

# Change Management: Antecedents and Consequences in Casino CRM

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## Abstract

Customer Relationship Management (CRM) continues to attract increasing attention within the casino industry. While the vital role of change management in making CRM projects successful has been acknowledged for quite some time, there is little in extant literature to explain the nature and conduct of change management in the CRM context. This article posits that relevant change management is a prerequisite for successful implementation of a casino's CRM. Change management involves five key initiatives: selling change internally, creating an appropriate infrastructure for change management, CRM-relevant training, a reconfiguration of the organization structure and performance assessment measures, and recasting existing incentive systems. The role of the HR department in facilitating change can never be overestimated.

Key Words: CRM, change management, CRM initiatives, HR and CRM, casino CRM strategy

*In the end, the location of the new economy is not in the technology, be it the microchip or the global telecommunications network. It is in the human mind.*

— Alan Webber

## Introduction

About seven years after large casino companies such as Harrah's and Foxwoods placed their CRM bets, an increasing number of casinos—large and small, native American and corporates—continue to invest in Customer Relationship Management (CRM) projects; seemingly undaunted by CRM's overall poor track record across industries. Depending on which CRM report card one reads, the failure rate of CRM undertakings still hovers around 70 percent (Amerongen, 2004; Tafti, 2002). While failure has been variously defined in the different reports, one common yardstick to judge success is whether the organization adopting CRM attained its key objectives and expectations from implementing the project. Given that many casino strategy decisions are driven by the underlying odds, one would expect casinos to shy away from projects offering a mere 30 percent chance of success. Yet, CRM continues to interest and fascinate casino executives as evidenced by the number of attendees at CRM sessions at the 2002 and 2003 Global Gaming Expo and at the 2004 Gaming Technology Summit. A recent survey of the EDP participants (n=57) conducted by the author at the University of Nevada's gaming education program (in Reno) suggests that over 60 percent of the large casinos represented in this group already have a CRM program in place or were in the process of doing so.

One would have to conclude that casinos keen on implementing CRM fancy their chances better than thousands of companies that have made the leap before them.

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Fortunately, for casinos wanting to implement CRM properly, there is a lot to learn from those who have made the CRM lunge before, and lived to tell about it. The magic bullet, it seems, is change management.

In order to successfully implement CRM within a casino setting, a total organization-wide commitment to change management is essential (Kale, 2003). People make CRM happen, and people do not change spontaneously with the advent of CRM. Successful change management initiatives ready the organization to accept and correctly implement CRM through processes that involve cultural changes, motivation, communication, and training. This paper articulates the key content areas incorporating change management and provides directions whereby successful change management can be accomplished within the context of CRM.

### **CRM in Casinos**

The thrust of customer relationship management is to transform strategy, operational processes and business functions in order to retain valued customers and increase customer loyalty and profitability. CRM is a customer-centric philosophy that translates into a business strategy by harnessing information technology within an organization that has already imbibed a culture of customer orientation. The overarching goal of CRM is to provide valued customers with a seamless, consistent, outstanding customer experience across various touch points. By delivering such an experience, CRM maximizes the relationship capital of an organization.

Despite billions of dollars being invested to differentiate one casino from another by way of spectacular architecture, the games offered by various casinos are almost identical and therefore commoditized. Casinos, like businesses in other sectors, are embracing CRM to seek escape from the marketplace of increased customer options, product offering commoditization, and fickle-minded consumers. The Metrus Group (<http://www.metrus.com>) projected total CRM expenditures to cross \$125 billion by 2004. But industry observers such as the Gartner Group conclude that a majority of large CRM solutions implemented so far have failed to perform up to expectations. Such reports notwithstanding, the promise of having loyal customers over extended period of time is what continues to lure many gaming companies to CRM.

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### **A Diagnosis of CRM Failure**

Hundreds of papers have been published on the topic of CRM over the last decade. However, CRM applications in gaming have received only limited attention. The few sources of information that exist on the topic are typically restricted to popular press articles that provide less than an in-depth discussion of what it takes to successfully implement CRM (cf. Kale, 2003). Articles that comprehensively discuss the nuances of CRM implementation in casinos will be of immense help to both gaming researchers and practitioners.

