PART V

The Kernel

17

CRM Strategy: First in Plan, First in Implementation, First in the Heart of the Customer

"The anticipation was greater than the event." Has there ever been a truer statement than this? Think about it. Do you get excited when you're planning to go to Best Buy to purchase a plasma TV or getting ready for a long cruise to the Bahamas? Then you buy the plasma TV or you go on the cruise. Within a week or two of either event, you are planning the next purchase and the next vacation. This is the way life works, isn't it? Plan, execute; plan, execute; plan, execute—and plan again. We smack our lips in anticipation of what's next. When it comes to the big things in life, we love to dream and plan on how we are going to realize those dreams.

Then why is it that studies done by countless research agencies come up with the same conclusion? One of the primary reasons for outright failure in CRM is the inability to plan for it.

It can be even worse than just an "inability." There are numerous customers who actually think that they don't have to plan a strategy—just install and configure software. Remember the story in Chapter 1 of the company that bought all of the CRM modules of one of the enterprise vendors? Shame on the enterprise vendor for selling it to them knowingly. Sadly, this is not particularly unusual in the annals of customer brain cramps. Adam Golden, founder and principal of change management consultancy, Major Oak Consulting, has a long history in the strategic planning world. Here's what he has to say about this:

> While some companies struggle in developing a strategy, the issue is not just the inability to plan, but something much worse, the belief that a

> strategy doesn't need to be developed. The reason can vary, whether it is because of a classic flaw in the project approach (driven by IT, fear of raising issues, limited budget, etc.) or because the sponsor already thinks they have the solution, but this happens in more cases than you want to believe. These companies that forgo the discipline and long-term thinking that a CRM strategy requires are the same companies that contribute to the disappointing CRM statistics such as limited sales force adoption and negative ROI.

The other problem that roams free range with lack of planning is poor planning. In fact, in 2001, Accenture and Wirthlin Worldwide queried Fortune 1000 executives and found that 74 percent felt that CRM fails due to flawed planning—too much reliance on technology and too little on basic business planning. Ironically, it's often the same complaining management who are the culprits in this particular problem.

CRM strategies and plans change as the bigger business picture changes. As the ecosystem goes, so goes CRM strategy. Steve Olyha, senior vice president and global general manager for CRM at Unisys, says:

> CRM strategic planning doesn't even resemble (when it's done right) what it did even five years ago. The difference falls in a couple of key areas. CRM is no longer as internally focused as it once was, where sales force automation was really just SMR—sales management reporting. It's much more multifunctional today, particularly relative to understanding process touch points across traditionally separated domains like marketing, inventory management, finance, as well as being a shared responsibility across the business and IT. Having a business case and key performance metrics is fundamental, and in fact is the basis for good strategic planning today.

CRM is one of the big things in life—business life. So planning well for it should be an imperative. If you don't think so, don't just skip this chapter; skip the book and skip CRM altogether. You aren't ready, comrade.

Prelude to a CRM Symphony

Trying to define CRM strategy is elusive. Look at these mini-definitions:

- "CRM strategy is about knowing your customers."
- "CRM strategy is about creating value for your shareholders."

- "CRM strategy is about the entire enterprise."
- "CRM strategy is about business process re-engineering around a customer-centric philosophy."
- "CRM strategy is about delivering tailored information sourced from contact management solutions or analytics."
- "E-CRM strategy is about enhanced customer service, interfacing with consumers the way they want."

The only thing these characterizations have in common is appalling English and their own agendas. What CRM strategy *isn't about* is poor language use or particular interests. Yet there is nothing inherently wrong with any of these statements.

Adding to the confusion, there are as many approaches to a CRM strategy as there are vendors, integrators, analysts, and consultants. To befuddle even the most sharply honed senses, there are also as many interpretations of what it is as there are approaches and definitions.

Each company will have a strategy that is tailored to their own thinking and exigencies. But there are certain steps in planning for our newly minted extended value chain that make universally good business sense in the early 21st century. They are not only classic best practices, but are suitable for the current CRM paradigms and processes.

The Overture and the Movements

Let's begin by looking at what you should know as you get seated into your orchestra chair. This chapter will be an overview of the elements of a CRM strategy. Chapters 18 through 22 will cover many of these elements in detail. The movements:

Chapter 18 Analyzing business processes

Chapter 19 The impact of cultural change on CRM initiatives

Chapter 20 Implementation strategies

Chapter 21 Communications and learning strategy

Chapter 22 Benefits, costs and their measurements (ROI and Metrics)

Think of Chapters 17 through 22 as an overall guide to CRM strategy.

Voice of the Customer

True CRM strategies begin with the voice of the customer. Classic business strategies start with the corporation and will reach out to the customer for its ultimate ROI. CRM strategies start with the customer and see how the business can do what their customers require in order to attain its ROI. The best strategies empower the customer to manage their own relationships with the company. In fact, it's the premise of an entire book by Frederick Newell called *Why CRM Doesn't Work: How to Win by Letting Customers Manage the Relationship*. While I can't subscribe to his entire premise, his core concept, that your business strategy has to be built around empowered customers who effectively manage their own relationships, is absolutely right. Ultimately, it is this "feel good" strategy that improves the value of that customer for your business. If the customers like what you are doing for them, they will remain with you. If they don't, they won't. What you have to determine is how to make them like you. The value exchange needs to be effective and sufficient enough to retain most profitable customers and to acquire new ones.

The first step in identifying the voice of the customer is to find out whose mouth that voice is emanating from. For example, if you were to look at the customer in the world of sports you would immediately think "fan" is the customer. You would be right, but only in part. Agents are customers. Players are customers. The media are customers and influencers, providing TV revenue and reporters who influence the fans about the teams and players. The obvious customer isn't always the only customer. So sit down and map the customer chain carefully. You can't listen to them if you don't know them.

Then, to succeed with this CRM strategy, you need to listen to those customers and to organize the strategy around what you hear from them. For example, if you have an organized list of business processes that will improve the customers' lot with your business, query these customers and let them prioritize that list in terms of each process and its importance to them. That will help you determine how and when to implement those business functions.

The voice of the customer is far more than that tidbit. It needs to permeate every facet of your strategy. For example, it could involve the customers as stakeholders; it could mean the change to a compensation plan to attach KPIs that are based on improved customer experiences; it could involve customer metrics attached to business processes.

