# Managing CRM Risk

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# Introduction

Customer Relationship Management (CRM) solutions are often the source of great change and innovation within an organization. With the upheaval created through this change and innovation comes risk — the chance that things will not go as planned. While attention to risk is no guarantee against catastrophe, ignoring risk-related factors can easily set projects up for failure.

The risk associated with implementing large-scale CRM systems that manage customer service, marketing information, or provide sales force management information can be substantial, with risk due to many factors. CRM efforts are frequently large, often expensive, cross-functional, involve considerable change, and are generally long-term. These factors of scope, resources, organization, change, and time all serve to thwart efforts at successful CRM implementation and undermine return on investment (ROI). CRM is not easy.[1]

To manage and mitigate risk, we advocate a *structured approach* to CRM implementation based on a *risk management-based* foundation. The use of risk management techniques supplies organizations with the means to constructively identify and prioritize actions within that framework. Risk management is a high value, and often overlooked, component of an overall project management approach. Our experience has been that teams that take advantage of this approach are more successful in their CRM efforts, often experience a more positive relationship with their customers, and communicate more effectively and productively with their senior executive team.

This paper describes a *practical* approach for managing risk in CRM implementations. Teams that adopt this methodology will find themselves equipped with a means to identify and quantify risk. They will be able to plan for risk responses that are effective and can be communicated easily throughout an organization. The approach described is *adaptable*. Not all stages within our methodology need be adopted to see benefits. In limited instances, companies can accrue benefits by just implementing the preliminary steps of the methodology. Finally, our approach is portable — it can be used across the entire spectrum of CRM efforts; it is "solution agnostic."

By employing this approach, a number of important questions will surface, such as:

• What is my organization's readiness to embark on a CRM implementation?

• What is the probability of each risk? What is the impact if the risk occurs? What are the trigger conditions?

• How much time and capital contingency will the CRM implementation require?

• What do I/we need to do now in order to be successful later?

## Organization of this Paper

This paper contains three major sections. The first introduces structured risk management, and is of particular interest to the Program Manager or Director responsible for the delivery of a CRM initiative. Senior executives interested in the process, concepts, or measurement of risk will also find this section valuable. For many readers, this section will immediately change the way in which they think about and articulate risk and risk-related issues. Also provided is a risk management maturity model that can be used to assess your organization's risk maturity and provide guidance toward improvement in this area.

The second section applies the risk management framework to a specific CRM implementation example — in the case of this paper, Campaign Management. This section demonstrates risk management in action; readers should take away from this section an understanding of how this kind of activity can be applied in their own organization. For those interested in a continued discussion on Campaign Management, please see the white paper *Campaign Management Solution Implementation: Critical Success Factors for Automating Revenue-Generating Processes*, available for download at www.eLoyalty.com. The factors identified there are an excellent starting point for managing risks in this type of CRM implementation. In this paper, we utilize some of these factors, focusing on topics essential for Campaign Management implementation success, notably: collaboration, change management, data quality, developing experience, and operational accountability. In our experience, plans that do not deal effectively with these topics result in longer, more costly implementations.

The third and final section deals with Next Steps. Here we address the adoption of structured risk management in your organization. A checklist is provided to help identify critical issues and assess the readiness or health of a CRM initiative.

# Structured Risk Management

One can sequence the structured risk management process[2] as four steps:

1. Risk Identification

2. Risk Quantification

3. Risk Response Development

4. Risk Response Control

Risk Identification and Risk Quantification are sometimes combined and called *Risk Assessment* or *Risk Analysis*. Risk Response Development is also known as *Risk Mitigation*. Risk Response Development and Risk Response Control are sometimes combined and called *Risk Management*.

**RISK TERMINOLOGY MAP**

Risk Identification $\Big\}$     Risk Assessment or Risk Analysis
Risk Quantification

Risk Response Development     Risk Mitigation $\Big\}$ Risk Management
Risk Response Control
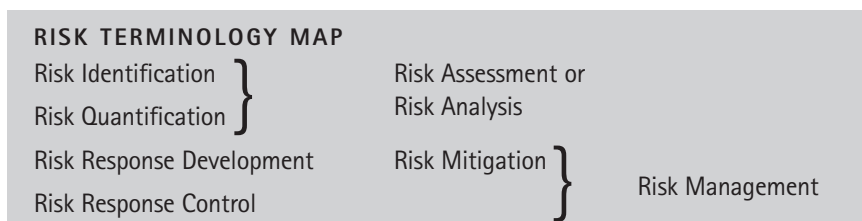
## Risk Identification

In the first step, Risk Identification, one can identify risks[3] using a *risk statement* — a device that allows us to separate *cause* from the *risk* (an uncertain event) and from the risk's *effect*. The form of the risk statement is as follows:

As a result of **<a definite cause>**, **<a risk, an uncertain event>** may occur which would lead to **<an effect>**.