The failure of CRM can be attributed to several factors – lack of top management support, difficulties in data integration, and fuzzy objectives and metrics, to mention but a few (Kale, 2004). Computer trade publications and hundreds of Websites churn out articles by the thousands telling the reader what is wrong with CRM. The one major cause of failure to consistently emerge, in the popular press as well as in various scholarly studies, is inappropriate change management or the so-called people issues (Conner, 2001; Rigby, Reichheld & Schefter, 2002). A 2002 crm-forum survey from 700 practitioners, CRM suppliers and consultants points squarely to the importance of people issues in CRM. Here, 29 percent of the respondents indicated organizational

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change as the biggest issue preventing the delivery of CRM benefits, followed by company politics or inertia (22 percent), which are also indicative of unsuccessful change management. Rigby, Reichheld, and Schefter (2002) cite findings from another survey wherein four percent of the managers cited software problems as the reason for CRM failure, as against an overwhelming 87 percent who pinned the failure of their CRM programs on inadequate change management. Clearly, if the implementation record of CRM projects is to improve, the issue of change management deserves immediate attention.

**The Change Management Imperative**

Change management is the process of developing a planned approach to desired transformations in an organization. In the CRM context, change management involves two converging and predominant fields of thought: an engineer's approach to improving business performance and a psychologist's approach to handling the human side of change (cf. Hiatt, 2004). The engineering approach emphasizes processes, systems, and structures whereas the psychological approach focuses on people and helps individuals make sense of what the change means to them.

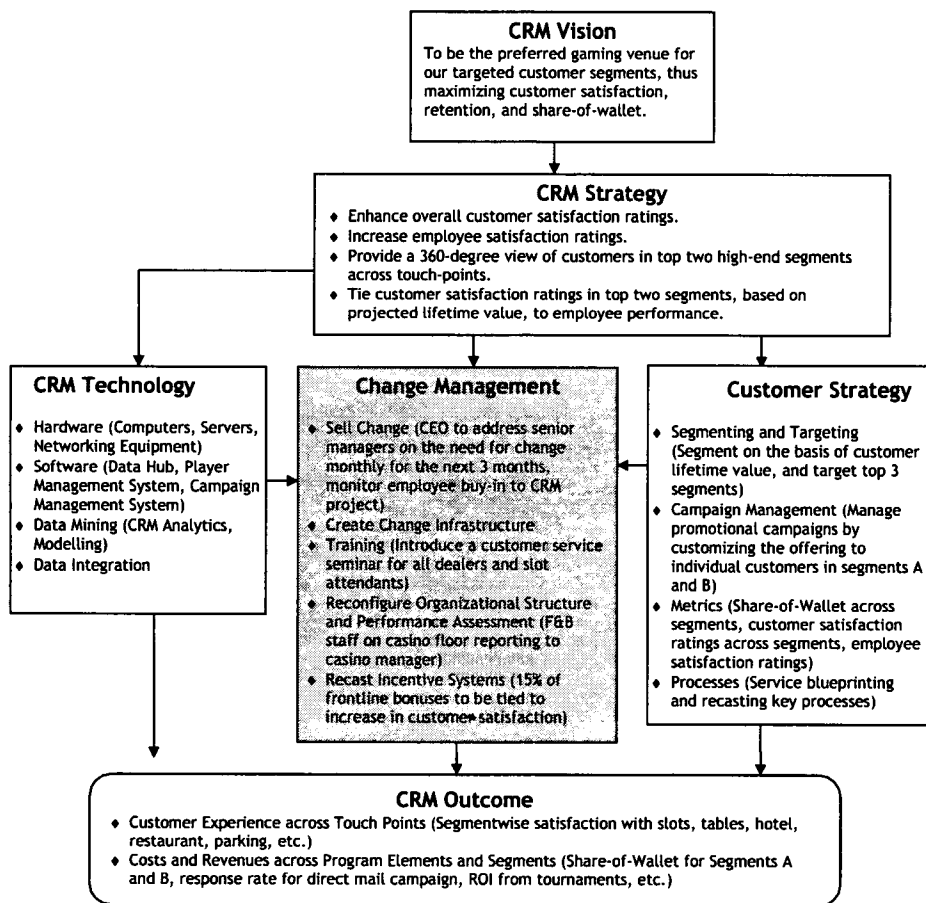
CRM invariably requires a radical departure from the prevailing configuration, practices, processes, and organization structure of a company. Extensive effort is therefore needed to enable people to deal with the changes that the new CRM software is designed to achieve. Conner (2001) writes, "When CRM is introduced in a work environment, it causes shock waves of disruption to emanate from the initial points of impact. These points of impact are the physical and political locations where the system is actually introduced and has its effects on the people it touches."

