through the story and therefore makes it more likely that they're going to stick around to the end.

Business Case Contents: For Openers

In spite of your best efforts, it's an unfortunate fact that many senior managers will either skim through the document, or they'll look for a summary of the information contained within. You'll want an early executive summary to hit the high points of your argument.

The executive summary is the introduction to other meta-information that unify your audience around some core concepts and definitions. This isn't meant to be part of the persuasive section, but it's important all the same.

Think in terms of these meta-informational questions that need to be answered early in your CRM Business Case:

- What is the purpose of this Business Case document?
- Who should read it? How should they read it?
- Who wrote the document and when did they write it?
- What does this document contain, and more important what it does NOT contain?
- How can the reader provide feedback to the document?
- Where will we go from here?

You're explaining why the readers should bother reading the document and what the overall goals are. Additionally, you'll need to set expectations properly; this will not be a technical plan and it's not a functional specifications document. With the openers complete, it's time to move onto the heart of the Business Case.

Business Case Contents: CRM Priorities

The middle of the document is the setup for the final sale that's coming at the end. Now that the readers are prepared with general information, it's time to start connecting the concepts to the actual situation at your company.

CRM priorities are high level business capabilities that the project will either build from scratch, or improve. Have at least three distinct priorities that can be summarized in a few sentences, but don't go overboard; your audience will lose track if you give them more than five. Some good examples of business priorities might be "Reduce the time required to create, edit, and approve a new customer contract" or "Improve retention rate of first time clients" or "Reduce rate of shipping errors on customer orders".

Here's a good exercise to go through that will get you and your team thinking about the details of the priorities:

- Describe the problem in terms of people, process, and technology, and do so with agreed-upon facts. Leave judgment out of it; the goal is not to place blame; it's simply to identify the problems associated with the current practices, or the current situation.
- Switch from descriptive to prescriptive. After you've talked about the problem as it 'is', talk about the way things 'should be'. You don't have to describe all the steps that get you from point A to point Z, just show the readers how things could work. And since you listed the problems caused with the way things are, you can now list the impact of making the change.
- Consolidate and categorize your problems. Giving two facets of the same argument weakens it; it makes it look like you don't have as much to go on. A better strategy is to merge it into a single priority. Make two similar problems become sub-issues to a larger business priority. Then list your business priorities in groupings connected with people, process, and technology.

If your company is like most, your priorities will be familiar pain points for most readers. Where possible, your Business Case should include quotes or references from key stakeholders about the day-to-day problems they encounter, or perhaps validating the benefits of making a particular change. No matter how you do it, make sure you give a thorough description of the issue to make sure you're casting the problem persuasively, and in terms everyone understands.

Business Case Contents: Running the Numbers

You've presented the company situation to your readers, you've proposed several strategic business areas that need to be re-invented or re-think. Now it's time to join the proverbial rubber with the road and start talking about the numbers.

This section will contain your budgetary modeling, and there's little doubt that it will present the biggest challenge for your team. Why? At this point, you're quantifying costs without knowing exactly what the project will entail. You're trying to weigh benefits that may be inherently difficult to define. Unless you're a psychic, this exercise will be a little uncomfortable. After all, you're not just predicting the future; you're trying to measure it.

In spite of the obstacles, you must charge forth. Stiffen the sinews and summon up the blood because no Business Case is complete without a quantitative analysis.

The costs come first. Start with the implementation budget by looking at the scope of your solution and giving a high level outline of the expenses associated with installing new tools and processes.

- Determine the # of Users
- Determine the # of Processes that Require Redesign
- Determine the # of Processes by Implementation Model

The technology budget is next. You'll want to discuss several solution scenarios, from broad scope covering a wide array of process changes and expansive technology upgrades, to narrow scope, with less of each.

- Determine the # of Users of the technology changes
- Determine the Technology Platform (SaaS vs. on-premise)
- Determine the Costs Associated with Subscription vs. Software Assurance

These preliminary budgets are building to the big payoff in your Business Case: the Return-on-Investment (ROI) model. If the senior managers reading your report are willing to read anything beyond the executive summary, it's likely they'll turn to this page.