While causes are definite features of the implementation, risks are not — there is some measure of uncertainty attached to the risk. Effects are contingent events that will not happen unless the risks happen — so they are unplanned potential future variations. The main thing to keep in mind is that every risk is based on a certain situation or fact, a probability of occurring, and a consequence if it occurs.[4]

An actual example of a risk statement might be:

As a result of (cause) **not having an executive sponsor,** (risk) **confusion among staff members as to the need for the project may occur,** which would lead to (effect) **resistance to the adoption of the new technology and processes.**

One enormous advantage of this "risk statement approach" is that it allows us to tackle risks using three separate avenues. The first avenue is to change the circumstances surrounding the cause — in this case, to find an executive sponsor who can articulate the CRM project's vision and business rationale. The second avenue is to reduce the likelihood of the risk — extra effort is expended to clarify the need for the project. Finally, the third avenue, the effect, could be mitigated — extra attention could be paid to ensuring that technology and process adoption took place. These avenues can be acted on separately, or in combination, to powerful effect.

## GROUPING RISK

We can separate the risks associated with implementing solutions into three groups: *project* risk, *technical* risk, and *business* risk. Project risks are those that might result in an impact on the quality, timeliness, content, or cost of the delivered solution. Technical risks are those that result from either the complexity of the delivered solution or the implementation of technologies that are new to the organization. Business risks are those risk factors that stem from the implementation of new systems and processes within the business environment of the organization, and that might negatively impact customers or users of the delivered solution.

The value of grouping risks in this fashion is threefold. The first is that one can appreciate that there are different types and areas of impact. Second, one is able to assess if there are places where there is a skills deficit or organizational weakness, and compensate accordingly. And finally, one can do a better job of identifying all of the risks associated with an initiative without just focusing on a single group, such as technical risk, for example.

Managing risk is far more than just dealing with issues. Risks are possible future events that require positive management to reduce their likelihood or impact. Issues are current events requiring resolution. Risks, should they occur, become issues. Risk management is proactive; issue management is reactive.

## Risk Quantification

With our risk statements defined, we can assess the likelihood of the risk occurring and the impact that this brings to the project. Oftentimes, there can be several effects related to a single cause and risk. Represented as a series of similar risk statements with different effects, we need to assess the likelihood of the risk occurring once and each of the different effects of the risk separately. Similarly, different risk statements may lead to a common outcome (effect). Consider the following risk statements:

> As a result of (cause) **not allocating training funds to the project,** (risk) **the need for the implementation team to "learn as they go"** may occur, which would lead to (effect) **the project taking longer than originally planned.**

> As a result of (cause) **not allocating training funds to the project,** (risk) **the need for the implementation team to "learn as they go"** may occur, which would lead to (effect) **project deliverables of substandard quality.**

> As a result of (cause) **an aggressive solution delivery timeline,** it is possible that (risk) **the implementation team will have to rush,** which may result in (effect) **project deliverables of substandard quality.**

The two risks that come from these statements are: (1) *the implementation team will have to learn as they go*, and (2) *the implementation team will have to rush*. The two effects (or impacts) derived from the above are: (1) *the project taking longer than originally planned*, and (2) *project deliverables of substandard quality*.

## RISK QUANTIFICATION VERSUS RISK QUALIFICATION

A simple scale for evaluating the likelihood, or probability, of the risk occurring and the impact of the risk is best. "Very Low — Low — Medium — High — Very High" is common although "Low — Medium — High" is often sufficient for many scenarios. By plotting risk across these two dimensions, probability and impact, we can identify those risks that must be managed aggressively to better ensure implementation success.

Defining what "high" and "low" represent is important. In the case of the *probability of a risk occurring*, this can often be represented by a quantitative simple percentage and a qualitative statement. For example, one might suggest that "Medium" represents a 50% chance of a risk occurring. Additional time and effort will be required to move toward an acceptable outcome — the risk is just as likely to happen as not.