In the contemporary management world, change management has become one of those abstract topics that people pay a lot of money to attend seminars on, or get paid a lot of money to write weighty books about, but few can put their fingers on. Research firm *International Data Corporation* estimated the market for change management services to be in excess of \$6 billion in 2003 (Goff, 2000). Despite these expenditures, most managers are dumbfounded when faced with the prospect of actually implementing change.

Hiatt and Creasey (2004) define change management as, "the process, tools and techniques to manage the people-side of business change to achieve the required business outcome, and to realize that business change effectively within the social infrastructure of the workplace." Simply put, change management involves getting users to adopt new business processes, practices and technology so as to achieve the results that the change management initiative was intended to accomplish. Change required for CRM often tends to be pervasive and comprehensive. For CRM to achieve its full potential, change management should therefore be viewed as an integral part of the customer relationship-building exercise. Figure 1 depicts the role of change management in a CRM initiative. While the linkages in the proposed framework are unlikely to vary across industries, Figure 1 provides illustrative casino-specific objectives, goals, and criteria under each component of the framework.

Figure 1

CRM and Change Management in a Casino Setting: A Representative Scenario



As illustrated in Figure 1, the nature and conduct of change management derives from a casino's CRM strategy and is further shaped by the technology solution and the customer strategy stemming from the CRM strategy. CRM strategy should be a formal document stating how the company will achieve its CRM vision. The CRM vision is a picture of the kind of relationship an organization wants to form with its most valuable customers. This entails understanding the needs of various customer segments and the impact of customer responses within key segments on the casino's bottom line. Sound strategy, though primarily based on vision, can only be arrived at after a candid assessment of the company's resources and capabilities (technical, managerial, marketing, and financial), which then shape the goals and objectives comprising vision as well as strategy. In assessing company capability, particular attention should be paid to the existing culture and prevalent business processes. If the organizational culture is not customer-focused or if most of the business processes are ad hoc and haphazard, the company is clearly not ready for a CRM solution. Gary Loveman of Harrah's recognized this. Despite Harrah's widespread recognition as the best casino operator for customer service (cf. Becker 2003), he persuaded his property managers that service could—and had to be—improved. He also took the bold step of sending shockwaves through the existing culture that emphasized industry experience with a new human resources approach that put a premium on brainpower and leadership abilities (Becker, 2003).

Typically, companies will need to spend a significant amount of time and resources toward change management before embarking on CRM. Square D, though not a gaming company, exemplifies the efforts required to implement CRM successfully. A Group Schneider Company that custom engineers and manufactures medium voltage switchgear (i.e. really big circuit breakers and electrical equipment), Square D spent three years taking managers out of line jobs for months at a time to understand the various issues involved in implementing CRM software (Rigby, Reichheld & Schefter, 2002). But perhaps more important than knowing the software is comprehension of the customer strategy inherent in CRM. This requires grassroots understanding of the company's value proposition, its priorities in serving various customer segments, and the importance of a customer-centric orientation.

Harrah's much touted loyalty program, which boasts around 30 million customers, would probably not have succeeded if casino personnel at every touch point were unaware of the delivered service differentials across the three tiers of customers – gold, platinum, and diamond. This was accomplished through an extensive training program designed in the latter half of 2003 for 100 leaders comprising the head of marketing, the director of marketing, and finance officers for each property (Gulati & Oldroyd, 2005).

