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# SUCCESSFUL APPLICATION OF A CUSTOMER RELATIONSHIP MANAGEMENT PROGRAM IN A NON-PROFIT ORGANIZATION

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This paper is a case study of a non-profit organization, Plan Norway, which changed itself from being a sales-oriented company to a market-oriented one in the process of implementing a customer relationship management program. The case of Plan Norway is examined using the five critical areas identified by researchers and practitioners- strategy, customers or market, people, process and technology. The study identifies reasons for the success of the customer relationship management programs at the non-profit organization and offers insights to other organizations, both for non-profits and for profits.

## INTRODUCTION

Few companies have been able to resist the promises of a customer relationship management (CRM) program: Loyal customers, soaring profits, and cost efficiencies in servicing customers. This is achieved by swift customer data gathering, identifying the most valuable customers over time, and increasing customer loyalty by providing customized products and services. But not many companies that have succumbed to the lures of a CRM program have actually seen these promises being fulfilled. The biggest reason for the failure of so many of the CRM programs has been that a large majority of these companies do not have a clear understanding of what CRM really entails. Most of the companies that jumped onto the CRM bandwagon believed that merely investing in CRM technology would result in gaining access to the promised land of loyal and profitable customers. While technology is a key facilitator to achieving these goals it can accomplish little by

itself, that is, without a customer strategy, because customer relationship management is the creation of a customer-focused strategy and processes to boost customer loyalty, supported by CRM technology. To realize the true potential of a customer relationship management program one requires far more than technology.

In this article we discuss the stages and processes that an organization involved in raising funds for providing aid to needy children in underdeveloped countries went through to successfully implement a CRM program designed for serving and retaining its profitable customers (donors) in a more cost efficient manner. Although this case is primarily intended to demonstrate the winning application of a CRM program, it also goes on to show how non-profit organizations can effectively be market-oriented without becoming 'commercial', a dreaded adjective in the non-profit world and a major reason for shirking marketing tools in favor of

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traditionally used ones. Indeed, this organization would not have been able to achieve what it did if it were not market-oriented. Here is a valuable lesson for non-profit organizations to learn- being market-oriented involves having a keen understanding of the market in order to accomplish the primary goal of an organization, be it raising funds for needy children or selling automobiles. It has little to do with profits directly, though that may be one of the several outcomes of being market-oriented.

### SOME FACTS- CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management is a **customer-centered business strategy aimed at increasing satisfaction and loyalty of customers by offering them tailored services.** This is typically achieved by implementing CRM technological programs in functional areas of the organization like customer support and service, sales, etc. that facilitate in shaping products and services to suit each individual or groups of individuals who share some common characteristics (Croteau and Li 2003).

Rigby, Reichheld and Schefter (2002) have warned of what they call the **four perils** of CRM that should be avoided at all costs in order for a CRM initiative to be successful. One of these perils is **implementing CRM before creating a customer strategy.** Kotorov (2003) also suggests **looking at CRM as a strategy rather than as a solution, which is what several of the firms fail to do.** It is because of this lack of attention to having a strategy that there are numerous examples of CRM programs failing. According to the Gartner Group, a research and advisory group, **as many as 55% of all CRM projects do not produce results and the failure rate is expected to reach 80% in 2003 (Kirby et al 2003).** These figures are in accordance with findings of similar consultancy groups like Meta Group, which found that up to 75% of CRM efforts fail to meet their objectives (Ward 1999). While the problem of these disappointing results is quite a complex one which cannot be solved by simplistic solutions, researchers do agree on some basic requirements for a CRM endeavour to reach its goals.

Technology may be an important facilitator in the CRM process but the **success of the CRM depends more on the strategy.** Strategy consists of allocating scarce resources in such a way that they provide a competitive advantage with superior company performance (Rigby et al 2002). Having a strategy not only helps a company maximize the benefits from its resources but also helps employees better understand where they are going and why. This is important as another critical area for the success of the CRM program is effectively leading and managing the employees through the changes being brought about by a CRM initiative (Rigby et al 2002).

Researchers (Croteau and Li 2003; Kotorov 2003) consider the support, involvement and commitment of top management

essential in the promotion of CRM undertakings through the organization. This support is deemed even more vital in situations where work processes and functional activities might need to be modified in order to accommodate the CRM attempts. Enthusiastic endorsement of the new changes in the organization by the top management helps diminish any resistance from the employees in acceptance of these changes (Croteau and Li 2003).

Another critical success factor identified is elevating the CRM strategy from the department to the corporate level. This not only helps define a fit for the CRM strategy with the needs of the business but also helps determine the scope of the project. This in turn helps identify the necessary cross-departmental infrastructure changes that make it possible to face the tactical challenges of business process and systems integration (Kotorov 2003).

The basic philosophy that CRM is based on is developing relationship with customers. In order to develop and build a mutually satisfying relationship with its customers, the organization needs to understand what the customer wants from the relationship. Park and Kim (2003) consider customer identification an important starting point for CRM which can enable the firm in making its customers more loyal through the collection, processing, and applying customer profile and transaction data to create an understanding of customer needs. This eventually results in providing the customer the desired value that leads to loyalty.

Chen and Popovich (2003) have suggested a CRM model that consists of the three key dimensions of people, process and technology within the context of an enterprise-wise, customer-driven, technology integrated, cross-functional organizational strategy. This model includes the various critical issues identified in the previous paragraphs by different researchers, which are necessary for the successful implementation of a CRM program. These significant aspects are strategy, customers or market, people, technology and processes. We believe that this framework can not only be used for developing the CRM visions and strategies, but it can also be the basis for the assessment of existing CRM capabilities. Therefore, we use it as a guideline to demonstrate and evaluate how Plan Norway, a non-profit organization, went about from being a sales-oriented company to a market-oriented one in the process of putting a customer relationship management program.

