

RISK MANAGEMENT OF CUSTOMER RELATIONSHIP MANAGEMENT PROJECTS

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Abstract

Almost every business strives to attract new customers and retain the existing ones to remain competitive. In order to achieve this goal companies choose to install customer relationship management (CRM) systems. However, over 80% of installation projects are unsuccessful or the projects are less beneficial for the business than expected. It is therefore recommended to identify the risks that arise during the CRM system installation and to control them. This article analyzes various stages of CRM installation project and the risks that influence these stages. The article also provides results from the research about CRM systems' installation risks carried out in Lithuania. The article introduces the model for the risk management based on the findings of the research and the analysis of additional scholarly literature.

Keywords: CRM project, project implementation, projects risk management.

INTRODUCTION

Over the past few decades, one may observe the emergence of the concept of the customer relationship management (CRM). With the current level of IT systems, we may make just a step back into the past and personalise mass marketing, sales, and customer service. If at the start of last century the owner of a shop kept information about his 100 customers in his mind, the database of the contemporary customer relationship system (CRS) can store information about 100,000 customers and on the basis of historical information, the company can offer each customer what he needs [8].

In today's market conditions, when enterprises are highly competitive, the customer can easily choose any service provider of seller. In order to maintain competitiveness most enterprises try to attract new clients, to maintain old ones, and to increase clients' loyalty. For the accomplishment of such tasks more often customer relationship management systems are used. However, in practice, about 80% of CRM installation projects fail or are not as useful as it was expected [2].

Companies that encounter losses began to analyze their CRM systems installation projects.

It turns out that when the project is managed well and intended results are achieved, CRM system can be completely useless for the company [1]. Risk management becomes a key factors which determines project's progress and successful accomplishment of project's tasks. Risk management in the project is organized as the process, which consists of different interrelated steps. The number of steps and functions they perform can vary depending on the procedure used for risk management, project's size and complexity.

The essence of the risk management is risk detection, perception of its causes and possible damage, and neutralization of its impact. Such a simple sequence of events in the reality becomes comprehensive process, which requires significant resources and time. Therefore, risk management has to be as effective and useful as possible [3].

Results of empirical research and offered model of CRM projects installation risk management are presented in the paper.

The goal of the empirical research is to analyze risk management process of CRM installation projects and to evaluate risk factors, to determine their interdependence and impact on the project installation.

In order to reach the goal following tasks have to be accomplished:

To identify risk factors of CRM installation projects;

To determine groups of risk factors influencing CRM installation projects;

To evaluate risk factors and their interdependence;

To development risk management of CRM projects;

To describe the process and present conclusions.

ORGANIZING OF THE RESEARCH PROCESS AND RESULTS

In order to determine an impact of risk factors and estimated total probability type, qualitative analysis is chosen. The research is completed using survey method – questionnaire.

According distribution of roles of participants in CRM installation projects three types of questionnaires were developed:

- managers questionnaire;
- sales managers questionnaire;
- consultants questionnaire;
- programmers questionnaire.

Each type of the questionnaire was based on specific factors of risk which are encountered by the employees of the role group.

Questionnaire consists of:

1. general project risk factors;
2. specific risk factors of the group.

Risk factors are evaluated quantitatively according following features:

1. impact on the project;
2. total probability of the factor based on the respondent's experience.

Following scale is used for the valuation of risk factors features:

1. impact on the project – numeric value from 1 till 10 is chosen;
2. total probability of the factor based on the respondent's experience – chosen value: very low, low, medium, high, very high.

Questionnaire was based on the literature analysis.

14 respondents participated in the survey.

The most respondents in the group were consultants; average duration of work was a little bit more than 5 years.

Questionnaires according respondents' position were given to fourteen respondents. All respondents answered punctually to all the questions.

All respondents work in the same business center. Tool used for project management - "MS Office Project Server".

CRM systems are developed using "Microsoft Dynamics CRM" platform or individual software decisions are made. Individual decisions are made using ASP.NET and MS SQL Server technologies.

The most CRM installation projects are focused on small and medium-sized businesses. In 2007 – 2009 total profit of CRM projects installed by the business center was 1 million 250 thousands litas.

DEVELOPMENT OF CRM INSTALLATION PROJECTS RISK MANAGEMENT PROCESS

Risk management process is developed and based on the research and literature analysis. Risk management process is a part of CRM installation project management process, therefore, at the beginning, general CRM installation project management phases will be presented.

CRM installation project management process.

Interview revealed that in the formation of CRM installation project management process the following factors have the greatest influence:

- experience;
- „Microsoft“ company's projects management methodology for distributed products;
- chosen methodology.

It is obvious that in organizing effective project management process it is not enough just to choose methodology. It is important to know specifics of the used technology and continuously accumulate experience in project management. Accumulated experience has to be analyzed, documented, and stored.

The choice of methodology is often influenced by the project management tool. Since the project management tool is chosen in the scale of whole company, methodology of project management is obvious.

In this case, „Microsoft“family's products are used, and tool of project management is based on the PMBOK methodology [4, 7]. Projects are of small scale, therefore, shortened version IT Project+ is used.

CRM system installation project is divided in phases. Phases are divided in tasks, and tasks are divided in smaller project installation units – works. There is responsible person for each of the project installation unit.

CRM installation is divided in 2 main phases:

1. business process transformation;
2. development of CRM information system.