A review and synthesis of the change management literature (cf. Goldstein, 1994; Handy, 1996; Kotter, 1996) suggests that change management is comprised of five broad initiatives: selling change internally, putting a change infrastructure in place, training, reconfiguring the firm's organizational structure and performance assessment measures, and recasting the existing incentive systems. Each of these initiatives needs to be fine tuned throughout the CRM project and some (e.g., training) will be an on-going process. Furthermore, the intensity of effort for each initiative will vary at various phases of implementation.

Selling change to the internal customers necessitates a committed and well-resourced internal marketing program. Change infrastructure refers to identifying the players in the change initiative and a definition of their roles. Training needs to be undertaken to ensure that the contemplated relevant change is inculcated by every person within the organization. It involves altering the employee mindset to make the organization more customer-centric as well as imparting the specific skills needed to function effectively under the new business processes, designed with appropriate CRM metrics in mind. The recast organizational structure and performance assessment measures should ensure that the CRM strategy is internalized and practiced across the organization. A clearly defined incentive system, in line with CRM philosophy and its attendant metrics, drives home the CRM message by clearly signaling to employees the behaviors valued under the CRM initiative.

Simply deciding to invest in a CRM system is not going to make a non-marketing driven casino more customer-focused and more profitable overnight. In his five-year study involving the voyage of 28 companies from simply being good to being outstanding, Collins (2001, p.10) concludes, "Technology and technology-driven change has virtually nothing to do with igniting a transformation from good to great. Technology can *accelerate* a transformation, but technology cannot *cause* a transformation" (emphasis in original). This inference assumes greater prescience when interpreted in the context of the study's methodology. Companies were characterized as belonging to the "good-to-great" category only if a leap toward impressive results was made and sustained over a span of *at least* fifteen years. Collins (2001, p.3) explains, "Furthermore, if you invested \$1 in a mutual fund of good-to-great companies in 1965 and simultaneously invested \$1 in general stock market fund, your \$1 in the good-to-great fund taken out on January 1, 2000 would have multiplied 471 times, compared to a 56 fold increase in the market."

## ***Selling Change***

A change management initiative is unlikely to succeed without active support and campaigning on the part of top management. Senior management plays a key role in shaping an organization's behavioral activities and in providing an environment that is either conducive or inhibitory to the conduct of CRM (Campbell, 2003). In a paper discussing the CRM experience of 299 firms, researchers Day and Van den Bulte (2002) found that top management commitment to drive change is what sets the true leaders apart from other strong contenders when it comes to CRM excellence. Top management needs to take the lead in championing the cause of change management. Sadly, and far too often, the last thing a top executive wants is to be a salesperson.

During change, prevailing cultural issues are the most likely ones to derail the project (Blazejewski & Dorow, 2003).

Leadership style and the ability of leaders to implement change become paramount. Senior management needs to exhibit commitment and determination in order to create organization-wide buy-in of the CRM initiative. This involves a carefully engineered program of internal marketing.

Change is both an institutional voyage and a personal one. Individuals affected by the initiative need to be informed of how their work will change, what is expected of them during the various phases of change management, how their performance will be measured, and, most importantly what success and failure of the CRM program would spell for them and those around them. Thus, it is of critical importance to communicate to employees what the company is trying to achieve and why. A well-thought out communications plan clearly demonstrating the benefits CRM to the organization and employees alike will allow employees to understand the reasoning behind CRM and encourage adoption. This process can sometimes be time consuming and frustrating. In one large casino employing over 12,000 people for which this author served as the CRM consultant, it took over six months before senior management took its internal marketing and communications responsibilities seriously.

Getting the internal customer buy-in is greatly facilitated by empowerment. This involves instilling a sense of potency, meaningfulness, and impact across all levels. Seeking employees' inputs in developing the processes that they will be using to achieve the strategy strengthens commitment to CRM success (Arussy, 2004). If employees perceive the changes are being imposed upon them by those who have little understanding of the situation, resistance will be significant. Ultimately, it is the employees who must use the new systems, and they must be committed to them from within (Burgess & Turner, 2000). Many firms achieve this by developing a sponsor group that includes representatives from all levels of the organization to help sell the program internally (Quick Start, 2000). The sponsor group is responsible for coming up with structured, disciplined approaches and well-defined tools for driving change. The group holds brainstorming sessions, documents all inputs, releases frequent status reports and hosts kick-off and regular milestone meetings with the frontline staff responsible for using the system. As Kirkman and Rosen (2000, p.65) conclude, "When all the pieces of the empowerment puzzle fit together, teams will be ready to work at full power."