### THE ORGANIZATION- PLAN NORWAY

British journalist John Langdon-Davies and refugee worker Eric Muggeridge founded Plan in 1937 after seeing the effects of the Spanish civil war on children. Today, Plan International is one of the world's largest development organizations working in 45 developing countries, investing about US\$241 million in 2001 on health, education, livelihood, housing,

water and sanitation projects and cross-cultural learning. Plan is non-political and has no religious affiliations.

Child sponsorship is the foundation of the organization, which has about one million sponsors in 15 donor countries helping over 1.3 million children together with their families and communities all over the world. The system of sponsorship allows sponsors and communities in developing countries to exchange letters and small gifts to build a bridge of understanding between them. Sponsors also receive regular progress reports from Plan and the Plan Magazine, which profiles the work done in many of the developing countries. Most sponsors choose to make a commitment to donating money over a long-term period which provides a reliable source of funding for Plan and highlights the importance of keeping and maintaining the sponsors.

Plan Norway, the Norwegian branch of Plan International, was established in 1996 and today (January 2003) the organization has over 90,000 sponsors contributing approximately US\$ 170 million in 2002 to projects in developing countries.

After three years with the main focus on recruiting sponsors, the organization was faced with a dropout rate of more than 11% annually and decided to expand the focus to include sponsor relationship management to keep more sponsors over a longer period of time. Thus, Plan Norway decided by the end of 1999 to implement an integrated CRM-process in the organization.

### THE VISION AND THE STRATEGY

Plan realized that it competed in an environment of well-established non-profit organizations, which have a better-known and reputed brand name, like Save the Children and the Red Cross. Unlike other non-profit organizations operating in Norway, a very small percentage of Plan's income comes from government subsidies or donations (less than 15% in 2003). This makes Plan greatly dependent on its own success in raising money from sponsors and puts a high pressure on it to be as efficient as possible in using its money. This emphasis on efficiency requires it to be market-oriented but, at the same time, gives Plan an image of an organization that is not sales oriented. The scepticism towards sales oriented non-profit organizations evolves from the fact that the organizations' environment not only evaluates the services provided by the organization, but also the norms and values these services are being produced from. Some organizations are assessed mainly on their services, while other organizations for the most part are assessed on their norms and values. The environment has in other words, both *technical* and *institutional* demands (Meyer and Scott 1983; Christensen, 1995) from an organization. Technical demands are about efficiency which means that Plan has to demonstrate an ability to manage people and donor money, be democratic and have a common appeal. Because these technical demands are difficult to see through,

institutional demands dominate. Institutional demands are about values and are especially strong in non-profit organizations. Thus, Plan must not only demonstrate the ability to do the right things, but also do these things the right way.

Structure, process and ideology are important signals from organizations on how they relate to norms and values in their environment (Brunsson, 1989). To survive, Plan must have acceptance and trust in the environment – the environment meaning public authorities, media, current and potential donors, and competitors. The marketing logic has a dominating place in our assessment of non-profit organizations – they need to be as effective, modern and rational as commercial organizations. However, Plan's services are difficult to evaluate in Norway because the services are provided in places the sponsors have no control over. Thus Plan is assessed on what is visible in Norway – namely the organization structure its values, ideology, decisions and processes (Meyer and Rowan, 1977; Brunsson, 1989; Christensen, 1995).

Being the new kid on the block, Plan was treated by the donor organizations as a competitor – instead of increasing the total market for sponsorship they believed Plan would “steal” their sponsors. This influenced them to work against Plan on all available planes, including towards governmental institutions. They criticized Plan for being sales oriented, targeting the one thing that could lead to an unsuccessful launch of the organization's strategy. Thus Plan had to work hard from the start to keep down administrative and total marketing costs in order to offset customers' scepticism of its marketing efforts as being wasteful. In order to lend it more credibility in the eyes of its customers, one of Plan's tactics was to recruit a board of directors that was well respected in the society. It succeeded in recruiting the following persons, amongst others: a bishop, a recognized and respected actress known for her non-profit engagement, a high-profile manager, and a “corruption hunter” employed by the government. Plan managed to signal trust and effectiveness to its sponsors with the help of this board.

One clear factor contributing to the successful establishment of Plan in Norway was that Plan managed to negotiate the right to host an annual all night TV show on one of Norway's prime time TV channels keeping the marketing costs down to a minimum early on in the organizations history. This TV show soon became the most important recruitment channel for new sponsors, recruiting on average 20 000 sponsors each year. Viewers were challenged by emotional film and positive angled reports from the field. During the show, people could sign up as foster parents by phone, e-mail and recently also by SMS. In the TV show, artists and other well-known people worked for free answering the telephone. Thus a potential sponsor phoning during the show to become a sponsor could very well happen to speak to the Prime Minister or one of the most famous Norwegian actors.

As Plan established itself as one of the largest sponsor based organizations in Norway within three years, the organization realized that recruiting sponsors was not enough – the organization had to improve its ability to keep existing sponsors for a longer period of time. A successfully implemented CRM program was thought to have this effect.

Strategy plays a key role in the success of a CRM program and its importance cannot be emphasised enough. It is critical that the CRM strategy emerge from the business strategy so that it embraces the same direction and financial goals as that of the business strategy while building customer loyalty. The objectives of the strategy are to target, develop and retain customers by having a connection with them that encourages them to stay longer, buy more and recommend the company to others. To start with, Plan took stock of its existing situation. The introspection resulted in these findings:

- ✓ The existing database PLANSys (developed by Plan International) contained a lot of data on each sponsor but Plan was not able to combine and extract the information to target specific sponsor segments;
- ✓ The internal processes were created to recruit new sponsors but the marketing and sponsor service departments did not know how to do customer relationship marketing in order to maintain these sponsors;
- ✓ Plan did not know how to implement one-to-one marketing while maintaining administration costs as low as possible.