It could take a more volume-based and automatic direction. A new breed of CRM tools can track responses to information requests which give you sliced information on specific customer segments. In other words, wherever you look, whatever you do, however you proceed with your strategy, the empowerment of the customer and the improvement of the customer experience stares you smack in the face and you hear the voice of the customer. Knowing the voice of the customer begins to help you understand what customer behaviors are associated and associable with the business model and processes that you profess.

The Movements Begin: CRM as Program, Not Project

Once you've established who the customer is both by definition and by behavior, it becomes time to figure out what CRM is. To begin, be cognizant of another often-overlooked and nearly always misunderstood CRM concept. CRM is a program, not a project.

Unfortunately, over the past several years, because of the belief that CRM was a technology, it was battered into submission as an IT project with lots of cool bells and whistles. Thus, even to this day, there is a strongly rooted misconception that you are planning to undertake a CRM "project." That is a surefire sign of likely failure.

Projects are finite. They are tactical missions that have a specific beginning and a specific end with a defined benefit at the end of it. When the project is done, it is done. The IT world has historically done projects. Anyone who has ever been in the software/hardware business or worked with or for an enterprise has been involved in applications implementations that have gone on for a period of time, were "rolled out," and that was that except for ongoing maintenance. If you were lucky enough to succeed at it. However, complex or simple, successful or failed, the project was characterized by that finite beginning and, eventually, that finite end. Some cultural change was probably necessary, but nothing terribly dramatic. It is possible that there was no change management initiative incorporated into the planning since change management is one of the most under-funded enterprise initiatives.

But CRM is different because it is an all-encompassing philosophy, strategy, system, and technology. Remember Chapter 2:

> *CRM is a philosophy and a business strategy, supported by a system and a technology, designed to improve human interactions in a business environment.*

Thus, CRM is decidedly not a project; it is a program. That means:

- It is an initiative to change the way a company operates at all levels.
- It creates a culture that can support those changes and that will continue to change and improve.
- It establishes a corporate focus on relationship-building and customer satisfaction, rather than operations and transactions.
- It provides ongoing commitments to incremental improvements to maintain and, in better times, expand the customer base.
- It encourages continued staff education from the point of initial commitment of the stakeholders to the program through an unforeseen end point.
- It establishes ongoing relationships with the vendors, integrators, suppliers, and, most importantly, the customers.
- It creates recognition that the fulcrum of business is the customer, not the company.

With the knowledge that CRM is "eternal," the priorities and approaches that you take are dramatically transformed. Tactics become an aspect of the bigger picture, and the implications of project results are extended to the entire enterprise rather than just the department or section that the projects were initiated by and for. Cross-functional and cross-departmental cooperation become the underpinnings of company success with customers, rather than something that shows up as a pleasant, unexpected surprise. In other words, the customers and company get with the program.

Building the Stakeholders Team

Stakeholding doesn't mean the job of those who carry vampire-killing weapons. Stakeholders are the team accountable for the success or failure of the CRM initiative (or any initiative for that matter). They can come from the ranks of senior management, the most important departmental leaders, external suppliers, partners, and customers. The glue that binds is that each of them has some important responsibility and represents some important interest that is necessary for the CRM initiative. Each of them has "skin in the game."

Here is Adam Golden on the subject:

> What makes a great stakeholder team? Well, the key is to have the right people on the team both from a functional and behavioral perspective. That starts with understanding the far-reaching impact of a CRM project and getting senior management from each area involved. If you are considering an end-to-end CRM initiative, at a minimum you'll need the following stakeholders represented: sales, operations, finance, marketing, customer service, and IT. You'll also need a CRM expert and project management expert (ideally one person) to facilitate the team, whether it be an internal project lead or an external consultant. That group doesn't make the team great, it just makes them complete. What makes a stakeholder team great is active senior management participation, an open mind to change, enthusiasm to challenge the status quo, a willingness to demand excellence, and a commitment to meet frequently enough (every two to three weeks) to not only "govern" but have creative influence. You typically can't delegate this responsibility to the people in your organization who have more time (they usually have more free time for a reason). At the end of the day, you are changing the way you interact with your customers externally and how you conduct your day-to-day business internally, and that requires true stakeholders, not delegates. Stakeholders who realize that the long-term benefits the company will realize from a well-done CRM initiative are bigger than their individual functions. Maybe the best way to characterize the type of people you need on the stakeholders team is you need people who realize that the answer isn't going to come from just within the team. If you want to get closer to your customers, you need to understand what your customers want and how they'd like to interact with you in order to get it, and you can only figure that out by involving them. The stakeholder team needs to challenge everyone involved in the project to take that point of view.

Even when the various company interests are well represented, there is no guarantee of even minimal success. There needs to be a commitment from the stakeholders to create the strategy *and see it through*, not just a desire to have a CRM program. The stakeholders have an "eternal" obligation, not a short-term one. Remember, this is a strategic business initiative with a number of smaller projects to solve problems and create interest and support. It keeps going and going and going. While the enthusiasm is usually there with the stakeholders in the beginning, the tug and pull of the day-to-day vagaries of their jobs will begin to take its toll during the ongoing life of the program. The lust will fade, and we all know the road to true love is a rocky one. The stakeholders need to overcome their desires and make a commitment. If they can't commit, they don't belong in the relationship (the team relationship).

The Board of Advisors

Interestingly, this is an often overlooked part of developing the stakeholding team. There are two major benefits to a board of advisors.

One of the prime issues with stakeholding teams is that they are formed at the corporate headquarters. They are the core of the CRM program and by necessity have to come from HQ. But they are often insular and forget that the field is where the bulk of their employees and certainly their customers are. That means that they don't get the input from the very segments they are developing the strategy for. A board of advisors, without the decision-making powers of the stakeholders, solves that.

While there are multiple combinations of advisors possible, I would suggest at least the inclusion of:

Field personnel This could include store managers or salespeople who work in the field offices; management from the regional headquarters; other personnel who have a possible interest or will be participants in the execution of the strategy.

Customers These are the people you are trying to please, aren't they? Then involve them in helping you decide on the right strategic direction and the resolution of the problems that they've had with you. Bring in the most articulate ones and provide them with some form of "consideration" for their participation. They become more committed if they have a hand in solving your problems with you. This is how they (and you) benefit with an ROR—a return on the relationship.