Loyalty, commitment, and enthusiasm of the workforce together create the energy needed to be truly customer-centric (Fullerton, 2005). By making it clear to internal customers how the new strategy will help them to be more effective in serving customers in the long run, a firm can enhance the eagerness of its workforce to adapt to the change. To transfer ownership of CRM to every level within the organization, employees need to appreciate how their individual actions result in making the new strategy work (Bansal & Taylor, 1999).

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### **Change Infrastructure**

The massive change often needed for CRM projects to succeed requires coordinated effort of several individuals within the organization. It is therefore necessary to put in place an infrastructure that identifies key individuals to drive the change and defines their roles in the process (Smith & Mourier, 1999).

Typical roles to be played by various individuals include: the change agent (advises on the methodology of the change effort and trains decision makers and performers on this methodology; team leader (makes sure project activities are assigned and completed at team level); content experts (advise on specific topics such as work procedures, software and compensation policies); steering team (provides oversight, garners stakeholder support, and clears roadblocks to various elements of the change management initiative; and project managers (ensure that project activities are assigned and completed, coordinate the work of several teams, and serve as liaison between the project teams and the steering team) (Smith & Mourier, 1999).

The change agent needs to be a leader possessing a high level of personal change adaptability as well as the right beliefs as to what makes change initiatives successful (Kirton, 1984). Indicators of adaptability include traits such as optimism, self-assurance, innovativeness, purposefulness, and a collaborative orientation. Successful change leaders realize that people may not be willing, able or ready to change. They believe that commitment must be built for successful change and they distrust the efficacy of sanctions in bringing about change. These beliefs cause them to devote significant time and energy to develop and implement the change plan. An essential element of being the change leader is to emphasize not just the strategy but also the core values that appeal to employees and customers. As Greiner, Cummings and Bhambri (2003, p.7) observe, "Many employees will not necessarily respond favorably to abstract financial goals, but they will feel commitment to values that champion the 'person on the street' and the average customer."

### **Training**

Robert Schuessler, SAP America's vice president of business development comments, "In our experience, 75 percent of the investment in a CRM project is change management, and 25 percent is software implementation and consulting," and goes on to observe, "Change management is a painful process requiring new perspectives, responsibilities, team setups and behaviors, and it's essential that HR and training are highly involved in synchronizing and supporting these activities" (Simpson, 2002). Sadly, the consulting experience of this author with casinos suggests that training is usually the most under-budgeted area in CRM implementation.

American social philosopher Eric Hoffer has said, "In a time of drastic change it is the learners who inherit the future. The learned usually find themselves equipped to live in a world that no longer exists." Nowhere is this axiom truer than in the CRM space. Acquiring CRM technology accomplishes nothing without ensuring that the right attitude and skill sets needed to optimally use the technology are present (Gulati & Oldroyd, 2005). Very often, companies forget that ultimately it is people who implement the CRM initiative. They therefore need to inculcate the right orientation toward customers and instill the right CRM-relevant skills among all employees. In a 2001 survey conducted by *crmindustry.com*, the researchers found that 63.2 percent of the companies surveyed did not have a formal training program in place to help gain employee acceptance and usage of CRM applications, but only 11.8 percent of companies reported this as their biggest internal challenge. Without adequate acculturation and training, it is hard for those responsible for making CRM happen to take appropriate ownership of the program. No amount of money invested in CRM architecture and software will in itself result in success of the project.

