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Title : Positioning Your CEO in a CRM Implementation Part II
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URL : www.altimumims.com/en/docs/CEO-CRM-2.pdf

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Difficult Conversations: Discussing CRM with Your CEO Part Two: Elements of the Discussion



Featured Author - Glen S. Petersen - December 29, 2005
Originally published - February 19, 2005

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Introduction

Customer relationship management (CRM) systems can boost a company's competitive performance by providing customers with much needed consistency and unity. Because the CEO plays a key role in the successful deployment of any implementation, the nature of CRM must be accurately communicated to the CEO.

As discussed in [Part One](#) of this series, because of the general political process involved in initiative generation and the assumptions the c-level may hold, explaining the purpose and function of a CRM to a CEO may not be an easy task. Part Two of this series will provide a general outline for this discussion with the CEO. This approach will offer a logical sequence of topics that will form the basis for a script. It should be noted that this discussion is likely to involve several interactions and may involve different audiences as the topics are explored. Most importantly, this section concludes with a description of what actions the CEO must take as a result of this dialogue.

This is Part Two of a two-part series. Part One explored some of the common misconceptions of CRM that lead to faulty assumptions and ultimately, failure. Part Two will provide a "script" for the discussion with a CEO and will identify the four key actions that need to result from it. [Link to part one.](#)

In Search of a Definition

The CRM industry is largely driven by the voice of technology. As the industry has matured, vendor influence has become more pervasive. Virtually every CRM topic web site and white paper is derived from a vendor perspective. As such, the definition or spin given to CRM reflects what the vendor would have the end user organization believe are the "must have" attributes of the system.

Over the seven years or so that CRM terminology has existed, there has never been a universally accepted definition. If the industry cannot agree on a definition, then what does the end user organization infer when management uses this term to launch an initiative? Most likely, each person is using his or her own perception of what the term and the initiative means to his or her area of responsibility and to the organization at a whole. Thus, management is using the buzz words of CRM, thinking they are communicating the same

message when in fact they are not on the same page much less the same chapter of the book. In many companies, the misuse of the CRM term has led to it being ostracized from the organizational vocabulary. Adherents to the concept are thereby forced to use new terminology to avoid association with the now discarded idea of CRM. This is a sad state of affairs for CRM advocates and is an indictment of the industry for poisoning the pond.

For example, what does being customer centric really mean or how do you define loyalty? Which metrics would measure whether the organization possesses these attributes or at what level?

For the purposes of this paper, CRM will be defined as

- an operational strategy that commits the organization to a focus on customer profitability and life cycle value as a means for achieving long-term profitable growth and shareholder value.
- As a technology component of this strategy, CRM provides a complementary set of tools that facilitate processes that touch the customer such that the total customer experience is maximized in a manner that leverages profitability and life time value.
- The technology that provides a database which includes everything the organization knows about the customer relative to interactions, profiles, profit, and behavior. Access (analytical tools) to this database allows the organization to identify how to profitably serve the customer and anticipate future needs.

This definition clearly positions technology as an **enabler of an operational strategy**. However, industry hype would have the end user falsely believe that the technology is the driver of operational advantage. If CRM is not an operational strategy, then the technology must have magical qualities that create benefits due to its power and capabilities. One should not dismiss the potential for benefits of scale and pure automation; however, are these commensurate with the price and is this really the objective of the technology? A pure technology deployment may garner a ROI, but one is simply “paving cow paths” and it becomes analogous to using a tank to kill a mosquito.

The Dilemma

From an organizational perspective, CRM is a **disruptive concept** and it is expensive to deploy and support. Senior management tends to recoil at the cost, yet cutting short the strategy phase and budgeting has a consistent track record of failure. The underlying issue here is that without a clear sense of outcomes, it is difficult to generate the commitment to do the right things for the right reasons. When the initiative is funded, the CEO, COO, and the Board probably have different ideas about what they authorized and believe that they have empowered someone to pursue CRM as a means to slay the dragons that threaten the organization. Having completed this step, they may not be receptive to the idea that their homework is incomplete and that they hold the keys of success or failure. This situation is all too common and the fact that it is a CIO or another individual that is charged with implementation makes little difference. The owner of the initiative is confronted with the dilemma of proceeding and hoping for the best or suggesting the need for a strategy with the person who is positioned as the keeper of organizational strategy—all ingredients for a difficult discussion!