Suppliers/vendors These folks are an important part of your enhanced value chain. If they don't supply you with what you need in a timely way, lots of customers are potentially pretty teed off at you. They know their business and their relationship with you as well as you know your business. Involve them in the solutions and planning.

Finally, I would involve the "natural leaders." Let's chew on this one for a bit so you'll understand what I mean.

Natural Leaders and User Input

During World War II and after, Dr. Kurt Lewin, often recognized as the father of modern social psychology, did research at the University of Iowa on the influence of different types of driving and constraining forces on groups with different forms of organization. What he found (among far more than I could possibly cover here) is that there are role models—"natural leaders"—who tend to emerge primarily from groups that are nonhierarchical. When translated into everyday business life, you can easily think of people like this. The person in a department who is the mother or father figure for that department. The person people go to when they have a business, or personal, or technical problem—regardless of title. They are respected for who they are, rather than what position they carry. They are "one of us" but with a little bit more.

These are the natural leaders who, if they have a need to be somehow involved in your CRM program as a user, can articulate what their internal or external organizations or constituents truly think and want. If they are able to communicate that, they belong on the board of advisors. There are two reasons. First, by being on the board, their constituents feel empowered because one of them is protecting their interests (and at least as the thinking goes, their jobs) as a leader within the CRM program planning. Second, these leaders/role models become communicants and evangelists for the CRM program as the broader strategic vistas open up for them. They will bring this back to those same empowered constituents.

Don't underestimate the value of this. I will reiterate an important point. The biggest problem that is consistently found in failed or unsuccessful CRM programs is that the users don't see the value to them at all. If they feel powerless or uninvolved, they will do what they are comfortable doing—in other words, what they used to do. They will not do what they are mandated to do or what they can't see the importance of doing. AMR Research found that in CRM projects that failed, 47 percent cited "lack of user input at the beginning" as the primary cause.

Think about it. If your management comes to you and says, "We've implemented this new strategy and system and we want you to use it. Here is how it benefits the company's objectives. Blah. Blah. And it will do blather, drool, fizz for the company." What will you think? "Oh, that's really wonderful. I can't wait to benefit the company. You know what? If it changes my compensation or eliminates my job, but the company improves its profitability, well, hey, that's fantastic!"

Hardly. More likely: "So what? How does it benefit me? What does it do to make my work better, easier, more productive, more lucrative? How will it make my job more secure?"

If you have natural leaders on the board of advisors, those questions will, for the most part, have been answered by the time the strategy is settled and the system is in place.

Politics and Poker

Depending on its scope, CRM can be a career builder or a career buster. In any case, there are many individuals within a company at an executive level especially, but even among the ranks, who have a stake in the CRM program—or they don't and want to. There are "reactionary" elements within the company who have a fiefdom that they want to preserve, along with their hold on the serfs. CRM can dramatically alter the approach to business, and that threatens the existence of the fiefs, which depend on the existing infrastructure and practices of the company.

Don't underestimate the power of this to bring a CRM initiative to its knees. The internal results of CRM programs are every bit as threatening to someone with an ax to grind or a field to defend as a direct attack by a colleague. "The king is dead, long live the king" creates uncertainty about one's place and position. Even those who heartily embrace the initiative wonder about their future in this new surrounding.

If the politics rise to the level of senior executives, there can be serious problems. One set of practices that may help here are:

- Always map out the political situation prior to putting together the stakeholders' team—this understanding can be invaluable to identifying future bottlenecks. I never even accept a consulting assignment without a clear understanding of the politics of the company trying to engage me.

- If your opposition lies at the CxO level, neutralize it before you start. One bad seed CxO can poison the well and destroy the program before you ever start.

- Be mindful of company hierarchies when creating the stakeholders, but don't let them govern your choices. I was in a situation a couple of years ago where the head of the CRM program reported to a person who wasn't on the stakeholding team but their boss was. Think of the possibilities for ugliness here. They happened. It was solved by having the CEO announce to the company that the CRM program head no longer reported to that errant soul.
- The CEO's buy-in is indispensable. He must be visionary enough to understand the long-term implications of a CRM program and enthusiastic enough to understand that it will mean a dramatic change in his company. If the CEO is heavily vested in the present structures or tunnel-visioned and tactical, then there will be major problems. The CEO must be brought on board prior to the selection of the stakeholders, though the CEO doesn't have to be a member of the stakeholding team. He must be invested in the success of the program or it will fail.
- If you are a leader of the program, spend some time evangelizing prior to formal organization. While you are creating excitement, make sure that realistic expectations are being set, and the knowledge of what CRM is becomes clear. This minimizes the cynicism that will set in with unrealistic excitement about CRM possibilities. Sadly, there is always someone waiting to jump down a throat if the mouth is opened too widely.
- Whether you are an outside consultant or internal leader, be prepared to get involved in the politics. You can't hide from it. There is too much at stake in programs of this magnitude to make believe that everyone is wonderful, caring, and will love what you are doing. I love all living creatures, but we all have our own agendas. Sometimes CRM can be in the way of those agendas. Don't shy away from neutralizing the opposition.

Never underestimate the value of facing up to the stakeholder politics and realistically dealing with it prior to the evolution of the strategy. Listen to Reese Harris, managing director of Turnkey Client Care, LLC, express this:

> A poorly defined and loosely articulated CRM project can allow those with political maneuvering skills to manipulate those who

> don't, and unless there is skilled intervention it generally leads to the project failure on some level. Politics often result in organizations with weak or inexperienced leaders since many top decision-makers evolve into leadership positions from roots as strong politically savvy managers. Often these managers lack the experience to recognize the damage and expense politics can cause and tolerate it since that is the way they got ahead. A new CRM system installation can also be intimating since many fear they will be left behind or look stupid in the process. Like a cancer, all levels of the organization contribute nutrients to the acerbic politics. The greatest challenge of a CEO or leader of an organization is to be crystal clear about the CRM big picture and what the expectation is, and that this could be the biggest change to the organization in its recent history. Communicate it often. It is a big deal.

Knowledge of the Known Universe

The earliest step in developing a CRM strategy is to see what you have already. The common parlance for this in the information technology linguistic wasteland is the "as is." It is also the requirements-gathering stage for the business, not the technology.