In the case of CRM implementation *impact*, measures can be applied to cost, schedule, function, and quality. Using the example of "Medium" impact, we might characterize this as a 5–10% cost increase, 5–10% schedule slippage, with major areas of function affected, and quality reduction requiring client approval, respectively.

Note that some of these impact measurements are qualitative while others are quantitative. The difficulty in assessing the subjective aspects of the risk assessment can be offset by reviewing with a peer group of individuals who are familiar with the technologies and the organization involved.

## PUTTING IT ALL TOGETHER

Once impact and probability are assessed, we recommend creating a table with the following attributes to assist in the overall implementation risk prioritization:

• Cause (from the risk statement)

• Risk (from the risk statement)

• Effect (from the risk statement)

• Probability (Very Low, Low, Medium, High, Very High)

• Impact (Very Low, Low, Medium, High, Very High)

Some teams like to include the risk group (project, technical, business) and/or topic information such as Campaign Management's topics (collaboration, change management, data quality, developing experience, operational accountability), in this table.

## ESTABLISHING A RISK THRESHOLD

Some risk is acceptable. What is weighed is the chance of the risk occurring and the risk's impact should it occur. By combining these two factors, we are able to decide on what is acceptable to the business and what requires attention and further risk management.

In the example on the right, the shaded area shows where the combination of probability and impact is considered to be unacceptable risk. The non-shaded area is treated as acceptable risk. The boundary line is the *risk threshold*.

Moving forward, we shall see that risk responses serve to move risk from the unacceptable zone to the acceptable one.
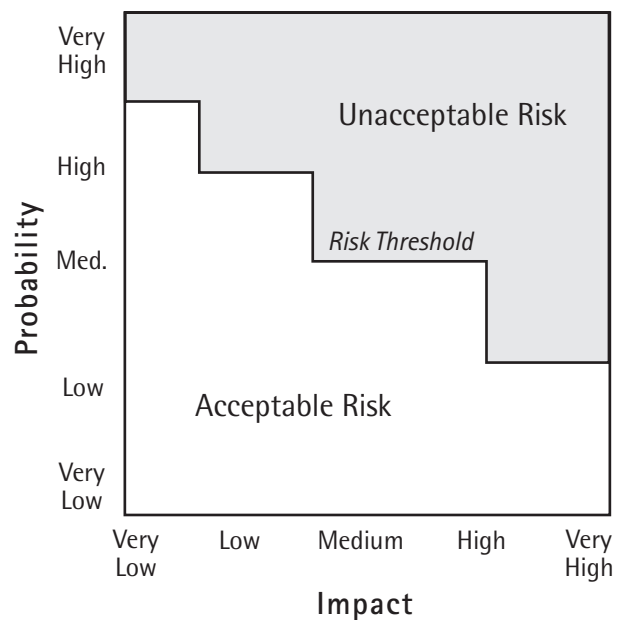
## Risk Management Strategies

In this section we address both Risk Response Development and Risk Response Control. Risk development issues are identified and we present a risk maturity model that is useful for CRM-related risk maturity assessment and improvement.

Identifying and prioritizing risks in application implementations is half the battle. Planning[5] the appropriate risk responses and risk controls will put the project on a solid path to success. It is preferable to determine the appropriate strategy first, and then design risk responses to implement the chosen strategy. This has the effect of ensuring that multiple responses to a particular risk will complement each other.

A number of alternative strategies are available when planning risk responses.[6] These are:

**Avoidance** — seeking to eliminate uncertainty. Examples include: clarifying requirements, obtaining information, improving communication, acquiring expertise, changing the scope of the project to exclude risky elements, and using a proven technology and/or methodology instead of a leading-edge one.

**Transfer** — seeking to transfer ownership and/or liability to a third party. Although this appears attractive, its main use is limited to financial risk exposure. Note that risk transfer also involves a change in ownership in a project as well as a shift in liability.

**Mitigate** — seeking to reduce the size of the risk exposure below an acceptable threshold. It is clearly important to define this threshold before embarking on any mitigation, since it forms the target against which response effectiveness can be measured. The "size" of a risk can be reduced by tackling either its probability to make it less likely, or its impact to make it less severe, or both. Preventative responses are better than curative ones as they are more proactive, and if successful, lead to risk avoidance.

**Accept** — recognizing residual risks and devising responses to control or monitor them. Acceptance is appropriate for minor risks, where any response is not likely to be cost-effective. The project must recognize and proactively accept these risks and develop and adopt responses to them. The most frequent risk acceptance response is contingency planning, where one budgets additional time, money, and/or resources to account for such risks.