Motivation, training and user-friendliness are key components to successful CRM implementation. Training objectives typically include basic competency with the software system interface and operation. But perhaps, more important is mind-set transformation needed for delivering a seamless high-quality experience to customers on a consistent basis (Matta & Ashkenas, 2003). This requires a change in employees' frame of mind so as to manifest habitual customer-centered behaviors. The operational skills by which to serve customers optimally can only be imbibed after transformation to a customer-centered mindset has been achieved. Training needs to be designed with both the CRM processes as well as the strategy in mind so that the people who will be using the new system know not only how to use it but also for what purposes it is used. Such a holistic approach to training incorporates both the engineer's as well as the psychologist's perspective regarding change management.

## **Motivation, training and user-friendliness are key components to successful CRM implementation.**

Training for CRM is never a one-off exercise. Ongoing training conducted at every level ensures that the organizational change so essential to CRM is achieved and sustained. In an interview with Larry King at the 2003 Global Gaming Expo, Gary Loveman of Harrah's stated that the company had cumulatively spent \$500 million on its CRM system, and continues to spend \$60 million annually to maintain the system. Loveman acknowledges that this massive investment has paid off because the company also made generous investments in continuous training of its staff (Becker, 2003). The company Website states that between late 1998 and mid-2000, Harrah's investment in service training alone has been more than \$10 million. To successfully implement CRM, Harrah's developed a service curriculum, which came out of research with its best *customers* on the issues that really motivated their loyalty. For the first time in the company's history, every single employee attended this training, and was paid tipped wages while in training. As Loveman insists, "If you put them in training and only give them their hourly time, they get the message: this isn't really important. If you pay them their tipped wages — for the first time in most of these people's lives they were in training at tipped wages — that is a huge deal. And we ran all these programs 24 hours a day because we had people working all shifts. At the Rio, in Las Vegas, for example, we ran 200 sessions with 20 people in each to get through 4,000 employees in just five months. At the end of the program, you had to pass a test — otherwise you could not keep your job." (quoted in Becker, 2003). For Harrah's to excel in CRM without this kind of commitment to training would have been somewhat improbable.

In order to successfully conduct CRM, experts advise that training begin well in advance of launch, and that periodic training after roll out is designed and delivered. Also, training programs for new employees need to be developed on a continuing basis. Investing generously in relevant training could preempt stalling of many CRM initiatives (Quick Start, 2000).

### ***Organizational Structure and Performance Assessment***

The fourth component of change management involves an assessment of various managers' duties and responsibilities in a CRM environment and the reconfiguring of previously existing performance measurement systems. Change management in this context entails a thorough evaluation of existing departmental, product, or geographic structures. For instance, business units may need to be reconfigured around customer segments as opposed to geographic location. This is particularly true of companies such as Caesars and Harrah's which are geographically scattered. Merging of these two companies will increase the geographic dispersion of properties even more. In practicing CRM, an executive must be responsible for each major process rather than functional pieces of it. This can be explained through a call center example. The call center (sometimes referred to as VIP services) agent establishes a caller's identity and

gains access to her descriptive information and current transactions, along with cross-selling suggestions provided by the decision support system engine. If necessary, information (e.g., room availability) may have to be accessed to provide the caller with specifications and rates. When the call is completed, all new transaction and communication data are transferred to the data warehouse. In this scenario, it clearly makes sense for one individual to take ownership of the entire transaction.

This dictates a departure from departmental silos which have been the mainstay of most organizations since their inception. When departments or divisions such as sales, marketing, F & B operations, casino, hotel, and finance operate as functional or revenue generating stovepipes, the cooperation necessary for cross-functional information flows and joint customer-centric initiatives needs to be consciously created by putting in place a revamped organizational structure and instituting a fresh charter of duties and responsibilities that resonates the various business processes defining the customer experience. This is particularly true within the gaming industry where watertight compartments exist across divisions such as table games, slots, food and beverage, and marketing. Silo mentality precludes the development of competencies when it comes to relating to the customer. As Prahalad and Hamel (1990, p.82) suggest, "Core competence is communication, involvement, and a deep commitment to work across organizational boundaries."