Steve Olyha again:

> You need two things before a strategy is set: clarity of your business objectives and the issues or problems that need solving, and great knowledge of your customers' behaviors and their prioritized business requirements and needs. Because CRM should no longer be the functional and technology-driven approach it once was, a clear understanding of how that strategy fits into the enterprise strategy is critical. This will also insure that better process integration across other historically separated functions like supply chain is included. Lastly, there is a greater need than ever to establish key performance metrics and have good analytic capabilities to measure the progress of that strategy and its desired results.
>
> Now, here is where the really good, customer-focused companies excel at strategic planning for CRM. While they look internally at the fundamentals of meeting their financial requirements to their shareholders as a starting point, they further align their strategies with the strategies and goals of their key customers or customer segments. In other words, their strategies are designed to help their

customers succeed with *their* customers! For example, the paper industry has gone through a transition (well, the ones who have survived have) from being in the business of manufacturing all the wood pulp they can get into various paper segments, to one better aligned with their customer needs, such as creating value packs in the commodity category of cut-size paper. They no longer use their CRM strategy to just help their sales forces sell what they can produce, but align production and new product development with what the Targets, Wal-Marts, and Office Maxes of the world are selling to their customers. This kind of planning further drives enterprise alignment across the previously noted process areas for even further benefit.

Developing the Value Proposition

Team constituted. Political issues settled. Snapshot of the business as it is now taken. Now what does the team actually do? First, they develop their value proposition. That means creating a mission, vision, and a business case that the entire team buys into. That should be easy without the politics, huh? After all, mission and vision statements are just one or two sentences. That can be knocked off in a day or two, can't it? Yeah, right. First, tell me the difference between a mission and vision statement. Then we'll talk. Tom Terez, of Tom Terez's Better Workplace Solutions, Inc., defines the difference this way:

> In a recent study, conducted by the American Association of People Who Don't Mind and In Fact Advocate Long-Windedness in Their Communications, showed that the typical *mission* statement includes two semicolons, two dashes, and at least two business buzzwords, while the *vision* statement contains only one dash but makes up for it with at least one run-on sentence.

This is funny, but it's what you often get in mission and vision statements. Buzzwords, or a marketing message, or a departmental imperative, or something that reduces the statements to a few sentences that reinforce some existing corporate hierarchy or incomprehensible generalities.

In fact, the crafting of these two statements is very difficult because it is an entire company and its future encapsulated into a few short sentences, whether metaphoric, poetic, or straightforward. They are the foundation statement for your entire CRM strategy. Arguably, it is the most important phase of the entire strategic planning. The caveat is there are those who would argue over that. In fact, arguments over content are frequent enough to create the need for facilitated goal alignment on the stakeholding team, even though the mission and vision statements were crafted by those chosen by the team and reflect the corporate policies, practices, and thought.

Mission: The "As Is"

Mission statements give a clear concise couple of sentences on what your company is as of today and who the customers you serve are. It should encompass the foundation for the vision statement.

Here is a bad mission statement: "The mission of (name omitted to protect the guilty) is to provide society with superior products and services by developing innovations and solutions that improve the quality of life and satisfy customer needs, and to provide employees with meaningful work and advancement opportunities, and investors with a superior rate of return." (It was Merck's, if you must know.)

You know why this is bad? Because even with the name omitted, you should be able to get a clue as to who it might be or at least what constituencies they serve and industry they represent in the mission statement. This one is cliché-ridden and bland to the point of being valueless.

On the other hand, here is the picture-perfect mission statement—the Ritz-Carlton Hotels—"We are ladies and gentlemen serving ladies and gentlemen." That is a profound, almost poetic metaphor that says the Ritz-Carlton is dedicated to providing the finest service to their customers who will enjoy a refined customer experience. All in that one statement. Use this as a model.

Vision: The "To Be"

Once you've defined who you are, the vision statement is your "wannabe." This is vision-critical (couldn't rightly say mission-critical, now could I?) for any CRM initiative, because it is within this concentrated vision that the basis for your ROI is likely to be. But vision statements are not meant to be practical as mission statements are. They are meant to be usefully inspirational. That means that while the future objective may be relatively lofty and forward thinking, it is an admirable and achievable objective.

Once again, bad and good vision statements:

Bad vision statement "We live to give the world great products" This is so general as to be useless. Not particularly inspirational either. That could work if you are national and your products are pretty average or mediocre, but beyond that, there is little value in this ordinary vision.

Great vision statement "An Apple on every desk." Steve Jobs said this years ago, and while it didn't come to pass, it is the ideal vision statement. It inspires (within the realm of the company, that is), it provides an objective, and it states what the company is planning.

Developing the Business Case

This is the next step. While you might have a noble goal in mind, how can you justify an ongoing CRM program to the mavens at your company who are there to do little more than shoot down justifications? Often, the chief marksman is the CFO, though interestingly, when CFOs are onboard, they tend to be ardent program supporters and great allies, if such a blanket statement can be made.

The primary elements of a CRM business case are: how does it benefit us, tangibly and intangibly, and what will it cost us? That cost can be financial or the costs of risk.

For example, in his excellent white paper "Creating a CRM Business Case," Dr. Naras Eechambadi, president of Quaero, identifies the elements as both financial and strategic when making the case. The financial elements are sources of incremental revenue, reductions in cost, higher profitability, and incremental costs. The strategic elements are real but intangible benefits, sustainable competitive advantage, opportunity costs, execution risks, and barriers to success.

The business case doesn't just justify the reasoning for a CRM initiative, but it creates a skeletal framework for the elements of the initiative that have to be fleshed out and sets expectation levels. It can both identify how well prepared a company seems to be to take a CRM initiative on and can root out how prepared they are to do so—often not as well as expected.

Financially, it plans the return on investment (ROI) and identifies the costs associated with the effort and the likely TCO. This operates to both excite senior management and caution them. If the business case is accepted, senior management has effectively agreed to the risks that are associated with the program initiative. They have also accepted the metrics that are going to be attached to the results.

The strategic elements that cover the intangible benefits and the associated risks are probably even more important, in the long run. If there is anything that makes management sweat, it is intangibles. Most managers, because they are managers who live and breathe their company bottom and top lines, don't like things they can't grab. While you'll run across some genuine visionaries, that isn't characteristic of the vast majority—so sweat they do. Convincing them of the efficacy of intangible results is made easier by the creation of scorecards (for instance, the often used Balanced Scorecard) but still is not easy. However, intangibles such as customer satisfaction levels, more effective use of customer information, or increases in customer responsiveness are more important than the immediate financial impact in the current quarter or year. But convincing CxOs of this is easier said than done.