It soon became clear to Plan that the challenges were many so it decided to get help. Plan first chose an IT-software company to integrate the existing database, PLANSys, into a new CRM- or Market-Database. The more compatible the software was with existing infrastructure, the lower the integration expense. Plan realized that it would also need someone to create the CRM-process in the organization and by April 2000 sought out a business consulting company that volunteered knowledge and staff to work together with Plan Norway to implement the new CRM philosophy. In return the company was mentioned during TV shows and other campaigns. When the consultants started their work, the first thing they did was to create a Project Definition Plan (PDP) defining the purpose, goals, and key success factors of the project, and at the same time starting an interesting action research project documenting all processes in detail.

The *purpose* of the project was to ensure a more effective sponsor relationship management by reducing dropout from 11% to 7% during months without campaigns and reducing both the time and costs managing sponsor relationships.

The *overall goal* for the project was to identify cost effective solutions to be implemented from September 2000 broken down as follows:

- ✓ Choose relevant segmentation criteria for sponsor relationship management;
- ✓ Design a simple and functional process for managing sponsors;
- ✓ Improve the internal processes (routines and quality) for managing outreach activities;
- ✓ Maximize the effect of one-to-one marketing (database marketing);
- ✓ Improve all response handling processes (including inquiries through different channels and during campaign periods).

**Key success factors** of the project were many, but the project team agreed on the most critical ones:

- ✓ The CRM project's success is dependent on a functional Market Database and integration between PLANSys and the Market Database implemented by a software company. Thus one of the tasks of the project team was to make detailed requirements towards this software company. The main requirement was to ensure that the technology enabled value to be created through different donor solution strategies. The new software had to:
  - Offer historic and predictive information;
  - Provide access to behavioural, attitudinal and demographic data to best value and manage the sponsor. For example, to be able to retrieve relevant demographic and sponsorship related information to categorize sponsors for communication purposes. That is, being able to identify and retrieve all sponsors approaching a critical retention point combined with their degree of activity and economic value during the sponsorship period;
  - Scalability: The system software must be able grow with Plan and its sponsors;
  - Be integrated into everyday business applications and decisions;
  - Empower marketers with access to sponsor intelligence;
  - Automate manual marketing activities;
  - Reduce marketing cycle time;
  - Provide sponsors with multiple access options to Plan (for example, through Internet);
  - Enable Plan to reach sponsors through most desired channels.
- ✓ The CRM project is dependent on a thorough understanding of the sponsors (the market);
- ✓ The CRM project is dependent on available internal resources to execute the CRM and a common understanding and willingness to implement a CRM philosophy throughout the organization. Thus the project team was made responsible for:

- Suggesting new processes for managing campaigns, inquiries and sponsor relationships;
- Suggesting tools/manuals for managing the new processes;
- Defining level of competence necessary to handle the new processes;
- Making requirements for necessary organizational changes.

Studying strategic change and strategic management of organizational change in many ways warrants a constructivist research approach. The constructivist approach holds that the world we experience is our own construction and that we do not experience it directly. We filter it through our senses and by means of our frameworks and assumptions, make sense of it (Boyd, Casper & Trout, 1992). According to Peter Reason (1994), there is an emerging worldview, more holistic, pluralist and egalitarian that is essentially participative. It is fueled by holistic and systemic thinking (Bateson, 1972; Maturana & Varela, 1986; Skolimowski, 1992) and extended epistemology (Habermas, 1972). Human beings are seen as co-creating their reality through participation, through their experience, their imagination and institution, their thinking and their action (Heron, 1992). "This participative world view is at the heart of inquiry methodologies that emphasize *participation* as a core strategy" (Reason, 1994).

Studies of strategic change need a method that allows the researcher to participate actively in the strategic and organizational development process. Action research was used in this study because in situations where the future behaviour of organizations is not predictable, it is a viable tool for both researchers and practitioners to develop knowledge. The purpose of action research is to achieve both action (that is, change) and research (that is, understanding) at the same time. Rapoport (1970) captures the essence of action research when he says that "action research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of social science by joint collaboration within a mutually acceptable ... framework" (1970, p. 499).

Action research explicitly and purposefully becomes part of the change process by engaging people in the program or organization in studying their own problems in order to solve those problems (Whyte, 1989). The Plan personnel were involved as partners or at least active participants in the research process and at the same time they were informants being interviewed about the current situation.

The project team mainly used qualitative data (Denzin and Lincoln, 1994) as a result of which the distinction between research and action became quite blurred and the research methods less systematic, more informal and quite specific to the problems, people, and organization for which the research

was undertaken (Patton, 1990). To be able to achieve change requires a process approach where responsiveness and flexibility are two key features. In most instances the use of qualitative information increases responsiveness.

All processes were documented in detail using a research protocol where observations were documented on one side and the interpretations of the observations on the other. The processes were cyclic and each cycle alternated between action and critical reflection. The project team first recollected and then critiqued what had already happened and the increased understanding that emerged from the critical reflection was then put to good use in designing the later steps (Schön, 1983). Through action research participants are empowered to define their world in the service of what they see as worthwhile interest and as a consequence they change their world in significant ways, through action and through experience.

## CUSTOMERS

Customers' experiences when interacting with the organization are valuable in shaping the perceptions consumers form about the organization. While positive experiences have a favourable impact on loyalty, negative ones may drive customers away. It is therefore of tantamount importance that the company understands the customers' expectations and requirements in order to gain insight into what they want and provide services accordingly. Such service is possible only if there is a feedback system in place that encourages communication with the customers. Plan recognised the importance of a thorough understanding of its customers and proceeded accordingly.