Although there is no single "best" response strategy, it is recommended that avoidance strategies be considered first since it is clearly best to remove the risk completely if possible. Transfer should be investigated second, although the scope for this is often limited. The third choice is mitigation — seeking to reduce the risk exposure, leaving acceptance as a last resort for residual risks that cannot be addressed by any other strategy.

Managing CRM Risk

## RISK RESPONSE EFFECTIVENESS

While senior executives will not usually do a "deep dive" into the intimate details of planning for and managing risk, there are a number of criteria that can be used to assess risk response effectiveness. As a manager, one should be in a position to articulate the analysis and conclusions for these criteria to the leadership team. Here is a checklist for ensuring that risk responses are effective:

**Appropriate**: the correct level of response must be determined based on the "size" of the risk. It is important to not spend too much time or effort developing inappropriate responses to minor risks, nor to spending too little time planning a response to key risks. (This is why completing the Risk Quantification stage is essential.)

**Affordable**: risk responses should be cost-effective. Each risk response should have an agreed-upon budget.

**Actionable**: a timeframe for each risk response is essential.

**Achievable**: risk responses must be realistically achievable or feasible, either technically or within the scope of the respondent's capability and responsibility.

**Assessed**: all proposed responses must work. Assessment is done after the risk response is implemented.

**Agreed**: the consensus and commitment of stakeholders should be obtained before agreeing on appropriate responses.

**Allocated and accepted**: each response should be owned and accepted to ensure a single point of responsibility and accountability for implementing the response.

One would expect that a review with senior management would focus on each of these items for each risk — a summary provided by the Project Manager or CRM Director in the form of a table or spreadsheet is usually sufficient. Should further detail be required, the previous activities and work products from the risk identification, quantification, and response development steps will enable the entire review team to understand the rationale for each risk response.

## RISK DEVELOPMENT ISSUES

Fallback planning may be necessary for risks with major impacts. This is analogous to preparing disaster recovery plans or business continuity plans. A fallback plan should be defined, planned, costed, and resourced, with unambiguous trigger conditions.

Secondary risks take place as a direct result of implementing a primary risk response because the risk profile of the project will change as a consequence of implementing the risk response. Secondary risks should be identified for key risks. These can often be ferreted out during the analysis of risk response cost-effectiveness. Note that if the overall risk exposure increases as a result of implementing a primary risk response (and thereby introducing a second high-risk scenario), it may be prudent to reconsider the appropriateness of the initial risk response.

Once responses are developed, they should be allocated to an owner. This is a vital step, as the response owner is responsible and accountable for ensuring the effective implementation of the agreed response. It is important to select the right owner for each risk response. This owner should be the party best placed to manage the risk effectively.

• The project team often manages the majority of risks.

• Some risks can be allocated to a third party, especially performance risks or risks relating to requirement uncertainty.

When allocating owners, it is *essential* to build and retain cooperation and consensus.

## RISK MANAGEMENT MATURITY

Over time, as the organization's experience and skill with structured risk management grows, the natural inclination is to adopt CRM-related risk management practices in a more mature fashion. A four-level maturity model has been published,[7] which can be used to assess current risk management maturity. In order to better assess and improve an organization's ability to address CRM-related risk, senior executives may find value in comparing their own organizational risk capability to the following:

### LEVEL 1 — AD-HOC, "Worship the Hero"

At this level there is no awareness of the need for management of uncertainties (i.e., risk). Management processes tend to be repetitive and reactive with no structured approach to dealing with uncertainty. Attempts to learn from past projects or prepare for future projects are generally ad-hoc and organizations at this level have a tendency to continue with existing processes even in the face of project failures. Although there may be sporadic attempts to apply risk management principles, there is no formal process, risk awareness, upper management involvement, or Risk Management Plan. Attempts to apply risk management occur only when mandated (e.g., by corporate policy.) Because there is no structured application of risk management, there are no dedicated resources, risk management tools, nor risk analysis performed.

### LEVEL 2 — INITIAL, "Try It Out"

Although there is no structured approach in place, organizations are aware of potential benefits of managing risk, but face implementation challenges. Experimentation on selected projects with risk management through a small number of individuals, who may have had little or no formal training, is typically the order of the day. Risk processes may be viewed as additional overhead with variable benefits; upper management encourages, but does not require, the use of risk management. While no generic formal processes exist, some specific formal methods may be in use although their effectiveness depends heavily on the skills of the project risk team and the availability of external support. There is no quantitative risk analysis available — only qualitative risk analysis is done.

