

The CEO and CRM

Misplaced Emphasis

Current popular wisdom within the CRM industry places **senior management** support as one of the top ten success criteria. What is meant by “support” is never really defined but it is logical that the term embraces the notion of reasonable project funding, resources, and positive communication and backing from senior management. But is that adequate?

To answer this question, one needs to understand that the CRM industry identifies itself through the evolution and capabilities of technology. If the user community obligingly buys into that definition, senior management is likely to approach a CRM initiative as a systems project and charge middle management with the task of “go make it so.” Despite senior management “support,” this orientation and action represents abdication when perhaps in good faith, senior management thinks it is empowering the organization to act.

To better understand why this is true, one needs to go back to the definition of CRM. Based on a definition created by the Gartner Group several years ago, CRM can be segmented into two components:

1. CRM is a business strategy that commits the organization to being driven by the customer or otherwise being customer centric.
2. Technology is used as an enabler to deliver profitable value to customers through the understanding and anticipation of their needs.

This definition tends to turn current wisdom on its head because it positions CRM as first and foremost a **business strategy**. As a business strategy, senior management must be leading not merely supporting the initiative. Technology follows this lead by providing the infrastructure to deliver value and capabilities that enhance profitability. It is not about technology for technology’s sake.

For there to be a radical shift in the reported success rate for CRM initiatives, there must be a fundamental shift in the end-user community’s visibility and leadership of senior management. Without credible and meaningful input from the end user community, the industry will pursue differentiation through technology as opposed to practical solutions to end user requirements and profitability.

Who Is Really Customer Centric?

Few organizations would claim that they are not customer centric. Most would admit to needing improvement and that leads to the purchase of technology with the naive notion that the technology will somehow fix any perceived deficiencies. If it were that easy, then why the failure rates? Best practices relative to implementation have been widely publicized since the beginning of CRM, so perhaps 10 percent ignore these warnings; this still does not explain the failure rate phenomenon.

Most organizations remain structured in the traditional “stove pipe” functional configuration. In this definition of responsibilities, no one is really responsible for the customer, so how can the organization be customer centric? Want more proof? Consider the following:

- The typical sales function is driven to achieve a revenue goal subject to maintaining expenses within budget levels.
- Marketing is typically organized and driven by performance that relates to products, services, and programs.
- Customer service has *customer* in its title but performance criteria tend to be driven by productivity measures. Further, by examining the business rules and policies that the function operates under, one often finds that the real objective is cost and risk containment.

At this point, you may say yes we have these characteristics but we measure **customer satisfaction**. This is certainly a good thing to do but what is really being measured and what actions does it enable? Further, to what degree can the organization link (more accurately correlate) customer satisfaction with customer behavior metrics? It is customer behavior that is the focus of CRM. Independent studies have shown that customer satisfaction is often not correlated with customer retention (a key customer behavior).

So the take-away here is that CRM is not a natural state for most organizations. No organization or function is trying to drive customers away, but the collective action of the organization often inadvertently achieves this result or otherwise dilutes its impact on the best or most profitable (includes potential) prospects and customers. This is what needs to be fixed.

The Profitable Acquisition of Customers and Delivery of Value

There is general agreement that customers perceive value as the total experience associated with the product or service. Delivery of the total experience occurs through horizontal processes that cross-functional boundaries. The focus of enterprise level CRM is to provide tools, data, and infrastructure to enable the profitable acquisition of customers and the development of their potential over the life cycle of the customer. The challenge of this endeavor (CRM) however, is that the organization is attempting to deploy a common set of tools and technology across functions that are basically operating to the beat of a different drum. It is a recipe for delays, miscues, cost over-runs, and resistance.

Enter the CEO

It should be very clear by now that the organizational issues are more likely to derail a CRM initiative than it is the technology. Organizations have lived with less than perfect technology since the discovery of the vacuum tube. However, when a system is introduced that changes the balance of how things are done, influences who wins and why, and has operational limitations, the prognosis is often terminal. CRM can represent fundamental change, therefore senior management cannot be on the sidelines they have to be on the field.

If CRM is a business strategy, then senior management must understand it, be committed to its success, and accurately assess its ramifications (consider the cost). The CEO is the person the organization looks toward for the direction of the company and its philosophy. In this regard, it is the responsibility of the CEO to sell this direction to board of directors, financial analysts, direct reports, and perhaps customers.

As indicated previously, the profitable acquisition of customers and the delivery of profitable customer value are achieved through processes that cross-functional lines. To the extent to which performance metrics and accountability issues get in the way of optimizing these

processes, the CEO (COO/President) is the person who must reconcile these issues and create an environment where everyone is pulling together relative to CRM.

The CEO must recognize CRM as a major organizational change initiative. The CRM project needs more than support, there must be commitment and leadership. The initiative must be firmly rooted with organizational goals and have specific success metrics and criteria. Without this foundation, the initiative will be like a sailboat without a rudder. Similarly, without a specific destination, a rudder is of small assistance.

The failure statistics speak to this issue loud and clear, a very high percentage of initiatives lack specific success metrics and goals. Selling an initiative on emotion may get the project to implementation but few if any reach success. CRM is all about business and only leaders need apply.

About GSP & Associates

GSP & Associates, Inc. is a consultancy that is dedicated to helping user organizations to leverage their investment in CRM related tools. The company provides expertise in the strategic and operational application of CRM tools, sales tools, sales process modeling, and business case development and ROI analysis.



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. As a visionary and early adopter of Sales Force Automation (SFA), in 1986 Mr. Petersen led one of the first successful national implementations of SFA in the United States. Realizing the tremendous future of this new technology,

Mr. Petersen joined a SFA software start-up company in 1988 and had the pleasure of working with many of the pioneering organizations that deployed sales force automation at a time when most organizations were unaware of its existence. In 1991, Mr. Petersen left the vendor community to do consulting. This experience combined with his background in operational and strategic planning places Mr. Petersen in a unique position to advise and assist clients in this challenging area of change management and technology integration. During this period, Mr. Petersen has developed a number of proprietary facilitation techniques, which help organizations to better understand the potential of these technologies, and how to rally the organization around a single threaded, phased implementation approach. Prior to founding GSP & Associates, Mr. Petersen was Senior Vice President at ONE, Inc. and Ameridata, a \$1.3B provider of hardware, software, and services. In these positions, Mr. Petersen sold and directed operational strategy engagements and helped major corporations articulate and justify their CRM and e-Business initiatives.

Mr. Petersen is the author of six 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

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