



Restraining Mindsets Hold Some Companies Back

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Want a recipe for making your company successful? Know your customers. Know which customers are profitable and cultivate them. Sell products and services they want, and service them well. Keep working at it, measure how you're doing, and keep improving.

Unless you're a small company, that's easy to say and hard to do without an effective customer relationship management system. Unfortunately many CRM systems are not effective - they're either set up wrong or utilized poorly, and they're much less effective if people, culture, and mindset are not properly synchronized and deployed. Most important, senior management must avoid at all costs a company-wide "restraining mindset" or CRM success will be hard to achieve.

To understand what not to do, take a look at five such "restraining mindsets" that could prevent you from implementing good CRM:

"We're unique." Aren't we all? Companies don't succeed by offering "me-too" products and services, so they try to distinguish themselves. And any company that started up under the guidance of a strong entrepreneur very likely developed a culture that reflects the distinctions that enabled the fledgling company to succeed.

But does this uniqueness matter? Probably not, and here's why. CRM is a process and a set of business practices, driven by a customer-focused mindset and supported by technology. Accounting/finance is also a process and set of business practices driven by a business mindset and supported by technology. But we recognize it as a discipline that one can study, it's applied in every company, and a practitioner can successfully work in a variety of "unique" companies. The mindset and the culture drive how it's all applied to get unique results, but the wheel is not "reinvented" at each company. The same applies with CRM.

You can apply CRM processes, practices, and tools to enhance your uniqueness, using it to know what your customers need that's different from what the market has to offer. Use it also to measure the success of your latest unique offering, and if something goes wrong, use it to find out whether the idea needs work, the marketing message needs a change, the execution

in delivery needs work, or if the "best" market is different than you thought.

"We're product-focused." It's good to have conviction that your product/service is superior but beware of too much "pride of authorship." While you may be a zealot about your products and services, your customers and prospects may not feel quite the same way.

Your customers are buying a value proposition composed of three aspects: the product or service, including what it is, how it's delivered, when it's delivered and for how long; the price; and the perception, including the marketing message, the market's perception of value, and customers' perception of confidence in the product and company. So your high quality manufacturing service at a good price by itself may not win you any business.

If you listen to customers, you may find they need other special requirements fulfilled in their manufacturing process. Or perhaps their relationship with you is more important than price: If something goes wrong, they want to know you'll put their needs - not your immediate profitability - first.

If your company's philosophy is truly focused on the customer, CRM will make perfect sense to you, as a "tool" you'll use to enact your philosophy. But if your company is product focused, this may make no sense, so that if you do in fact implement CRM, the return on your efforts may not be very high.

"We've never done it that way before." On a grand scale, what would this mindset have done for Henry Ford as he started thinking about the first production line? The late Admiral Grace Hopper, a pioneer in the computer industry, used to call this one of the "deadliest" attitudes. Pure and simple, it's resistance to change.

The traditional approach to a company's operations means each department does what it thinks is the right thing to do, measuring success by their tasks, prospect response per marketing dollar, sales calls per rep and sales per rep. So when talk turns toward an integrated process where the customer comes first, not the product or the organizational structure, that's when somebody yells, "We've never done it that way before."

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But consider the cost of not changing: With your customer buying a value proposition - not just the product - how much business is lost when a company does not know that its customer would be happier with something different? Success doesn't mean you can't do better.

"What's in it for me?" This mindset might be widespread even if the company's leadership does not think this way. Consider the effects of deploying CRM. Customer service reps, for example, may have to take time to characterize a customer's reaction; though this knowledge might be useful to others who shape the company's value propositions, it won't much help the rep. Likewise, product managers may be asked to think more broadly about combined offerings or combinations of products and services. This makes their jobs more complex. Why would any of these individuals want to do this? What's in it for them?

You fight this mindset by gearing rewards more toward the customer. Everyone collectively shares in improvements in revenue, growth, customer retention, customer profitability, customer perception, thus basing rewards on customer-related objectives, not organizational processes. "What's in it for me?" must be tied closely to "What's in it for the customer?"

"We can't produce a Return on Investment assessment that justifies deploying CRM." More and more, articles about CRM are focusing on "returning to business basics" choosing to implement CRM only if there's a direct payoff, such as a cost reduction. No indirect benefits will do. This can make an organization think harder, but on the negative, this can also become a hurdle of uncertain value.

The characteristics of many assumptions driving an ROI analysis explain why: Direct assumptions typically focus on cost. But how do these assumptions of financial return relate to the customer? Often they don't.

How many chief financial officers do an ROI analysis when the need for a better financial system is apparent? Is an ROI analysis the go/no-go factor when considering the construction of the next needed office building? At some point, the need is clear: If you intend to grow and prosper, you need to have the infrastructure, whether physical or abstract.

The more important effects of CRM are indirect. Examples: Better management of product/service literature means the customers quickly get the most current literature when they ask, and they're likely to keep your company on "top of mind." E-commerce may make ordering easier for the customer. A

customer service (or sales) rep who asks how that last service fix worked out (even though the rep wasn't involved) is sure to make the customer feel cared-about. Imagine a sales rep knowing this when making a call and going the extra mile. Your customers will love it. But all of these are indirect effects!

Of course, there are some assumptions about increased revenues that can be made, achievement of which can be directly measured: Increased productivity of the sales force through reduction of administrative tasks, for example.

For the most part, an ROI assessment can be a valuable tool that forces an organization to think through its expectations of successful rollout of CRM (including process, technology, and culture change). List the expected benefits and choose the success criteria. Then divide your assumptions of benefit into two categories - direct and indirect. Direct benefits like cost savings can be convincingly stated, and achievement can be easily measured. Indirect benefits like increased customer satisfaction and demand are hard to predict convincingly without substantial modeling and simulation of your customer and prospect base. In the end, all assumptions are just assumptions - not facts.

If you as a management team cannot decide without a bullet-proof ROI analysis, consider this: If you want to maximize the lifetime value of every customer, you have to also calculate the cost of not implementing CRM. Virtually every company that has customers needs some CRM, however limited.

So, mindset matters when striving to get CRM right. It motivates all else, it's the lubricant of business process, and it supplies the rationale when no precise calculation offers convincing need. When the customer really comes first, the culture of an organization and the mindset of each of its individuals will follow suit.

About the Author

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