### LEVEL 3 — REPEATABLE, "Plan the Work; Work the Plan"

A solid risk management practice is emerging at this level. Management of uncertainty is built into all organizational processes with risk management implemented on almost every project. Although the benefits are understood (and expected) at all organizational levels, they are not always consistently achieved. Upper management requires risk reporting and there are dedicated resources for risk management; "bad news" risk information is accepted. There is an in-house core of expertise, formally trained in basic risk management skills, with routine and consistent application to all projects. Here, formal risk management processes are incorporated into a quality system, with active allocation and management of risk budgets at all levels. Risk metrics are collected — both qualitative and quantitative risk analysis methodologies are used, often based on an integrated set of tools and methods.

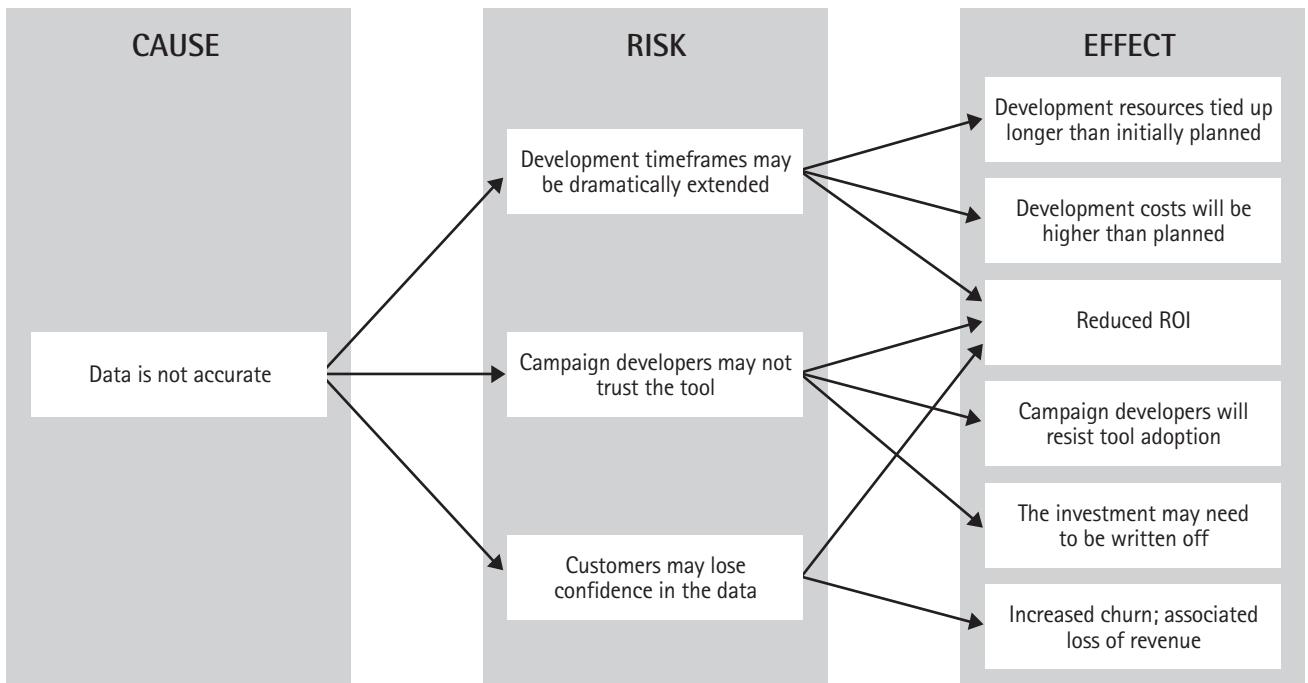### LEVEL 4 — MANAGED, "Measure the Work, Work the Measures"

The organization has a risk-aware culture with a proactive approach to risk management in all aspects of the business. There is an active use of risk information to improve organizational processes and to gain competitive advantage. There is a top-down commitment to risk management, with leadership by example. Upper management uses risk information in decision-making; proactive risk management is encouraged and rewarded. There is regular evaluation and refining of risk management processes, and routine risk metrics are used with consistent feedback for improvement. All staff is risk-aware and capable of using basic risk skills, and there is regular training for personnel to enhance skills. Both qualitative and quantitative risk analysis methodologies are used, with stress on having valid and reliable historical data sources.