Beginning the Discussion: Pain Management

There is a commonly recognized phenomenon in the field of change management that people will take action when the perceived *pain* of action is less than the consequences of non-action. One only needs to think of common occurrences, such as quitting smoking, to

validate this concept. We are about to embark on a discussion with the CEO regarding his or her role in achieving success with CRM. As has been just stated, CRM is a disruptive concept; this suggests organizational change which has significant risks for the leader who attempts it. So before the dialogue begins addressing the actions that the CEO may regard as risk laden from a personal perspective, it must be preceded by a discussion of opportunity that will out-trump the thought of discomfort.

Before the discussion, first identify areas that the CEO is concerned about, where the pain or perceived pain is. This is the collateral necessary to create action. These points of pain may be well defined or they may be masked by the culture. As indicated in Part One, issues are often clouded by the swirl of politics, anecdotes, reports, and current crises. However, it is likely that the issues will revolve around one or more of the following topics:

- The need to reduce cost and cycle time on mission critical processes.
- The “China price” (least cost) for goods.
- The need or opportunity to outsource services.
- Regulatory requirements.
- The inability to budget sales and marketing costs on a cause/effect basis.
- Creating organizational alignment of effort.
- Ensuring organizational innovation and creativity.
- Maintaining profitable growth (short and long-term).
- Merger and acquisition strategies.

The challenge is to identify which of these hot buttons is the most pressing for the CEO and which ones need viable solutions. Obviously, the CEO is going to be most interested in discussing the capabilities of CRM in the context of these needs. Further, the CEO will be inclined to take on personal risk if it is viewed as having a credible potential for addressing the above points of pain.

It is important for the owner of the CRM initiative to go beyond the buzz of the organizational swirl and attempt to connect the cause and effect of these points of pain. This may require some time to do research and talk with peers, but it will be critical to understand this mechanism if one is going to attach them to the capabilities of CRM.

Making CRM Operationally Relevant

The discussion needs to start with an understanding that CRM capabilities are designed to help the organization to understand and manage customer profitability. If one uses a stock definition from the industry you will probably become more familiar with details of the CEO’s carpet than you would care to know. Most CEOs are aware of the historical hype.

The immediate reaction of the CEO to the issue of customer profitability is likely to be “we already know who are profitable customers are” or “what’s the relevance of this data?” Therefore doing some homework is a good survival tactic. The CFO and perhaps other senior level executives may be helpful in making an educated estimate of the profitability of a sampling of customer across geography, size, and industry. Typically, this analysis produces counter-intuitive results and is laden with surprises that the CEO may not be aware of. However, even if this is not the case, it should set the stage for the next step, which is to set up a chart which shows the population of customers ranked into five or six levels of profitability. Again, this will require help from the CFO and will probably have many guesstimates, but this discussion is not about brain surgery. Calculate the impact of moving just five percent of customers in the two lowest profit ranked groups to their next higher rank. Most individuals will agree that this seems to be a reasonable objective. Then calculate the profit impact for the organization. The impact is likely to be in the double digits. This should get the CEO’s attention and provide the opportunity to move to the next agenda topic.

Understanding the Impediments

Given this example, the CEO is likely to be excited while at the same time frustrated as to why the organization is not going after this technology at warp speed. Now is the time to address some of the realities of the organization. Given a functionally structured organization, one would expect to have the following impediments:

1. No one in the organization **owns** the customer experience.
2. None of the customer facing functions is oriented with customer profitability. For example
 - Sales is driven by revenue targets and budget constraints.
 - Marketing is focused on products and programs.
 - Customer service and field service are managed on a cost and risk containment basis.
3. Customer and trade partner programs and policies have little accountability relative to behavior, profitability, or retention.
4. There is limited agreement within the organization as to who owns customer data and what accountability that ownership implies in terms of accuracy or quality.
5. No one with profit and loss responsibility is currently responsible for the achievement of specific success goals for the CRM initiative.

Therefore, deploying CRM tools with the intention of a focus on customer profitability without addressing a change in operational strategy is likely to be a waste of organizational energy and resources.