In order to develop sponsor insight it is not enough to have data. The data has to be used to identify groups of sponsors. Based on the organizational memory, the work towards a segmentation of all sponsors started. This was a complicated task leading up to the segmentation model later on. In order to have a starting point it was necessary to identify and extract all the information thought to be of future value and create demographic and psychographic profiles of sponsors.

During this stage it was decided to carry out a customer satisfaction survey among all sponsors to identify what influences sponsor satisfaction and what characterizes loyal sponsors from those leaving Plan after a short period of time. The reason behind this decision was that, although there was a lot of useful information about each sponsor, little was known about what made them stay on as sponsors in Plan Norway.

The customer satisfaction questionnaire, developed from focus groups, measured satisfaction with six aspects of Plan on a 7-point Likert type scale. Each dimension consisted of four descriptive statements measuring the respondents' attitude towards that particular aspect by asking them to indicate how strongly they agreed or disagreed to each of the given



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The survey resulted in a response rate slightly less than 30%. From the survey it could be read that the communication with the sponsored child was the single most important criteria for sponsor satisfaction and that the less satisfied were the ones that never heard anything from their child or those who lost contact with the child because it moved or died. Another important factor was Plan's trustworthiness and because Plan found it difficult and even impossible to control the success of investments in developing countries, the use of money in Norway domestically became very important. The more visible they found Plan's use of "their money", and the more they understood the reason behind this use of money, the more satisfied they were with the organization. The survey also revealed that the relatively new sponsors were extremely interested in the people in developing countries and what their support meant to them, and sponsors that had been in Plan for some years became more and more interested in the investment areas in the developing countries.

The database demonstrated that though the critical retention points varied according to each sponsor, a pattern could be clearly identified. The following figure illustrates when critical retention points occur:

In order for the CRM strategy to be successful, it is important that the customer information flow freely through the organization with a streamlined operational system that facilitates effective interaction and information sharing across different channels.

Together the Market Database and PLANSys provided access to behavioral, attitudinal and demographic data to the best value customers and how to manage the sponsor. The challenge now was to integrate this information into everyday business applications and decisions and to use historic information to predict future sponsor behavior. Various steps towards an integrated CRM architecture were defined, all involving the Market Database.

The first two steps were to understand and integrate all sponsor touch points (telephone, letters, e-mail, DM, SMS etc) into the organization to provide the sponsors with multiple access options to the organization, and secondly to integrate communication channels which enabled Plan to reach sponsors through most desired channels. This work was extensive because the ultimate aim was to be able to create targeted deliveries to the "best" points. The key to such integration was a thorough understanding of sponsor values and preferences. Thus all available information in PLANSys had to be analyzed and all valuable data had to be extracted and systemized in the Market Database.

The third step was to build organizational memory. This is normally something that is not done overnight but PLANSys contained a treasure of information about each sponsor and the challenge was to identify the data necessary to implement a CRM strategy in Plan and to extract these data into valuable information in the Market Database. Three "groups of data" were identified: basic identifiers, such as demographic information, each sponsor's main transaction history (including the payment method and payment history), and each sponsor's preferences (information like number of sponsor children, preferred communication channel, number of complaints, etc).

## PEOPLE

From the outset, it was understood that in order for the CRM initiative to be successful, it was crucial that the Plan's marketing department be heavily involved, therefore the main challenge was to create ownership internally in Plan in order to avoid this being just another time limited consulting job. Thus a project team was established with Plan's marketing manager as the project team leader. The challenge then was to design the new market oriented organization. Remember that Plan Norway, since its establishment in 1996, had focused all activities on recruiting sponsors and one can say that Plan Norway was sales oriented. Now the focus had to be shifted: the CRM philosophy was to be implemented in the veins of the organization.

The first step towards the new organization was to conduct a situational diagnostic assessment of the organization starting with a Change Enablement Survey within Plan Norway to identify the level of ownership for each target audience and to which extent the organization had the ability and the willingness to change the way they worked and adapt a market

oriented culture as required. The survey was validated by in-depth interviews and discussions with project team leaders. The data gathering concentrated around 10 key dimensions in change readiness assessment. These dimensions and the findings of the change enablement survey are presented below. Since the sample size of the survey was rather small (less than 10) for the quantitative analysis to have any significant meaning, we choose to discuss the more meaningful findings of the in-depth interviews.

1. **Individual and team capacity for change:** Extent to which current skills and knowledge were relevant to achieving the CRM vision and the degree to which people in Plan had the knowledge and skills to identify issues and to manage the implementation of change.

The participants felt that the employees had strong skills for serving sponsors. These skills were recognized and rewarded as they provided an important foundation for sponsor focus which could be easily built upon to help the program. The skills also increased the chances of success for the program. However, some participants suggested that change management skills may be lacking in some departments such as Logistics (handling in- and outgoing mail to and from the field). The employees did have some project implementation skills but there was generally no structured approach to developing these and some employees felt they did not receive appropriate training and support to do their day-to-day work or to develop new skills in order to deal with change processes. These were essential skills in order to plan for sponsor focus, particularly to establish change architecture and help the transition of individuals.

2. **Culture:** Extent to which the current culture (shared beliefs, values, and norms of behavior) was aligned with the change process and achieving foster parent focus.