# A Campaign Management Example

This section uses the structured risk management approach to address a common problem in Campaign Management implementations: inaccurate data. Like most CRM-based initiatives, this specific problem is particularly important. In Campaign Management, data is critical. Note, too, in this example, that there is only one trigger condition (cause) that leads to three risks and eight contingent effects.

## Generating Risk Statements

The following example will serve to illustrate the use of a risk management approach to evaluate and manage the risks facing your organization with the implementation of Campaign Management. We use a diagram to outline the risk statements.

| CAUSE | RISK | EFFECT |
|-------|------|--------|
| | | Development resources tied up longer than initially planned |
| | Development timeframes may be dramatically extended | Development costs will be higher than planned |
| | | Reduced ROI |
| Data is not accurate | Campaign developers may not trust the tool | Campaign developers will resist tool adoption |
| | | The investment may need to be written off |
| | Customers may lose confidence in the data | Increased churn; associated loss of revenue |

Putting this set of risk statements into a matrix and assigning probability and impact values to each yields:

| # | Cause | Risk | Effect | Probability | Impact |
|---|-------|------|--------|-------------|--------|
| 1 | Inaccurate data | Timeframes extended | Resources tied up longer than planned | Very High | High |
| 2 | Inaccurate data | Timeframes extended | Development costs higher than planned | Very High | High |
| 3 | Inaccurate data | Timeframes extended | Reduced ROI | High | Medium |
| 4 | Inaccurate data | Developers may not trust tool | Reduced ROI | Medium | Medium |
| 5 | Inaccurate data | Developers may not trust tool | Campaign developers resist tool adoption | Medium | Very Low |
| 6 | Inaccurate data | Developers may not trust tool | May need to write off investment | Medium | High |
| 7 | Inaccurate data | No customer confidence in data | Reduced ROI | Low | Medium |
| 8 | Inaccurate data | No customer confidence in data | Increased churn; lower revenue | Low | High |

## Prioritizing and Addressing Risk in Campaign Management

We can now prioritize. Assuming that we place a higher premium on Impact than on Probability, we might create the following prioritization based on the analysis of the eight risk statements: 1, 2, 6, 3, 8, 4, 7, and 5. With the prioritization decided, we address items deemed to have the greatest influence on the organization. Our approach is three-pronged — we can address the cause, probability of risk occurring, and consequent effect, in concert.

In the case of the *cause*, or risk trigger, we can adopt approaches such as:

1. Ensuring very specific definitions of the required data elements are in place from both business and technical perspectives, including the appropriate data sources and transformations;

2. Completing initial assessments of the quality of these data elements before committing to campaigns, delivery dates, and scope, and initially bypassing campaigns that would use inaccurate data; and

3. Investigating methods of cleansing the data prior to its use.

## Managing CRM Risk

When we consider risk probabilities and how to avoid them, we might choose to address the extended development timeframes or tool mistrust by campaign developers — those staff members who use the Campaign Management tool to create and execute outbound marketing campaigns. In the case of extended development timeframes, we may adopt strategies that:

1. Ensure that the right business and technical resources are in place to minimize other impediments to completion;

2. Incorporate sufficient time and resources into the development schedule to cleanse and correct the data as required; or

3. Focus on a limited number of simple campaigns initially to reduce risk of other schedule and resource impacts.

As we look to avoid a situation where campaign developers mistrust the tool, we may adopt a line of attack that includes:

1. Early and repeated communication to the business users highlighting that data quality may need to be improved, and that plans and resources have been put in place to address any shortfalls;

2. Working with the business users to establish clear benchmarks for data quality that are reasonable and achievable (i.e., work to manage expectations early and effectively);

3. Providing constant, clear, and prompt communication to business users regarding progress in dealing with data quality issues; or

4. Ensuring that the development plan includes an effective "user acceptance" test plan with associated test scripts and acceptance criteria.

Finally, we seek to minimize the negative effects of risks that occur. Ensuring the development plan includes sufficient contingency to deal with data quality issues and providing sufficient resources to get the job done effectively represent methods of addressing the continuing need for development resources. Higher than planned development costs can be mitigated through effective scope management and an adequate budget. The development of a detailed and complete business case at the beginning of the initiative with clearly defined business benefits and a high rate of return provides a margin for increased costs or lower than expected initial revenues. The adoption of change management principles will help to offset the possibility that business users may not be willing to adopt the new processes and technology.

