

# An Operational View of CRM

## White Paper at a glance:

In many respects the CRM industry tends to behave like the *legion of the lost*. Since the inception of the industry, vendors have differentiated themselves on the basis of technology; this type of positioning has been reinforced by the various tech evaluation groups. Due to this drive for technology, the CRM industry has typically outpaced the management disciplines necessary to leverage technology. Unfortunately, this disconnect has not been widely recognized and user organization after user organization become road kill on the highway of management concepts. The solution for organizations seeking a positive ROI and competitive advantage is to recognize that CRM is not a technology but rather an enabler for a different approach to competitive management.

## A Brief History

The roots of CRM can be traced to system applications that addressed the needs of customer facing functions. In the mid 1990s, one vendor decided to offer an application for sales and customer service that featured a common database. The concept was dubbed Customer Asset Management (CAM). This concept gained traction and soon vendors assembled applications that addressed all the customer facing functions with a common database and analytics; this suite of applications was named Customer Relationship Management (CRM).

## Operational Views of CRM

As indicated above, the industry is over ten years old and continues to define itself in terms of technology. Vendors are compared in terms of magic quadrants and other artificial criteria. Much of this discussion is intended to inject a sense of anticipation (hype) into an industry where many organizations have gone through several iterations of the technology. The CRM community is essentially dependent on user community not becoming bored with the entire concept.

One of the problems with industry is that no one wishes to suggest that the emperor has no clothes; that is, technology tends to gallop along at warp speed while management concepts required to utilize these capabilities move at the speed of dark. This disconnect creates a sense of dissatisfaction that drives still more technology in a spiral that never addresses the fundamental issue. Despite the creation of tens of thousands of pages of best practices and other advice (or more hype), the user community seems to be largely caught in the mindset of CRM as a technology as opposed to seeking and demanding answers to operational issues. To illustrate, consider the following points that outline common themes and logic that distinctly limit the value of CRM to the organization:

### CRM as an IT Issue Philosophy

This operational perspective positions CRM as a technology deployment issue and therefore senior management charges IT with the responsibility to implement a *solution*. Often this charter is accompanied with minimal direction other than a vague notion of achieving operational improvement. From an IT perspective there are often two

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agendas; younger members tend to focus on the latest technology so as to boost their resume while management is concerned about implementation and support costs. When IT approaches the various functions, they are often confronted with indifference or a list of capabilities that have no basis on cost/benefit. These conditions tend to drive excessive implementation costs and systems that ultimately no one uses. The typical reaction of senior management is to abandon the current effort and seek out low cost and low investment solutions.

### **Point Solution Philosophy**

This operational perspective basically discounts the benefits of a common database and empowers each customer facing function to seek a solution that meets its needs. The Point Solution is essentially an investment (in name only) in the status quo; though some operational productivity gains can be claimed, these come as a trade-off with organizational synergy. The operating assumption is that the rewards of CRM are not commensurate with the cost.

### **Cost Minimization Philosophy**

This operational perspective is one that places very little upside potential for CRM and seeks to minimize the initial and on-going cost of ownership. Senior managers often adopt this position after a failed project or based on discussion with peers who have been burned by an install with cost over-runs and little demonstrable benefit. CRM is thereby relegated to the position of a *necessary evil*.

### **The Customer Centric Philosophy**

This approach suggests an operational philosophy of making the customer experience the core perspective of the organization. The industry promoted this idea to support or rationalize the technology but by itself, it is an empty thought. How does this orientation really guide management to rational or otherwise aligned action? It is at best a feel good but non-economic perspective.

### **CRM as a Driver of Shareholder Value**

If the objective of the organization is to create shareholder value, then the primary driver for achieving this goal is sustained profitable growth. What the technologies associated with CRM bring to the party is the ability to track customer behavior and relate customer profitability with organization strategy and performance. In essence, CRM provides the tools to link profitable growth with the profitability of customer segments and thereby manage using a market perspective versus internal productivity. This represents a fundamental shift in management thought; it places senior management at the center of CRM direction and evolution.

### ***Managing the Trade-offs***

The deployment of CRM will forever represent a series of trade-offs. Success as measured by an economic return on investment is dependent on the creation and management of an operational philosophy that can effectively leverage the tools of

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CRM to drive competitive advantage (not based on the tools but the insights they provide) and profitable growth. Operational philosophies that seek cost minimization cannot be realistically expected to achieve anything other than perhaps control objectives. Likewise, unconstrained deployment of technology or a belief that success is a function of vendor choice will balloon organizational costs while diluting operational focus.

If an organization wishes to leverage CRM to achieve tangible economic gain, then it must articulate how it will operate differently in the future.

### ***CRM as Wonderland***

Those who have attempted to implement CRM in the absence of a coherent operational strategy will attest that CRM is more like a nightmare; however, there is a useful lesson from Wonderland. In the famous children's tale of Alice in Wonderland, Alice finds herself at a juncture where she must choose amongst several directions when the Cheshire Cat suddenly appears. Alice relates that she cannot decide which road to take and the Cheshire Cat inquires about her destination. When Alice confides that she does not have a destination, the Cheshire Cat suggests that any road will take her there. The same is true with CRM, unless one has clear goals and a roadmap, every solution will take you somewhere; you may however not like it when you arrive.

### ***The Critical Questions***

CRM has a significant potential to leverage an organization's performance but it does not come without a clear sense of destination and typically without pain. Success requires leadership, honesty, and pragmatism. The issues tend to revolve around the following questions:

1. What are the competitive strengths and weaknesses of the organization?
2. Where does the organization need to be in the future?
3. What issues constrain the organization from achieving this future position?
4. What is the operational strategy for eliminating the gap between today and the future/
5. What elements of CRM contribute to the implementation of the strategy?
6. What is it going to cost to deploy CRM in support of the strategy?
7. Is the organization willing to pay this price?
8. What are the implications of non-action?



### *About The Author*

Glen S. Petersen is an internationally recognized speaker, writer, practitioner, and thought leader in the Customer Relationship Management (CRM) and e-Business industries. Mr. Petersen has held senior level management positions with systems integration and end user organizations and is the Managing Director of GSP & Associates LLC, a consulting firm dedicated to helping organizations leverage and justify their investment in CRM related technology.

Mr. Petersen is the author of seven books:

- *High-Impact Sales Force Automation: A Strategic Perspective*
- *CRMS: ROI & Results Measurement*
- *CRM Leadership and Alignment in a Customer Centric World*
- *ROI: Building the CRM Business Case*
- *CRM Best Practices: Self Assessment*
- *Making CRM An Operational Reality*
- *The Profit Maximization Paradox: Cracking the Marketing/Sales Alignment Code*

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