However, if you do, then you have an agreed-upon roadmap for the future effort, which is invaluable. So the business case is identifying both the drivers of success and the constraints that are present in the risks of that possible success. Agreement means that there is a common ground for building the actual initiative.

Start Small, Think Enterprise

Biting CRM off in small pieces is not a bad idea when presenting the business case and, later on, the program plan. Why? Not because senior management has attention deficit disorder, but because they can only handle pieces of the truth. However, that doesn't mean that your strategic plan and the subset business case shouldn't think enterprise-wide, because it would be a heart stopper if you didn't.

While some have labeled this limited project approach "the organic growth of CRM," I tend to go with NY Yankees manager Joe Torre and call it "little ball." You do the small things you have to do to win games, which win divisions, which win pennants, which win the World Series (hopefully). Those small things such as stealing second base, bunting, and scoring baserunners on sacrifice flies win the games, instill confidence, and build teams. CRM is no different. A small customer-focused project *in the context of the overall initiative strategy* can go a long way toward instilling confidence in the CRM program—as long as you don't forget to measure or plan for its impact on the overall program and business.

These small initiatives can be departmental; they can cure a problem; they can be a quick win with a strong business case for their future success so the funding is granted. But they need to be part of an overall business case and strategic plan.

CRM roadmaps are often used to detail these efforts. They are developed in the context of the strategy and they detail the nature of the "little ball" project, its timeline, the metrics including performance and ROI, and of course its business benefit.

For example, a retail company has reached that transition point where it recognizes that to increase its market share and move to Fortune 1000 status, it has to change the way the company is approaching its customers. The stakeholders develop a company-wide CRM strategy that integrates the front and back office in its approach. The buy-in is strong, but the cash for the program is still not forthcoming. They identify two pain points. The first is the need to understand their customers more and to develop and apply the marketing metrics that are "voice of the customer" focused. The other is to strengthen the supply chain so they can provide their products to the customer on time with an objective of 100 percent effectiveness and communicate the strength of their supply chain to the customers. They have been 97 percent effective, but that isn't good enough. They set an objective to reach 99 percent within 12 months and to make sure that the customers are regularly apprised of the status of their order until it shows at their door. They choose the supply chain–related CRM project, rather than the marketing metrics because it is achievable with tangible results more quickly and will bolster confidence in the overall initiative. But they are aware of that project's impact on the entire company and the CRM program. For example, the effort of informing the customers means they have to create a multichannel system (e-mail, phone, and so on) that they don't have. They have to base some parts of compensation on the successful timely product delivery and they have to redesign some of those programs. They might have to hire more personnel or change their SLAs with the delivery services such as Federal Express or UPS to make sure that timely delivery is reinforced and poor delivery punished. In other words, even this project, which can be done quickly, impacts the entire value chain. But it remains a piece that can be swallowed by senior management in a single gulp and has a high possibility of success with clearly identifiable returns. It is both a problem-solver and confidence builder.

Financial Elements: Return on Investment (ROI)

Determining ROI can be difficult, even when looking at its more tangible financial elements (profitability, revenue improvements, and so on). There is no real formulaic approach to ROI, so it can become somewhat whimsical. Usually the stakeholders are defining the initial ROI components, which is neither good nor bad. However, where it can get sensitive is making sure that the powers that be understand that the results are long term, not short term. Increased customer longevity, unit margin increases, better cross-selling and up-selling opportunities, faster time to market due to improved customer insight, and better pipeline management are all viable returns on investment.

Gartner Group did a study in 2002 on CRM and ROI. The result was staggering. Fifty-five percent of all CRM initiatives will fail to positively impact ROI. The reason: 45 percent of all respondents treated CRM as a pure technology initiative. Only 25 percent considered the business benefits, the processes, and the metrics that needed to be addressed in the strategic planning.

By contrast, when a CRM ROI is clearly defined, it is remarkably lucrative. Brother International planned on a reduction in the rate of return on their equipment. They achieved it—the annual rate of return was reduced from 11 percent to 5 percent. This reflected an annual savings of $1.6 million in revenue. Exactly as planned.

Financial Elements: Total Cost of Ownership (TCO)

What about calculations for what the entire program and its line items are going to cost all told? More on this in Chapter 22, but from the standpoint of strategy, remember one thing: while CRM often provides a successful reduction in the TCO, and it must be planned for, it can *never* be the driver of a CRM program. But it should be a factor. Don't follow the example of those Gartner respondents mentioned above—65 percent didn't allow for TCO planning as a factor.

But how should it be planned for?

Let's assume that part of your CRM initiative is to use e-mail and web interactions more frequently as a channel for customer communication than the historic use of print and direct mail. The plan needs to reflect that to give the customer a greater series of venues to interact with your company. It implies that a single message to the customer must be developed to make sure that regardless of which communications channel the customer uses, the message is the same. It also implies a customer record that documents the interaction regardless of media. While the plan called for this e-mail and web interaction jump to increase customer access, it very well may save you quite a bit of money in related costs. The University of Dayton lowered its communications costs in a year by $190,000 because the need for direct mail was reduced by the increase in e-mail traffic. But the reduction was not the driver of the initiative. Increasing customer access was. Again. Never a driver, but always a passenger.

Strategic Elements: Return on Relationship

But there is another facet to be planned for that distinguishes CRM from any other form of strategic planning. If you think about ROI, it is aimed at the best results for the company. There is another component that should be planned for and that is often ignored: return on relationship (ROR). The ROR is not just what the resulting benefits of your CRM strategy will be for you, but what kind of returns can you give a customer that will increase the benefits to them and thus, in return, to you. This way, the return on investment is planned for both the company and the customer, and the result is a magnitude greater than just planning for either.

Strategic Elements: Risk Management and Corporate Governance

Given the scandals ripping the corporate world from its formerly sacred perch to its current location roughly one ladder from hell, corporate governance has become the synonym for risk management. While risk management is far more "categorical" and broad than corporate governance, there is no doubt that fears of malfeasance are the most prevalent factor driving the need for compliance, a.k.a. governance.