The change enablement survey revealed that Plan did not have a clearly articulated set of values, thus personal values of the employees differed from those of the management. However, employees stated that they were very proud to work for Plan and were loyal to the organization. According to participants, the culture already was strongly foster parent-orientated. This foundation obviously helped to ensure and promote the success of the CRM implementation project. In this sense, there was little realignment necessary and the employees should be congratulated on their past achievements. Participants felt that their departmental cultures were strongly aligned to the core principles of the program but still the employees



needed convincing that the CRM implementation program was the right way to achieve improved foster parent service and improved loyalty from the sponsors.

3. **Leadership:** Degree to which the leadership was committed to the vision, had strength and capability to drive through change to completion.

Participants seemed to have a lot of confidence in the ability and commitment of their leadership to drive through the change. Several commented on the secretary general's current alignment to the CRM program, but some participants felt that he needed to increase visibility of commitment to foster parent focus within the different departments, particularly with regards to foster parent communications. We did find that whenever changes were introduced in the past, top management was not actively involved and visible in the process, and that the employees did not feel that management was in touch with what went on in the different departments. Thus, employees were not as committed to the former change processes as desired. We identified an "us" and "them" attitude throughout the organization, and the challenge in the change process was to create a team feeling.

4. **Communication:** Extent to which there was a two-way flow of information within Plan, including plans, approaches and activities to build awareness, enthusiasm and commitment through involvement.

Participants suggested that communications within departments was average. Some good structures were in place but there was a need to develop them and utilize them for foster parent focus. In particular, more two-way (key decisions were often made without input from those affected) channels were required. Participants emphasized the need to ensure that top-down messages were cascaded accurately and effectively. Part of this would involve training to ensure that managers had the appropriate skills required to do so. It was also useful to provide the core material for use in intra-departmental communications to ensure that standard messages went out.

5. **Organizational design:** Degree to which the current organization structure, including job responsibilities, supported the achievement of the CRM vision and the extent to which decision making and reporting relationships facilitated foster parents.

Organizational design across Plan seemed to be only moderately aligned to foster parent focus. Some respondents suggested that there were good foundations in place, in terms of job descriptions and

decision making, but that these needed to be developed further. Opportunity for this opened when redesigning structures for the implementation of CRM. However, several comments indicated that some departments should seek to empower employees more to be able to take decisions and encourage more flexible job descriptions. Employees needed to take ownership of sponsor inquiries/complaints which could be achieved with less emphasis on hierarchy. Some departmental barriers also prevented employees from operating in a foster parent focused way particularly where foster parent problems 'cut-across' service department boundaries. In situations like this, the staff was not empowered to resolve the issues.

6. **Internal/external events:** Extent to which the number and scale of other activities or influences would impact on achieving foster parent focus objectives and the degree to which these events had been considered and addressed.

Participants agreed that there was a strong realization in their departments that other internal / external events would impact the CRM project, particularly field program initiatives. However, most also agreed that much had been done to address this by identifying the inter-relationships and synergies between initiatives.

7. **Business case for changing:** Degree to which there was a justification for change towards foster parents (in terms of current pain and/or potential to exploit opportunities).

It became clear that few employees truly understood the need for change. People wished to gain clarity and know why the CRM implementation program was happening as they felt that they were already providing high standards of foster parent care to a certain extent. Most staff wished to become more foster parent orientated and to increase efficiency but they were unconvinced that the CRM project was the right way forward. Participants suggested that there was a need for a clear rationale at both a management (in particular) and departmental level. This issue was inextricably linked to the ineffectiveness of some communication channels in those areas. Some employees still needed to be convinced of the reasons to achieve better foster parent care through the CRM implementation program. People wanted to see hard facts and this triggered the project group to start considering what benefits each department specifically might gain from foster parent focus. This gain for the department could then be communicated to the employees in order to obtain buy-in for the CRM initiative from them.

8. **Vision for change:** Degree to which there was a clear picture and statement of what the organization would look like in the future and the extent to which it was consistent and shared by all.

Participants agreed that the vision for foster parent focus was quite weak across the organization, with many misconceptions about the program itself. Without a clear picture of the future, the employees could not envisage the impact a foster parent focus would have on them. The lack of trust that had built up around the program meant it would be more of a challenge to communicate a clear vision and that as soon as more detailed information was available, it ought to be communicated to all levels in the organization.

9. **Human Resources Policies, Processes and Systems:**

The extent to which current human resource processes - recruiting, performance management, training & development, employee relations, equalities- would support the CRM vision and drive new behaviors to support it.

Participants' comments suggested that HR policies, processes and systems were an area of weakness in relation to past change initiatives but that the CRM implementation program had triggered the need for more employees and that attributes likely to be required by the foster parent focus were included in and valued by all recruitment, training or performance management activities.

10. **Change architecture:** Degree to which a comprehensive plan to co-ordinate change - with people identified at all levels to manage the transitions- has been considered. These people were/are known to be engaged in the process and working towards shared goals.

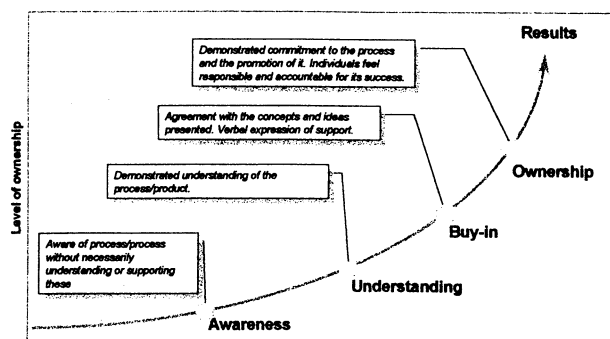
Employees did not understand their role in past change efforts. Change efforts were "top-down" and employees felt their views were not taken into consideration even if they were crucial for the success of the change process. Responsibilities were not clearly defined in the organization. Participants felt that little change architecture had been put into place to support the CRM program other than the work done by the project team. Employees were largely unaware of who in their department was in charge of the change processes. The project team felt that this would affect how successfully messages were passed on internally and give low credibility to the program. Thus, there was an urgent need to establish structures and plans to help the progression of the CRM implementation project. If departments feel more

prepared for and in control, their confidence was likely to increase significantly.