The most critical outcome associated with poor quality data, however, is the possibility of increased churn and loss of revenue — the exact opposite of what should be expected with the implementation of Campaign Management. Customers can, and will, be offended if they receive offers or information that is clearly wrong to them. They will lose confidence in the company sending out such incorrect material. While this event in itself may not be sufficient to cause customers to switch to another provider, it will plant the seeds of doubt and discontent. As a result, this outcome must be avoided at all costs. Strict standards of acceptance and a complete and proven methodology for technical and business testing of the data quality will be required to ensure that such an outcome does not occur.

This example is a good illustration of how to use a structured risk management approach to comprehensively identify and plan for Campaign Management implementations. However, it should be noted that in every case in our experience, data quality issues have been at the forefront for project issues. We include here not only the accuracy of the data, but also its timeliness, latency, and half-life.[8] We believe that every Campaign Management implementation will have significant data quality issues to address.

# Next Steps

Managing CRM implementation risk means first learning structured risk management, and then applying it to CRM efforts. For leaders to commit to this effort, we recommend the following:

• Assess your organization's risk management maturity;

• Decide on what risk management practices can be adopted immediately;

• Develop an idea of what can feasibly be accomplished organizationally in becoming better at risk management over a prescribed period; and, of course,

• Perform structured risk management on the risk management improvement effort itself.

## Assessing Risk Management Maturity

Executive and mid-level managers can use the maturity model we outlined earlier as a basis for evaluating the current state of risk management capability within an organization. In our experience, most organizations are at Level 1 (Ad-Hoc, "Worship the Hero") or Level 2 (Initial, "Try It Out"), and many of the implementation challenges that they face could have been minimized or avoided completely had they been proactive and organized in recognizing risks before they became serious issues.

The risk assessment need not occur across the organization — one may choose to begin in a particular functional organization, using that as the basis for skills development and the development of experience and knowledge. Organizations that are not process measurement-driven rarely assess themselves at Level 4 (Measure the Work, Work the Measures). Unless process measurement is part of the organization's cultural landscape, it is not likely to find its way into risk management.

## Adopting Risk Management Practices

Large, organization-wide risk management improvement programs are not always necessary. Instead, firms can begin modestly, starting with risk statements and qualitative measures of risk probability and impact, reporting only to their immediate management team. At a minimum, significant benefit can come from generating risk statements and from using the risk response summary matrix, as shown below.

| RISK RESPONSE SUMMARY MATRIX<br># Risk Response | Appropriate | Affordable | Actionable | Achievable | Agreed | Allocated | Accepted | Assessed |
|---|---|---|---|---|---|---|---|---|
| 1 Train Project Managers on risk management fundamentals. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2 Develop a prototype for the solution. | ✓ | | ✓ | ✓ | | | | |
| 3 Engage external team to assist with Change Management. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |

Organizations can also benefit from using this matrix for the management of the response to *issues*. A key point to note is that each check mark (✔) does not come lightly. Whether it be a response to a recognized risk or a reaction to an issue, a significant amount of due diligence is needed in order to satisfy the response requirements of *appropriate, affordable, actionable*, and so on. Finally, the *assessed* column is only checked off after the response item has been completed.

The challenge for upper management is to find an effective way in which to embed risk management processes and measurements in existing processes and measurements. This requires time, training, a cultural shift within the organization, and a healthy dose of Change Management.

## CRM Implementation Readiness

Knowing that an organization is prepared to embark on, or continue with, a CRM implementation need not be a gamble. In the Introduction, we introduced a number of questions. Through the execution of our structured risk management methodology, we find ourselves in a position to address those questions with confidence.

Q: What is my organization's readiness to embark on a CRM implementation?

A: We're ready — we've identified and prioritized as many genuine risks as possible. Wherever possible, we've practiced risk avoidance, followed by risk mitigation. We have a clear, common view of each risk's trigger conditions, likelihood of occurring, and contingent effect. We have a clear understanding of our CRM implementation-related tolerance to risk and have agreed upon explicit risk thresholds. For high-probability, high-impact risks, we have done fallback planning and budgeting. We have also identified any positive risks and have a plan to exploit, share, or enhance these opportunities. Because we've followed a standard risk management methodology, we are able to communicate effectively and proactively with upper management on critical concerns.