Risk Factors

We look at the nature of risk in Chapter 9. The strategic value of risk management is our concern here. Risk factors appear from any number of places. Levels of risk can be assessed, values attached to that risk, risk mitigation and management strategies developed. All of that said and done, risk is something that you always live with. Often the activities or events that cause the problems are not necessarily those identified or planned for. The unexpected is a risk unto itself. The benefit of risk management is that you can contain much of the expected risk and identify its potential impact, weigh it against the benefits that are associated with the processes that have the risk, and decide on the value you give it and the willingness to take the risks.

Some examples of risk:

- **Lack of cross-functional planning** A failure to recognize the impact that CRM will have company-wide, not just on the departments that are implementing a project or developing a program.
- **Failure to include a clear-cut business strategy that leads to arbitrary approaches** This one is a risk that is almost always completely ignored.
- **Customer loss (or dissatisfaction)** In a study done in 2002 by the Information Systems Audit and Control Foundation (ISACF) with PricewaterhouseCoopers, this was the greatest concern of all the risks possible—over 27 percent mentioned it as important or very important.
- **Lack of support from senior-level management** That means there is no executive guidance nor is the funding kept as a priority. Senior management indifference can kill a project.
- **Lack of user support** This is a well-documented risk factor and has to be planned for, though oddly, of least concern in the ISACF study—only 2 percent mentioned it as very important. I have to say that the study points up the foolishness of the survey respondents.
- **Vendor misalignment** Purchase of an application suite that comes from a vendor who has little or no understanding of your objectives, processes, industry, or culture and thus your CRM plans

There are countless other risks, large and small—hardware failures, software bugs, change in the business climate, new laws passed by the Congress—all of which are possibly taken into account. For example, five years ago, would you have predicted something like the strict corporate governance and accounting standards that Sarbanes-Oxley calls for? I don't think so.

Complying with the Enemy: Sarbanes-Oxley

I presume that the majority of the readers of this book have heard about or been directly impacted by the dreaded but widely supported

Sarbanes-Oxley Act. It passed the U.S. Senate 97-0 and is designed to prevent egregious financial manipulations that companies like Enron have become notorious for. Of course, the problem is that even though, as the Jackson 5 used to sing, "one bad apple don't spoil the whole bunch, girl," Sarbanes-Oxley treats the corporate world as if it does. The costs are outrageous to meet compliance. Companies like Steelcase estimate 20,000 man hours necessary for compliance by June 2004, the first milestone date. That is ten people working full time for a year. Some companies are delisting themselves from NASDAQ so they don't have to bear the burden of compliance. The range of costs for compliance in dollars has been thrown around from $1,000 to $1,000,000 for a midsized company and much higher for the Fortune 1000. Yet the Business Roundtable, consisting of companies that have $3.7 trillion in total revenue, endorsed the measures even though they are draconian and potentially damage innocent companies.

How does CRM impact this? For example, Section 404 of Sarbanes-Oxley is aimed at validating the internal financial controls of a company in a way that can be audited by a third party. Customer-facing activities play a large part in that validation. Even more directly, there are requirements that sales figures be accurately reported for the prior year and any material changes to financial conditions, including the loss of a strategic account or even significant customer complaints that relate to defective products or services.

For example, if sales revenue is recognized improperly, it can nearly or actually destroy a company. Several CRM vendors were cited pre-Sarbanes-Oxley for improper revenue recognition. How cooperative marketing funds are applied is another potential sore spot.

A CRM system can help companies establish controls for the financial reporting related to these processes to support compliance with the legislation. In fact, in 2004, this is now a major industry with companies such as SAS coming out with applications that monitor compliance and, using analytics, detect potential irregularities or problems prior to their becoming issues. AMR Research estimates that 2004 Sarbanes-Oxley compliance-related spending will be $5.5 billion, with more than half—nearly $3 billion—in hard expenditures that could affect companies' bottom-line performance.

This is perhaps the most risk sensitive consideration of your CRM strategy.

Scenario Planning

It is exactly meta-factors such as Sarbanes-Oxley that make scenario planning, popularized as a planning tool by Shell in the 1970s, one of the most powerful weapons in CRM's strategic arsenal. It can be used for assessing the possible outcomes of geopolitical scenarios or down to the micro-level of use of particular software features in business processes.

Yet, scenario planning is rarely used in CRM strategy. With the exception of a few companies like Unisys, it remains outside the toolsets that are popular in determining CRM effectiveness.

To put it simply, it is the analysis of factors that can lead to a number of possible future results. There are methodologies and algorithms that vary from place to place, but the fundamentals remain the same, though the place it is used in CRM can vary. For example, York International, an HVAC equipment provider, used scenarios with the vendors they were interviewing, providing each of them with a similar possible situation and seeing how well the vendors could provide for solving those situations.

On the other hand, another scenario-building method is to examine the approaches that are beyond the reach of internal organizations. How will the upgrading of a terrorist alert status to Orange impact Your Choice Airlines and its relationship to its customers? What are the measures that might be applied to countermand some of the damage?

Back in 2003, Unisys successfully applied these meta-factors at a seminar with 25 major decision makers from Australia. They hypothesized a number of possible future scenarios and the impact of CRM on business and government. A few of the results:

- Collaboration with the customer is imperative in designing CRM systems.
- The concept of customer for life might be seen as arrogant by customers because of the amount of data about that customer eventually captured and stored by the supplier. This can lead to customer dissatisfaction and eventual breaks with the supplier.
- The tensions between the individual's desire for privacy and commerce's desire for more customer information, overlaid by security considerations, are nowhere near resolved.
- Meta-factors such as population growth and increased lifespan will influence the attitudes embedded in CRM. For example, the ability to understand and accommodate cultural nuances in the

countries with increasing labor pools and increased business growth will become increasingly important as organizations expand their global customer bases and at the same time centralize their customer relationship operations.

In other words, scenario planning throughout the development of CRM strategy can help with the anticipation of catastrophic and not-so-catastrophic, but globally significant possibilities. Each of the conclusions can lead to a planned possible result that can turn a negative into a positive and a positive into a triumph.