Following and building heavily on the change enablement survey, an **Awareness, Buy-in, and Ownership tool** was used to:

- Understand the different audiences (groups), both internal and external to the organization, that might be impacted by the change process;
- Undertake a high-level assessment of the impact of the change on each audience;
- Understand the different stakeholders, both internal and external to the organization, who may be impacted by or impact the change process;
- Undertake a high-level assessment of the current and desired levels of commitment to the project for each stakeholder. This is illustrated in Figure 2

**FIGURE 2**  
**AWARENESS, BUY-IN, AND OWNERSHIP**



The Awareness, Buy-in, and Ownership Tool allowed the project group to think through the wide-ranging implications of the change for different audiences/stakeholders, and think through the commitment that was required of different stakeholders and assessed their perceived current levels of commitment with the desired future levels of commitment. Where the gap between perceived current and desired future was great, the project group worked out different strategies to close this gap.

Relevant people in each designated audience group who demonstrated ownership of the project were made ambassadors in the change process. The ambassadors' roles were described as follows:

- ✓ A designated and visible figure that made change happen in his or her department;
- ✓ Responsible for spreading information and market the project internally in the department;
- ✓ Addressed concerns and actively sought feedback from people in the department;
- ✓ Supported implementation and other project

The marketing manager had the project owner's role with the following responsibilities:

- ✓ Being the key stakeholder and key in showing general direction for the main areas of Plan's CRM strategy;
- ✓ Assigning resources and priorities consistent with the importance of CRM;
- ✓ Following up all areas to ensure that they were aligned with CRM goals;
- ✓ Proactively supported CRM in a visible manner.

Designing new processes involved all people in the organization but with an emphasis on including people with awareness and understanding of the project. The project team arranged several workshops until the processes were understood and agreed upon. The main purpose was to create ownership throughout the organization.

The CRM project triggered several changes in the organization. New roles had to be defined and old roles had to be redefined. New responsibilities were defined in the following departments: Logistics (dealing with in- and outgoing mail), Sponsor Service (the call centre), and Marketing.

When all roles and processes were defined and designed, the project group created a communication plan and a detailed roll out plan for the coming four weeks. The main communication goals for these four weeks were:

- ✓ Involve people in CRM activities and build necessary ownership in Plan Norway;
- ✓ Provide people with the information they needed to make informed choices about whether and how to comply with and commit to the changes;
- ✓ Build trust with candid information about the need for and the difficulty of changing, including the consequences of not changing;
- ✓ Report progress - or lack of progress - so that people could be responsible contributors to the CRM effort;
- ✓ Support people in dealing with change.

## PROCESSES

One of the final steps towards an integrated CRM strategy is to make *one-to-one communication* possible through the use of technology. It was extremely important to empower Plan employees with access to the Market Database. Thus, it became important to create a user interface that made it possible to automate manual marketing activities like deciding what information and through which channel each sponsor segment should have based their needs.

Earlier efforts to improve processes in organizations centered on improving efficiency and reducing costs but more recent efforts have highlighted the importance of focusing on key processes that matter to the customers. These processes aid in providing an enhanced value to the customer. For the processes to be successful it is crucial that the organization re-engineer them in such a way as to improve the customers' experience when interacting with the company that would not only improve customer satisfaction but also provide competitive differentiation.

All personnel affected by the change processes were involved in designing both as-is processes and to-be processes. The project group carried out several workshops designing all new processes by developing process maps. The following processes were re-designed: complaint handling processes; reporting processes to and from the field; campaign management processes; foster parent recruiting processes; information management processes including information to different segments of foster parents; and finally new processes for foster parent interaction.

Organization matters to non-profit organizations as much as it does to profit-making ones. But while non-profit leaders zealously build programs and raise money, they often neglect the organizational structures and management processes that help institutions endure (Hauser 2003). The implementation of the CRM-process in Plan triggered new thinking around the organizational structure. One realized the need for a different structure and new personnel were employed to fulfil the work originally started by consultants. First and foremost an IT manager and a network manager were employed to ensure the bridging of technology and sponsorship management. Next, a sponsorship manager was employed to bridge the sponsorship and program issues. A Loyalty manager was already in place to develop the CRM strategy and tactics.

## TECHNOLOGY

It has been commonly recognized that CRM technology is an essential part of the CRM business strategy but one should keep in mind that these technologies are a support of that strategy and should not be mistakenly likened to the strategy itself, an oversight often made by several organizations.

A common understanding was needed to be established early in the project: a database makes it possible to recognize sponsors as individuals and to group them into segments enabling Plan to develop predefined activities to foster parents based on behavior. But the database is just a tool to involve the sponsors as active participants in a dialogue with Plan. It is difficult to execute one-to-one marketing without the technology but the technology itself is not enough. A lot of work had to be done to understand the market in order to develop targeted communication material and Plan needed to be turned around from a sales oriented organization focusing

on recruiting new sponsors to a more market oriented one focusing not only just recruitment but also on retention.