Q: What is the probability of each risk? What is the impact if the risk occurs? What are the trigger conditions?

A: We have a standard measurement system for both the probability and impact of each risk. Where possible, quantitative measures have been used. The trigger conditions are well-known and stated clearly in the risk statements.

Q: How much time and capital contingency will the CRM implementation require?

A: For every risk mitigation, risk transfer, or risk acceptance strategy, we have a clear idea of the cost of executing that strategy, in terms of both time and capital. A risk budget has been prepared.

Q: What do I/we need to do now in order to be successful later?

A: We have a set of go-forward plans and actions designed to manage risk, which will be tracked and measured as to their effectiveness. We are in a position to monitor recognized risks and have the means to accept and process new risks as they occur. This gives us the ability to adapt to changing business circumstances using a consistent methodology across the entire CRM implementation team. We are aware of any unmanaged assumptions related to our CRM effort and following those closely. We have a clear idea of our current risk maturity and have identified specific actions to improve in this area.

# Conclusion

Effective risk management facilitates improved decision-making and cost management, better resource and service delivery, increased innovation and, ultimately, a competitive advantage. Companies embarking on, or in the midst of, CRM implementations can benefit dramatically by applying the structured risk management methods. Such methods may include Risk Identification, Risk Quantification, Risk Response Development, and Risk Response Control. Our risk management approach is practical, scalable, and portable among CRM initiatives, and as seen through the examples shown, straightforward.

Organizations that are ill-prepared for risks are ill-prepared for CRM implementations. Conversely, risk-aware organizations are better positioned to achieve optimal ROI from their efforts under almost any circumstance.

## Notes

[1] For specific examples of many CRM pitfalls, see *CRM Resurrection: Five golden rules for revitalizing moribund initiatives in a glacial economy* by Jill Dyché, *intelligentCRM*, January 14, 2002 (www.intelligentcrm.com//020114/502feat1_1.jhtml).

[2] Risk management is an important component of the PMBOK. See *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*, 2000 Edition, Newtown Square, Pennsylvania, USA: Project Management Institute, Inc.

[3] Risks tend to fall into one of two categories: recognizable risks and unmanaged assumptions. Our description focuses on *recognizable risks*. Unmanaged assumptions on the other hand are neither as visible nor apparent, and can be quite dangerous. However, assumptions are *facts*, usually a byproduct of the organizational culture. (Examples: "The requirements process is always followed" or "Statements of Work are approved in 5 days or less.")

[4] It is important to maintain a clear distinction of cause, risk, and effect. If causes are mistakenly labeled as risks, they will distort the risk assessment phase of the process since their probability of occurring is certain — these "risks" might rank higher than genuine risks, thus obscuring the genuine risks to the development initiative. If effects are included as risks, they too will divert attention from genuine risks.

[5] Greater detail on risk response planning is available in *Risk Response Planning: Selecting the Right Strategy* and in *Contingency Reserves: False Expectations and Misconceptions*, PMI Europe 2002, Cannes, France.

[6] These risk response strategies are intended to address uncertainty linked to *threats* to a CRM initiative. There can also be uncertainty associated with "positive risks" or *opportunities*. In these cases we will seek to: *exploit* instead of *avoid*, *share* instead of *transfer*, and *enhance* instead of *mitigate*.

[7] *Risk Management Maturity Level Development*, Project Management Institute — Risk Management SIG, April 2002.

[8] Some data has a short lifetime. For example, data related to problem-resolution tickets used to develop outbound telephony-based campaigns to high-value clients might only be valid for 48 hours in many cases.

## About the Authors

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John Henshaw is a Senior Principal for eLoyalty with over 25 years of industry experience in product development, database management, system integration, software engineering, business process reengineering, technology transfer and adoption, software research, and project management. His recent client engagements have been in the telecommunications industry, with previous industry experience in commercial software, banking, insurance, manufacturing, health, and library systems.

### BOB OSBORNE

Bob Osborne is a Senior Principal for eLoyalty with over 30 years' experience in managing the implementation of advanced technology systems, including the successful delivery of over a hundred major projects. His broad management experience includes project, technical, and operations management. Proficiencies include management and delivery of CRM systems integration projects, inbound and outbound contact center operations assessments and enhancements, marketing methods and systems, and CRM business strategies and solutions. Engagements have primarily focused on the wireless communications, banking, healthcare, and insurance industries.

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