But this isn't meant to be a broad or vague approach. The steps to scenario planning are specific:

1. Start with your "as is" assumptions about your own business and, if in a cross-industry venue, about the specific industry.
2. Look at the possible constraints and restrictions that might concern your business or industry.
3. Think through and present all the outcomes.
4. Weigh the outcomes by applying a methodology to determine value and risk.
5. Develop a decision tree that will outline possible outcomes and the resulting events and then identify the likelihood of each of the outcomes occurring.
6. Use the result as a model for a real-world prototype.
7. Refine everything and make the decisions that seem appropriate based on the risk, reward, possible outcome likelihood, and success of the prototype.

But before you go triumphantly into the night, learn what the tools are for scenario planning and how to use them for your strategy. The business you save may turn into the one that discovers the cures for many diseases. Possibly. But there are other outcomes, too.

Business Process Management (BPM)

When developing a CRM strategy, one of the most important facets of the effort is the dissection and reconstruction of business processes using increasingly sophisticated tools. The technology provided with

BPM solutions can manage processes, allow manual intervention, extract customer information from a database, add new customer transaction information, generate transactions in multiple related systems, and support straight-though processing without human intervention when needed. But those are the tools. BPM is also a critical part of your CRM strategy. Each business process that your company uses has to be examined for such features as:

- Its relationship to other business processes
- Its ownership
- Its viability as a process for the customer
- Its value to the customer experience (weighted)
- Its relationship to the workflow
- Possible changes

By no means is this all that has to be examined, but it gives you an idea of the detail. Dick Lee of High Yield Methods has one of the best methodologies for the breakdown of the processes and workflow. He calls it “visual workflow”: “It decouples workflow (how work moves from function to function and stakeholder to stakeholder) from work process (how work is accomplished within functions or departments). It then couples workflow and information flow and analyzes and redesigns them as a single unit. The combined effect of these two changes from other process improvement methods—plus use of a “common language” mapping approach that’s equally accessible to the business and technical/operations sides of companies—produces process improvement.” (See Chapter 18 for more on visual workflow.)

Analyzing the business processes in terms of their benefit to your customers will suggest elimination of some, changes to others, and additions to fill holes that will become apparent. Don’t forget, business processes and practices in combination with your culture is the way you do business. Benchmarks and metrics tell you how well you’re doing it. But you need all of these elements to make a CRM strategy work

Benchmarks and Metrics

CRM success is seen in changes in customer behavior, and I love it for that. But if the success is measured by feeling and opinion, rather than benchmarks and measureable objectives, then it isn’t really success.

While intangibles will always exist, results, in order to be meaningful, have to be discernable. Fortunately, in the last few years benchmarks and measurements have been successfully developed in the real world, using real practices, that can validate that triumph or defeat. Customer satisfaction, often seen as one of the behavioral measures of CRM success, is also one of the places where metrics have been developed through years of effort testing and tuning them.

The definition of the business case is also the place where you want to begin to define your benchmarks and metrics. What will be the expected results of the program at different points? What are the minimum thresholds for success and the optimal successful results? For example, if your benchmark is to reduce the queue time to less than 45 seconds per call with no increase in personnel over eight months, is 45 seconds over a year successful? Is 50 seconds a call in eight months successful? What are the subjective values attached to the benchmarks and metrics? Are those 45 seconds a call established as something that will make the customers happy? How will that reflect it tangibly?

Many companies use methodologies like the Balanced Scorecard to determine the value of and identify specific benchmarks that will reflect the CRM initiatives' impact on the company as a whole. There are dozens of possible options to choose from, and choosing none is one of the options. But what does have to happen is that these key performance indicators (KPIs) have to be established by the stakeholders and their advisors so that the results of the ongoing program can be measured against its goals, mission, and vision.

Customer-Based Metrics

David J. Mangen of Mangen Research Associates is the perhaps the leading expert on CRM-based metrics. When metrics are being defined, there is considerable confusion as to what customer-based metrics are. Dr. Mangen is here to clear the confusion:

> *Customer-specific* metrics focus on the client's needs and specific issues that drive their desire to do business with your company. Many companies too often want to only consider "hard" customer factors such the length of the client relationship, industry designation, number of employees, etc., as the most important characteristics of their customers. While this is, indeed, important information, the softer customer measures have to be differentiated from those harder factors. Ultimately, these softer customer measures are far more important

in specifying *who* elects to do business with you. Some examples of customer metrics might include:

- Customer desire for a partnering relationship with a supplier versus a transaction-based relationship
- Receptivity toward comprehensive solutions developed by a supplier versus the need to develop the solution in-house and maintain proprietary control of the final product
- A customer potential index, referenced by the number of products or services that the customer uses that a supplier is *able* to supply regardless of whether or not the customer currently uses that supplier as the preferred current vendor

Note that the first two of these metrics clearly focus of psychological willingness to develop an intense, comprehensive relationship, while the third is a bit "harder" in that it addresses client potential.

Performance Metrics

Some of the more common CRM key performance indicators (KPIs) are:

- Revenue per salesperson increase
- Ratio of administrative to street time in sales change
- Retention rate for customers increase
- Customer lifetime value (CLV)
- Response rate increase for marketing campaigns
- Queue time reduction in customer interaction center
- Increased up-selling and cross-selling opportunities from CSRs
- Increased renewal rate of service level agreements (SLAs)

Diagnostic Metrics

Erin Kiniken of Forrester Research, in a *CRMDaily* article, recommended that enterprises use diagnostic metrics to measure successful use of the actual CRM system. These could include such measures as the number of employees using the sales applications, the number of customer addresses in the database, the number of phone calls entered into the database, and the amount of time that it takes an employee to access a customer record. In other words, measurements of the effectiveness of the system, not of the performance of the user.

Culture Change

I'm not going into detail about CRM and culture change here because I'm devoting Chapter 19 to it. However, remember this: culture change is the most significant and most overlooked piece of corporate strategy. The dramatic impact of a newly established customer-based business practice and lifestyle is no small thing. It is the lynchpin of any CRM program. Since the way you do business is going to change when you establish a CRM initiative, the corporate culture has to be restructured to support the changes. But the resistance to those changes is heavy and that resistance has to be overcome. Organizations and structures have to be transformed to support the positive transformation. The factors that have to be taken into account are social, psychological, emotional, organization, personal, and dramatic. To take care of this, make sure that you have the change management structure in place to direct and focus the changes. In with the good things, out with the bad.