## METRICS

Any CRM strategy would not be complete without measuring and evaluating its performance, which gauges its success. The final task of the project team, therefore, was to suggest how to control the new processes through evaluation and reporting. The project team came up with the following measurements of sponsor related processes

- ✓ Sponsor Satisfaction: Change in overall response on the customer satisfaction survey (satisfaction, loyalty, attitudes)
- ✓ Length of sponsor relationship
- ✓ Overall dropout
- ✓ Dropout in correlation with number of complaints
- ✓ Dropout in correlation with change of address

## RESULTS

When starting the CRM work in the beginning of 2001, Plan Norway had around 65,000 sponsors and an average drop out rate of 13 % per year. Today, in 2004, Plan Norway has more than 90,000 sponsors and an average drop out rate of 6.5 %. In the first year (2001) of CRM the drop out rate fell dramatically from 13% to around 9%, the next year (2002) it fell to 7% and in 2003 the average drop out rate was 6.5% which is, as mentioned above, the expected number for 2004. The Plan organization did not succeed in measuring whether the improvement in drop out rate occurred because of better communication with sponsors, better complaint handling, or attention to change of sponsor addresses. What is clear is that after the implementation started in autumn 2000, the complaint handling improved, the employees felt more comfortable dealing with complaints and having the necessary tools to deal with it satisfactorily as they occurred. Moreover, the outsourcing of the mail handling processes reduced the time from receiving a change of address to changing the foster parent profile on the computer from an average of 35 working days to a maximum of two working days (foster parents could also change contact information on Plan's website). One could deduce that the focus on new processes internally and the outsourcing lead to the dramatic decrease in drop out rate.

If one looks at the decrease in the drop out rate, one clearly sees the benefit from the CRM – a 6.5% decrease in the average drop out rate is huge. A very simplified calculation proves this. Let's say that Plan in 2004 still had a 13% drop out rate and 90,000 sponsors which would translate into losing 11,700 sponsors per year. An average loss in sponsor income would then be  $11,700 \times \text{NOK } 2340$  (approximately US\$ 300) = NOK 27,378,000 (approximately US\$ 3,510,000)! A drop out rate of 6.5% would mean an average loss of 5,850 sponsors,

which comes out to be a loss of NOK 13,689,000 ( $5,850 \times \text{NOK } 2,340$ ). This is an average 'increase in income' of NOK 13, 689, 000 (approximately US\$ 1,755,000). The total investments made in technology, consultancy work and manpower in 2002/2001 was less than 20% of this increase.

The CRM strategy not only contributed to increased income but the average time for a letter or gift to reach the sponsor was reduced. Outsourcing the letter handling shrunk the process time in Plan Norway from an average of 35 working days to an average of 10 working days.

The identification of sponsor needs and the successful differentiation of sponsors reduced the marketing costs (the costs of maintaining the relationship with existing sponsors) by almost 3%– from 11.5% of total income in 2001 to 8.5% of total income in 2003.

The average length of the sponsor relationship increased as a result of the new CRM processes. This was visible in three different ways:

- Prior to the CRM implementation, a TV campaign resulted in several potential foster parents showing an interest in the concept and a hit ratio of 91% (meaning one month payment). The hit ratio after the TV show in January 2004 was more than 95%.
- After one year, 88% were still foster parents in 2000. In 2003 this number was close to 92%.
- In 2004 the average foster parent supports Plan for a period of six years. The critical retention points have been addressed successfully and from an average period of less than five years per foster parent in 2002, we conclude that the CRM implementation has been a success in keeping the foster parents longer. Since the organization has only existed since 1996 in Norway, it will be interesting to follow the development in the future.

Sponsor Satisfaction was addressed prior to the implementation process and a survey was distributed to all foster parents. The purpose was to track the change in overall response on the customer satisfaction survey (satisfaction, loyalty, attitudes) annually. The response rate of the first survey was less than 30% and the findings suggested highly satisfied sponsors. Thus Plan did not recognise the sponsor satisfaction survey as a good tracking devise of a successful CRM implementation and did not conduct any more surveys after the first one in 2001.

## WHY DID CRM WORK IN PLAN?

Both academic and professional journals are peppered with articles bemoaning the failure rates of CRM implementation efforts with quotes from managers denying the usefulness and the profitability of CRM investments. How then, a small non-profit organization manage to succeed where companies with

more obvious market savvy had taken defeat? We have identified some of the key winning factors that we think contributed to success of the CRM efforts in Plan. These aspects are not very different from the recommendations made in the CRM literature for obtaining desirable results from a CRM project.

From the start Plan Norway had a clear understanding of what they regarded as CRM. Every similar organization faces the challenge of finding new prospects, converting them to sponsors and keeping them for as long as possible. Thus Plan adopted the understanding of CRM as the identification, acquisition, retention and development of sponsors through an effective and efficient sponsor management over the lifetime of the relationship. When recruiting sponsors, Plan made a promise to give children in poor countries a better life which the sponsors matched by agreeing to contribute to this by donating an average of NOK 2,340 (approximately US\$ 300) per year. A failure to fulfill the promises made to the sponsors would be a catastrophe. Plan knew they had an effective recruiting strategy but the drop out rate caused a great deal of frustration and was linked to the fact that the organization did not deliver its promises. The focus had to be put on identifying current sponsor needs, differentiating the sponsors, creating a relationship and developing this relationship as long as possible, all with the purpose of fulfilling the promises made to different kinds of sponsors. The segmentation model combined with demographic variables and a clear understanding of the 'customer relationship' clearly contributed to a successful differentiation of sponsors. This approach to CRM is exactly in line with the recommendation of Rigby et al (2002): create a strategy before implementing the CRM program. Plan knew exactly what they wanted the CRM initiative to achieve before putting it in place.