Think about asking for help with the ROI model. Partner with a friendly finance representative to make sure that your math makes sense, and that your model is following commonly followed rules and principles.

Your business priorities should feed directly into your ROI model. When you discussed the business priorities, you also touched on the impact of each area. For the ROI model, you'll want to translate these into one or more discrete, measurable, impacts. For example, if your business priority was to reduce the time needed to produce an approved client contract for the sales team, the impact statements might read as follows:

- “Improved responsiveness increases likelihood of customer signing contract from 30% to 40%.”
- “Reduced workflow increases sales team productivity by 3%”

Where are you getting these impact statements? These are just the benefits of transitioning between your “As-Is” process to the “Should-Be” process attached to precise measurements. When your team did the due diligence research for the project, they would have spoken directly with the beneficiaries of making these changes. They will have gathered quotes like “gee, if we had all that information in one place, I could process 11 orders a day instead of 10”. That’s where a CRM project starts to pay for itself.

The best benefits statements are easily tied into company KPI’s with well-known dollar values, directly with financial metrics themselves, or with industry benchmarks. For example, the benefits of processing 11 orders a day rather than 10 should be easy enough calculate. If you know that 11 orders a day is worth \$x in revenue to your company, you should be able to easily calculate the net benefit of a 10% improvement.

In the last analysis, you’ll need to identify the highest impact changes that will affect the company, make educated guesses about the level of improvement, then run the numbers for each of your implementation scenarios. Executives will want to see these metrics:

- Revenue Improvement
- Profit Improvement for each Impact Statement
- Total Profit Improvement
- Profit Variations According to Implementation Model

Now take the costs of the project calculated with the budget figures created earlier and subtract it out from the total profit improvements for each implementation model. A positive number means the company will receive a net benefit from the CRM project you’ve proposed (assuming your models are correct).

Business Case Contents: Closing Arguments

Costs and benefits in large complex organizations are funny things; its difficult to capture every detail, and harder to predict what the impact of change would be. Because you want to keep the CRM Business Case short and sweet, you should adopt an 80/20 approach. Cover the costs and benefits that account for 80% of the impact to your company, but dig no deeper at this phase of the project. You can actually *hurt* your case by increasing precision; it makes the pitch more complex, harder to read, and the time it takes to unearth the hidden minutiae will waste valuable time for your team.

ROI numbers are important, but they're not everything. Beware that just because you demonstrate a positive return doesn't mean the CRM project will get funded. This initiative is competing for dollars with other great ideas; assuming the returns are about the same, you better have a reasonable, practical pitch on the qualitative benefits for adopting CRM as well as the ROI.

At the end of the CRM Business Case, your reader will be wondering, what's next? First of all, make sure the bases are covered: you need an open avenue for reader feedback on the document. Plus you'll need to inform your readers of any calendar-based urgency issues, such as a budget deadline, or perhaps a looming change in compliance requirements that make your project more important than simple numbers may indicate.

If you've done your due diligence, you've got a pretty good idea of what the company's hot button issues are, and can exploit that pain to build an effective business case. If you follow this recipe, by the time you've presented the document, you can make a compelling case that your CRM initiative is a wise investment that will withstand any level of scrutiny.

If you would like to learn more about how to apply these best practices to your CRM projects, please visit <http://www.ismsystems.com/resources>. Also visit our website www.ismsystems.com or call us at 877-553-0485 to set up a consultation. We look forward to working with you.

ISM helps clients successfully leverage CRM through leadership in strategy, business process requirements, technology selection, implementation, and support. Our methodologies and expertise adhere to the best practices from the most respected minds in the CRM and business process consulting industry.

Steve Snapp is a Sr. CRM Consultant at www.ismsystems.com. He has over 15 years of sales and marketing experience in various industries. Since 1995, Steve has helped build the CRM practice from implementing CRM technology to a full-service CRM consulting firm.

Swain Scheps is a technology professional based in Dallas, Texas. His experience includes solution design and project management in a variety of IT specialties including CRM, Business Intelligence, and E-commerce. He is also a writer and author; his latest book "Business Intelligence for Dummies" (Wiley) came out in 2008.