Alignment with the Customer Ecosystem

One important planning concern is the impact that CRM will have on all your business processes and procedures, not just the obvious customer-facing ones. That means that CRM will affect your supply chain, your mobile field force, your financial and human resources departments—pretty much all of your company. For example, the supply chain, which has been an issue for optimization and physical management, is now a major customer issue and is part of that extended value chain I keep talking about. Let's say you have a retail order that is due in a timely fashion. If it doesn't arrive in a timely fashion, what was previously a matter of managing the levels and distribution of inventory is now a customer concern. What if the customer finds that you've misread the available inventory or improperly delivered the item so it was late? How likely is that customer going to continue doing business with you when he's been blindsided? From the voice of the customer, we hear two simultaneous musical notes:

- The company is changing the business processes and thus the thinking about the way business is done to a customer-focused approach.

- The business ecosystem is being transformed to a customer-pivotal ecosystem. That means empowered highly volatile customers with high expectations.

Which means:

- All your employees in all divisions that are along the chain that produces and supplies the product or services are affected.
- All your partners, suppliers, and vendors that are along the chain that produces and supplies the products or services are affected.

So what do you do? Develop plans to ensure that not only are the tools in place to make the users more "friendly" to the CRM program, but that compensation programs are in place that emphasize customer satisfaction. Initially, those programs will be needed for sales, marketing, and customer support, but don't underestimate the need for similar programs for human resources (employees = customers), field service technicians (often the first line of defense and face-to-face relationships with customers), and other traditionally back-office employees. Plan for programs that reward your suppliers and vendors for excellent product or services management that exceeds the standards agreed upon in your contracts. Penalize them for failures to meet the standards. Change even your partners' focus to customer-driven. Though these programs can be costly, don't underestimate their importance in your strategy.

Vendor Selection

Once you've chosen the strategy, vendor selection is on the table. Note that I didn't say "software selection" or "CRM application selection." That is the trap that companies often fall into when they begin to choose the system that will support their strategy. This is the point where it is easy to get star-struck. Bells, whistles, brass, gold, and silver finish all begin to float around your head when you see the things that CRM applications can do. Well, there are several things CRM applications can't do. They can't do your work for you. A CRM application can't solve its own installation problems, or customization problems, or configuration limitations. It is mute in the face of these. CRM software can't take care of a crash of itself. It can't work out financial issues when it goes over budget or over time. It is dumb, inanimate, lifeless code. But the company that provides that software can take care of those problems and solve those issues. That's why, as I've been preaching for a long time, "When you buy the applications, you buy the vendor." Knowing the core values of the vendor, the mission and vision and practices of the vendor and that vendor's culture are essential to your software selection process. The functionality of CRM whether online or in-house is about the same in each category. SFA is lead and opportunity management, forecasting, order management, and so on no matter who puts it out. The way it is executed is perhaps a little different. But functionally, the applications are 95 percent the same. It is your relationship to the company in addition to your examination of the software that is going to matter. It is an ongoing relationship that will not end after the first applications are released and running on your or their servers. I'll be covering this in detail in Chapter 20.

Implementation Strategy

This is tactical. Once you've implemented your strategy, chosen your vendor, picked the appropriate modules, decided which areas of pain you're going to cure or which quick wins are politically important as well as useful, then it's implementation time. It could take from thirty days to two years depending on what you've chosen to do and which model or methodology you've chosen to follow. The net native model transformed the big-dollars/long-time implementation cycles that have historically defined these enterprise whopper-sized projects. Now all the CRM providers are slimming down their cost and their times for implementation. Even so, there are specific things to do that are worth looking at. In Chapter 20, I'll compare the implementation methodologies of the net natives and the enterprise vendors (in their Atkins-slimmed new clothes) by going straight to the horse's mouth on this. Each will battle it out as to why they're the way to go.

Ongoing Learning Management

If I asked you, "How do you handle knowledge transfer and learning management in a CRM initiative?" most folks would tell me about end-user training, such as classes on how to use the software or meetings to describe the system. They would be barely partly right. Ongoing learning management involves the use of the same multichannel approach to communications with the ultimate participants in the initiative as you would use for actual day-to-day operations.

Some of the elements to consider:

- Communications planning
- Applications training
- Contextual online help
- Helpdesk and technical support
- Iterative involvement of the user in sculpting the appropriate system configurations and strategies

Dana Sohr, the managing partner of Attain Technologies, has 20 years in the learning management systems business. He cautions:

> People are often an afterthought, if that, in large implementations. In my experience, most technology implementations don't fail because of technical barriers but because the people side isn't handled properly. The project team successfully delivers a system that works, but the system doesn't provide the expected business advantage. In many cases, the system impacts the business negatively. People can't grasp the new system. It means more work for them. Frustrated employees, customers, and suppliers use it incorrectly or not at all. Even though you will find some pockets of success, more frequently you hear about employees resorting to workarounds that leave critical data out of sync with business reality. Employees are keeping data in rogue, ad hoc systems such as spreadsheets. Managers and supervisors can't get the data they need to make informed business decisions.
>
> Without enabling and driving changes in the associated human behaviors, you might as well flush your technology investment right down the drain. It's like parents buying a new piano for their children, setting it up properly in the corner, having it tuned, and then sitting back and expecting to hear Chopin from the kids. Savvy parents know that the kids probably need some motivation—some kind of gain to be realized—and they also need to acquire the right competencies through practice time, the right instruction, the right feedback. Those systemic changes are not easy to put into place, but without them, the parents will hear nothing but "Chopsticks."
>
> It's no different with CRM. Some of the employees will be highly motivated and will need nothing more than the new sets of CRM tools. But most employees need to be motivated by some ultimate

benefit to them. They also need to learn better customer-interaction skills, because an organization that doesn't put customers first can't expect a new CRM system to achieve that result. Finally, they need to learn the new skills required to use the new system. Getting adults skilled requires that they have opportunities to learn, that they can practice the new skills, and that they receive feedback on their performance.

Many organizations are now adopting learning management systems (LMS) as an answer to some of these issues. These technologies enable a more structured, consistent, scaleable approach to learning across the enterprise. They're a good way to manage and distribute content, to match required competencies with available training, and to keep track of who knows what. In combination with the required people skills and culture change, they can be powerful motivators for success.

Okay, enough of the overview. Now let's dig deeper into some of the tougher topics.