Phases are divided in tasks groups:

1. audit of business processes;
2. business process transformation;
3. analysis and planning of CRM information system;
4. development of CRM system;
5. training of consumers.

Processes of planning, control, and monitoring are initiated for each project phase separately.

Process of CRM project risk management consists of two main elements:

- risk analysis;
- risk management.

During literature analysis it was determined that PMBOK risk management process belongs to two processes groups [4]:

- project planning
- project monitoring and control.

During interview it became clear that risk factors identification and evaluation before project initiation can help to avoid unprofitable project. So, risk management has to begin before project initiation phase. Project feasibility evaluation methods are provided in PRINCE2 methodology [5, 6]. Based on interview results, and project management methodologies PMBOK and PRINCE2, general CRM installation projects risk management process is established.

In the beginning of the project feasibly analysis of the project is conducted. During analysis contractual documents, requirements, preliminary customer needs, and current situation are analyzed. Risk factors are determined and qualitative analysis is made. If it appears that project will be unprofitable (its return will be smaller than investments),

project will be terminated. Otherwise, the beginning of the project and project's planning phases are initiated. According project type and total project profit it is decided whether risk management is necessary. During interview it appeared that cash limits are set, from what point risk management procedure is initiated. If project total profit is less than 50 thousands litas, risk management is not required, in other cases, three different risk management procedures are used. Procedures are chosen according project size:

- small project. Total profit is from 50 thousands litas till 150 thousands litas;
- medium project. Total profit is from 150 thousands litas till 500 thousands litas;
- large project. Total profit is more than 500 thousands litas.

Further, CRM installation project risk management procedures are provided in details. Analysis procedure of Project feasibility risk is general and used for all projects.

Analysis Procedure of the Project Feasibility Risk Management:

1. Production manager receives all project related information from the sales manager. Sales manager transfers general information orally or in the form of e-mail. Production manager evaluating preliminary project scope forms project team. Project information is provided to project team.
2. Project team analyses project information, organizes internal meetings and identifies critical project risk factors. Risk factors evaluations are based on the experience of the project team and external consultations.
3. Impact of the risk factors on the project installation is analyzed. During qualitative analysis impact is analyzed according three parameters:
 - time;
 - quality;
 - resources.

Critical risk factors register is based on the risk valuation. In the register all the risks are allocated according occurrence probability and expected impact on the project. Analysis report, which is presented to production manager, is based on the register.

4. Production manager analyses risk register and evaluates preliminary project risk.
5. Project team makes decisions that neutralize, diminish or transfer risk factors.
6. Each decision is analyzed quantitatively. Cost of decision and its impact on the general project progress are evaluated. During qualitative analysis it becomes clear whether it is possible to manage critical project factors and receive required return on the project.
7. Production manager analyses results of the analyses.
8. Decision on the project initiation or termination is made.

CONCLUSION

Identification and evaluation of risk factors before initiating the project can help avoiding a loss-making project. Thus, risk management should begin even before the project initiation step.

Indifferently from the size of the project, the risk management procedure is comprised of three process groups: project implementation risk analysis, risk management planning, risk monitoring and control. Reliability of the risk management system depends on the general project management level and maturity, as well as on the perception of responsibility.

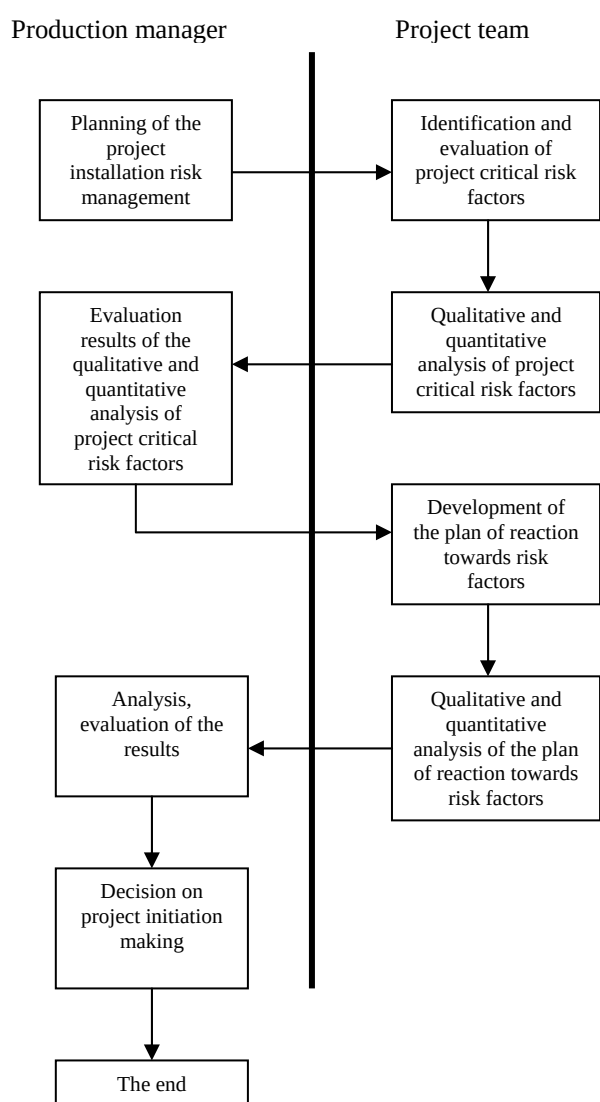


Fig. 1. Procedure of project's installation risk management (created by the authors)

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