Organizational coordination necessary for CRM can be improved through horizontal linking mechanisms. These are innovations in organizational design that first surfaced around the 1960s (Mintzberg, 1979). Horizontal coordination is the extent of formal and informal contact between individuals in order to coordinate the work of two or more disparate units. Barriers to cross-unit collaboration are removed through mechanisms such as permanent cross-functional teams, full-time integrators, and standing teams (Daft, 1992). Nidumolu (1995) found that horizontal coordination has a direct positive effect on project performance. In the casino context, a horizontal linking mechanism could involve weekly meetings of the heads of marketing, IT, finance, administration, hotel, convention, HR and F & B to discuss the status of the CRM initiative from the vision stage through to implementation. In many cases however, such periodic communication may not be enough. Changes in the structure of the organization may be needed to align the company's processes with its CRM strategy. The guiding tenet in the redesign of structure and performance measures should be customer-centrism. HR needs to ensure that the performance appraisal and incentive systems put in place under the CRM mandate translate into customer-focused behaviors on the part of everyone within the organization.

### ***Redesigning Incentive Systems***

Adopting a CRM strategy often necessitates alterations in the existing performance-based incentives (Read, 2001). CRM requires employees to implement skills and processes that are often different from the pre-CRM times. Furthermore, the output of each employee needs to be linked to the level of customer service and the quality of customer experience.

To emphasize the importance of customer experience in its CRM implementation, Harrah's instituted changes in its incentive system in 1999. It started paying out a bonus to every non-management employee of the casino if his or her property improved its customer service scores by 3 percent or more over the same period a year earlier. Further, every employee received a bonus as long as the property achieved 80 percent of its operating income plan or higher. The company has, over a three-year period, paid out \$40 million in bonuses to employees across the system — anywhere from \$75 to \$300 each, every quarter (Becker, 2003). To underscore the link between results and performance, the company started putting up graphs in the employee areas so that all employees knew their service numbers as derived from customer satisfaction surveys.

The data come in each week, and employees check to see how they are doing. The compensation system for general managers was also changed. A quarter of their bonuses now depend on customer satisfaction results (Becker, 2003).

Changes in incentive systems to make rewards congruent with the CRM ethos may sometimes require a move away from individual rewards toward team-based rewards. In the CRM context, there is some evidence to suggest that systems which reward individual achievement can impede the effective implementation of the relationship marketing paradigm (Campbell, 2003). It is the task of HR to redesign employee evaluation and reward structures to promote internal team-based incentives that facilitate the attainment of CRM objectives. While such incentives could be designed at the individual or property level (as in the case of Harrah's), they can also be instituted at team, shift, or task-force levels. The key is to identify behaviors and outputs that have the most impact on CRM effectiveness and then tie the key performance indicators of these behaviors/outputs to meaningful incentives. Incentives are often of a monetary nature, but non-monetary incentives such as additional time off or free trips to exotic resorts should also be considered.

### **Managerial and Research Implications**

Successful CRM implementation requires changes at several levels within the organization – organizational, managerial, marketing, sales, and technical (Almquist, Heaton & Hall, 2002). The change management initiative should therefore involve everyone within the company, not just IT and marketing. An analysis of scores of CRM successes and failures suggests that the most successful companies have worked for years at changing their structures and systems before embarking on CRM (Rigby, Reichheld & Scheffer, 2002). Such CRM readiness underscores the need for HR to get involved with the CRM initiative from the very start. Unfortunately, the key role of HR in CRM projects is seldom appreciated by many self-proclaimed CRM scholars.

Successful change management is a holistic process. Simpson (2002) remarks, "Change management is a painful process requiring new perspectives, responsibilities, team setups and behaviors, and it is essential that HR and training are highly involved in synchronizing and supporting these activities." CRM impacts every department and every division within an organization and its success is predicated upon everyone actively supporting the new strategy initiative. Establishing shared cross-departmental enterprise goals and objectives is therefore essential to achieve cooperation during the arduous change management process.

The general guiding principles of change management are applicable to CRM as well. These involve articulating a formal case for change, systematic attention to people issues, starting the process at the very top, involving every layer of the organization in the change initiative, creating top management ownership, developing an effective communication strategy, paying due attention to organizational culture, and creating an effective reward and sanction system to deal with change. Also, if change management is to succeed, the internal customers of a firm (i.e., the employees) first need to be sold on the need for change. Without active buy-in from employees, no CRM solution is likely to get off the ground. Change is not just anxiety-provoking for many people, it is downright terrifying!