One could argue that a well functioning strategy was one reason why Plan's CRM effort succeeded where others fail. Plan strives to achieve lasting improvements in the quality of life of deprived children in developing countries through a process that unites people across cultures in a child-sponsor relationship and adds meaning and value to their lives. Further, Plan as a whole has a clear philosophy supporting the strategy. According to Plan, the key to a successful relationship with a sponsor was the relationship between the sponsor and the child. In other words, Plan in addition to understanding the sponsor relationship, had a sponsor centered philosophy. The emphasis was very early in the process on creating a personal relationship between the child and the sponsor. The letters and small gifts to and from the sponsors were the main tool in creating this personal relationship. At the outset of the CRM work, Plan realized that a letter or gift from the field could take up to six months to reach the sponsor and a letter or gift to the child could easily use four to five months. This time span was too long to create a successful relationship. The bottle neck was Plan's Oslo office that employed too few people to manage the flow of letters and gifts. Since Plan was concerned

about keeping the administration costs down, they looked at the whole supply chain and decided to outsource the handling of letters and gifts to and from the sponsor. This proved to shorten the time span and thus put an emphasis on developing the relationship between the sponsor and the child. All this demonstrates that Plan had a customer (in this case, sponsors) based strategy with a thorough knowledge and understanding of its customers. Plan recognised that in order to have a long term relationship with its customers, it needed to understand what the customer wanted from the relationship- a suggestion made by Park and Kim (2003) for developing loyalty in customers.

Plan had a very clear understanding of the information technology only being a tool that made it possible to differentiate the sponsors and customize the marketing mix. This we think is another factor that contributed to Plan's success. Too many companies focus on the technology and not on the strategic use of it.

Reinartz and Kumar (2002) disclaim the wisdom of customer retention where companies build relationships with each and every customer. Instead, they suggest to understand the link between loyalty and profits. Not all loyal customers are necessarily profitable. This is precisely the approach Plan took when it evaluated its customers on a cost-benefit basis to identify the most profitable customers it ought to focus on while letting go of the not-so-profitable ones. This tactic not just helps in keeping the more profitable customers satisfied but also prevents valuable resources being deflected towards the less profitable ones.

#### **WHAT CAN NON-PROFIT ORGANIZATIONS LEARN FROM PLAN?**

The findings from Plan suggest that really understanding the customer relationship is a key success factor in creating a successful CRM. Traditionally non-profit organizations have focused on their mission to aid people in need and not on the people who make it possible for them to do so- their donors and sponsors. Many non-profit organizations forget that they operate in an environment that has multiple groups of 'customers' and that each of these groups have to be catered to differently. Often the organizations focus their main efforts on the end users of their services while marginally attending to the customers who are responsible for the organization's existence, the donors. These donors are remembered only during fund raising efforts with little or no effort being made to maintain contact in between fund raising initiatives.

Another thing to keep in mind is to look at the whole organization when considering implementing a CRM strategy and not only the marketing department. Many non-profit organizations leave the marketing to specialized companies for fund raising, 'customer' recruitment and retention. Plan did the opposite – they worked hard to keep the information about the

sponsor and the sponsor lifetime within Plan and used this information to identify critical retention points, customizing the marketing mix and thus creating a successful relationship. Plan identified that they were the ones who understood their customers best and it was critical that they handle the customer relationship management. Instead, they chose to out source other non-critical processes like mail handling.

A third factor for other non-profit organizations is to regard the staff as a resource and involving them in the process of creating a CRM strategy and the internal processes to support this strategy. This sprung from an understanding that internal loyalty to Plan and the CRM process is the key to success. Often, CRM tends to be the 'baby' of the top management with little involvement from others in the organization. Without a commitment and a feeling of ownership all through the organization, the CRM process falls flat on its face. The realization that human resources are the most important assets of Plan Norway and the ensuing structural changes have ensured that the CRM strategy was a live strategy and not just something written down in mere words.

Last but not least, a focused vision and mission for the project and for Plan as a whole played an instrumental role in the success. Plan had specific goals it wanted its strategy to achieve and the goals of the CRM initiative were integrated in the overall strategy that the organization had.

### CONCLUSION

The success of the CRM applications in Plan Norway may be attributed to Plan doing exactly what has been recommended by experts on CRM. According to the literature on CRM, the critical success factors for any CRM initiative are dependent on the following issues: creating a strategy before implementing the CRM project, developing a corporate-level not a department-level strategy, understanding customers, not confounding the CRM technology with the strategy itself, allocating resources judiciously to provide competitive advantage, and garnering the commitment of employees at all levels.

Our analysis demonstrates that from the very beginning Plan had a distinct idea of what they expected the CRM scheme to achieve: reduce the dropout rate of sponsors by developing a mutually satisfying and beneficial relationship with the sponsors. Thus Plan had a strategy before putting in the CRM project in place.

In order to develop this successful relationship, Plan needed to have a thorough understanding of what exactly its sponsors require from their relationship with Plan. Customer relationship management is about identifying what the customers expect to receive from their relationship with the organization and meeting these *expectations*. Plan recognized that the key to the development of its relationship with the sponsors was the sponsors' relationship with the foster children. The foremost important thing for the sponsors was regular communication or contact with the foster children.

This discernment of customer needs was possible with the help of technology. Plan viewed technology as a tool for not only identifying the customers' needs but also identifying the critical retention points. A further analysis of the critical retention points also helped the Plan recognize the type and means of communication the customers desired in order to continue their interest in sponsoring children.

Plan was quick to recognize that it should concentrate its limited resources on what it did best and out source activities which would help provide superior company performance. Outsourcing the mail handling not only help reduce the processing time drastically but also freed up resources (mainly personnel) to focus on providing other critical services to the sponsors.

Conducting a Change Enablement Survey involving all the employees, to assess the situation in Plan, indicates the involvement of employees at all levels right from the very beginning of the process. Feedback from the survey helped Plan in identifying the process changes necessary for the implementation of the CRM program. Thus, the organization was prepared for both the department as well as organization level changes needed to accommodate the CRM initiative.

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