Expanding on the Opportunity

At this point, the CEO may feel a little overwhelmed and there is danger that the current balance of pain management may not be enough to keep the discussion going in the right direction. Therefore, it may be wise to review how CRM can be reasonably expected to impact other areas of pain for the CEO. It would take at least another white paper to discuss these in any detail, so the following comments are meant to indicate some relevant ideas but are not meant to be exhaustive by any means. Some of these issues point directly to CRM while others may be more indirect:

Cost and cycle time: The tools of CRM are designed to positively impact cost and cycle time but the more important attribute of customer profitability is that it helps the organization identify areas of wasted effort (when the customer does not perceive value) versus areas that the customer may be willing to pay a premium for. The focus takes on a market orientation.

China price: This relates to sourcing the product from China (low cost perspective). As defined in the discussion of cost, the customer orientation provides a better sense of customer value needs. Some customers may not be profitable in the first place, losing them to a competitor may not actually be a loss. It is important to recognize who you want to keep and at what price?

Outsourcing services: It is interesting to note, that after a frenzy of outsourcing services, organizations are now beginning to assess the negative attitudes they have created in the minds of their customers due to their rush to reduce cost. Could this be a lesson learned?

Regulatory requirements: This issue is difficult to generalize, but CRM tools control and document processes at a level that may not be possible otherwise.

Sales and marketing costs: The focus on customer profitability and behavior provides a framework for understanding cause and effect in the marketplace. This understanding may never be perfect but what is the alternative? Most organizations budget based on historical precedent as opposed to understanding what's working versus what is not. However, history implies making the same mistakes with little opportunity to improve the yield from resources. Since sales and marketing often represent more than 35 percent of corporate costs, this is of strategic significance.

Organizational alignment: This topic is most frequently used in the context of IT budgets and strategy, but clearly the whole organization needs to be aligned regarding customer profitability.

Innovation: It is reasonable that in some circumstances the customer may not know what they want or need. However, the odds favor an understanding of customers and what they are willing to pay a premium for.

Profitable growth: Long-term growth is difficult to sustain and few organizations achieve it. Certainly understanding customers and their respective markets must be viewed as a mechanism for recognizing trends and taking action before events overtake the market.

Mergers and acquisitions: When properly deployed, CRM technology can be used to increase the speed for integrating acquisitions and make divestitures more attractive.

These opportunities should surely be attractive to the CEO and warrant future discussion.

What is Needed From the CEO?

Well, the discussion outline has convinced the CEO that CRM is a powerful tool and that to leverage these benefits will require change. So how do we help the CEO get started? What actions are needed from the CEO?

First, there must be a realization that no organization can make the transition to a focus on customer profitability overnight. Likewise, there must be an attitude of learning.

Management must have a willingness to be transparent and admit not having all the answers. However, at the same time there must be a clear and unshakable resolve to pursue this strategy. There will be surprises and failures and the rank and file will watch to see if there is real commitment.

Accompanying the commitment, there must be a vision statement that communicates the need to adopt the CRM orientation, the reason for urgency, and the consequences of not taking action. This statement must emanate from the CEO, though the CEO should certainly receive input from senior management in its creation.

The CEO must model new behaviors associated with the strategy and deal with politics and change issues as they occur.

The CEO either should assume the responsibility for the successful deployment of the initiative or assign a senior executive who has profit and loss responsibility and who has reasonable accountability for achieving the desired operational outcomes. This executive must be chartered with the responsibility to define the operational strategy and the steps required to move the organization to this new state.

The CEO must establish a steering group and assign executives that are respected within the organization. Leadership should be based on who is the best for the task and not who might be more convenient. Whatever the CEO communicates in public will be weighed by the rank and file by these choices.

Congratulations, you have taken the first major steps toward a successful deployment.

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About the Author

Glen S. Petersen is an internationally recognized speaker, writer, practitioner, and thought leader in the CRM and e-business industries. As a visionary and early adopter of sales force automation (SFA), in 1986, Petersen led one of the first successful national implementations of SFA in the United States. He has held senior level management positions with system integration and end user organizations. As a consultant, he developed a number of proprietary facilitation techniques to help organizations to better understand technology, and how to rally around a single threaded, phased implementation approach. Prior to founding GSP & Associates, Petersen was senior vice president at ONE, Inc. and Ameridata



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