The five key initiatives in connection with change management discussed in this paper should enhance the success rate of CRM implementation in casinos. Success in this context, as elsewhere in the paper, involves the casino achieving its key objectives in pursuing the CRM project. The resistance to manage and accomplish the change required for effective CRM may stem in part from casino executives' lack of belief in the efficacy of CRM projects. In many cases, corporate level endorses the project and

**The general guiding principles of change management are applicable to CRM as well.**

general managers at various properties have to “weather” them. Here, the onus is on senior corporate management to do an effective job of internal marketing.

Fear of change at various properties could be another factor contributing to change management resistance (Au & Choi, 1999). Casino managers may be reluctant to upset their staff and employees with the disruptions and uncertainty accompanying change. Putting in place an appropriate change management infrastructure and employing effective horizontal linking mechanisms could address this problem. Where geographic and psychic distances separate corporate executives from the various casino properties, it may be worthwhile for the corporate leaders to have several in-depth meetings with each property general manager prior to CRM roll-out. The agenda for such meetings is to brief each general manager on the proposed initiative and to understand the manager’s concerns in connection with the project. Management will then have a better idea of what it will take to get project buy-in at various properties.

Besides these managerial issues, this paper also opens up several areas for research on change management and CRM. At present, there is no systematic empirical research linking CRM and change management. The five change management initiatives proposed in this paper could serve as the foundation for conducting field studies in the area. The importance of each initiative in terms of its impact on CRM success or failure will then become evident as will insights into best practices for each initiative.

In an empirical study involving 342 senior managers, Day (2003) concluded that superior customer relating capability was best explained by the way an organization configures itself. Configuration is the way in which an organization aligns itself for building customer relationships and it is achieved through incentives, metrics, organization structure, and accountabilities. Interestingly, the study found that information technology by itself contributed little to superior customer relating capability. These results reinforce the need for change management so as to align the organization for delivering superior customer experience. Future research in a gaming specific context should focus on vital related issues such as how a company should be organized in order to achieve optimal customer relationships, what incentives and metrics best support CRM (cf. Kothandaraman & Wilson, 2000), and the relationship between frontline empowerment and successful CRM implementation. Given the dearth of empirical studies in this important area, ample opportunities exist for converting various anecdotal CRM episodes into testable hypotheses. Doing so will signal the beginnings of theory development in this nascent area. It will also provide practitioners with objective information and valuable insights on CRM.

## **Conclusion**

The years 1995-2004 could be considered the “decade of CRM.” During this time, volumes worth of material has appeared on the dos and don’ts of managing customer relationships. Vendors and CRM consultants kept coming up with tall promises and ever more sophisticated offerings in the hope of capitalizing on the expanding CRM market. Even to this day, while the CRM marketplace is growing, the CRM project success rate is not (Amerongen, 2004; Middlewood, 2004).

Most early focus of CRM has been on technology, with the implicit assumption that software will in some miraculous way solve the problems inherent in retaining an ever more demanding customer base. This engineering-driven approach ignored the human factors that impinge on an organization’s ability to execute a collaborative strategy like CRM. Attempting to develop CRM strategy without considering the people issues will inevitably invite disaster, particularly in a labor-intensive business such as gaming.

A carefully thought out and systematically orchestrated program of change management takes into consideration the human issues surrounding customer management, thereby enhancing the chances of successful implementation. CRM strategy often necessitates revolutionary changes in culture, organization structure,

teams, behaviors, and performance appraisal and incentive systems. Based on extant literature search, consulting experience, and applied field work in the areas of change management and CRM, five key change initiatives have been suggested in this paper. When correctly implemented, these initiatives will provide the proper organizational configuration for CRM. Effective change management ensures that the internal customers of an organization are optimally equipped to interact with its external customers. How close the organization gets to such optimal interactions is the ultimate gauge of CRM success.

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