

# NEXT GENERATION STRATEGIC CRM

What Every Executive Needs to Consider Before Implementing Next Generation Strategic CRM



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## Executive Summary

CRM has evolved from a simple contact management sales tool to a core element of virtually any business. In simple terms, CRM is the combination of people, process, and technology used together to effectively service, sell, and market to a company’s most profitable customers.

But with the adoption of business strategies built around customer-centric values and 360 degree views of the customer, traditional customer-facing only CRM may be shorting business of the complete picture of their customers.

CEOs and executives that fail to take Next Generation Strategic CRM seriously as a core business strategy for their company may suffer consequences a lot worse than many may think.

## Introduction

With today’s businesses transforming themselves to become customer-centric, and mantras such as 360 degree view of the customer, customer-for-life, and one-to-one marketing, it is peculiar why so many companies still utilize traditional SMS (Sales-Marketing-Support) CRM solutions.

Ironically, what was likely used as a value-point in the past for SMS CRM (ability to share customer information, single view of the customer, etc), has ended up as “yet another silo” of information. While the Sales, Marketing, and Support organizations may be able to share information, Order Management, Fulfillment, Accounting, Engineering, and other areas of the business are blind and utilize their own silos of customer information management, many times redundant or contradictory to what the CRM information contains.

**There is no greater value to a company than that of what the customer is telling you.**

## Customer Value Creation

Today's business approach to innovation, value-creation, and strategy, are being driven by a new paradigm of "co-creation" and "customer intimacy". Customers are becoming much more involved with companies in helping design and improve products, services, and business performance. The consensus is that this is all good and has a number of upsides (loyalty, better products, more revenue, and so on).

As a result, people traditionally outside the "customer-facing" organizations are becoming more involved in the value-creation process and creating a more intimate relationship with the customer. Current SMS-based CRM solutions fall short of managing these critical relationships and interactions and are the reason new CRM solutions, what I call "Next Generation Strategic CRM", are emerging.

Surprisingly, very few research and analysis groups have locked in on this paradigm shift, continuing to address the CRM market from the traditional Sales, Marketing, and Support perspective. Anecdotal reports and studies many times fail to identify the newer emerging next generation CRM solutions and still focus on the prominent SMS-based CRM solutions. Companies would be wise to do their own research and analysis and not be swayed by research recommendations alone.

## Next Generation Strategic CRM

CRM has evolved from glorified contact management tools used mostly by sales people to manage activity within their accounts, to include Customer Support, Opportunity Management, and Campaign Management, among other things.

The adoption of CRM within business can be likened to desktop computers. In the beginning, like computers, the investment for CRM was high but only a select few used it. Now, as the value of using CRM has been recognized and the cost to implement and manage has dropped, virtually everyone in the company is (or needs to be) connected in some capacity.

As companies move away from product-centric business models to more customer-centric models which operate on the premise that every employee is customer-facing and every employee's role is to generate customer value, the meaning of CRM is also changing.

Next Generation Strategic CRM is about broadening the reach of customers into all parts of the business, and broadening the access of every employee into the customer's business and experiences. Next Generation Strategic CRM encompasses all parts of the business, from traditional sales, marketing, and support, to engineering, manufacturing, operations, to supply and sales channels, to the customer.

### CRM Meets ERP "Lite"

Under the covers of the Next Generation Strategic CRM is something of an ERP "lite". What that means is that business units that were not traditionally customer-facing are now finding it essential to be part of customer-facing activities. Take order management for example. Once considered part of an accounting or MRP solution, companies are finding value in having these business processes and the data they manage tied directly back to the customer.

For example, by integrating order management with traditional CRM activities, customers can have self-service access to track and approve products and services their company has ordered, return or upgrade items, and even re-order additional items without the need of employee intervention.

Equally, internal support can track support calls down to specific items and transactions, and match serial numbers for entitlement and SLA requirements. Sales and marketing can track sales against specific items, develop trend and behavior analysis on items purchased, launch upgrade/upsell campaigns specific to buyers of certain products or services. Product Management can monitor support calls against specific products and analyze customer comments for improved product design and quality.

All of this out of the same solution without the need of re-entering, re-generating and merging data and reports from disparate systems or paying for expensive integration services.

ERP, from the historical sense has always been viewed as a massive undertaking left only for the mega-giants who have millions of dollars to throw at license, integration and implementation services, etc. Despite having favorable merits in terms of consolidating and automating certain operations, it is subject to the belief that the

**The principle of good enough is a rule for software and systems design. It favors quick-and-simple (but potentially extensible) designs over elaborate systems designed by committees. Once the quick-and-simple design is deployed, it can then evolve as needed, driven by user requirements.**

— Wikipedia

inflexibility inherent in its design forces businesses around product-centric processes and tends to alienate customers due to its inability to handle special exceptions or unique situations. And, its rigid structure and complex integration and customization framework prevents companies from quickly responding to changes in business.

Next Generation Strategic CRM is not ERP. It has however taken many of the best principals of ERP, such as order management, fulfillment, accounting, and MRP/Inventory management, and converted them to light-weight “good enough” implementations that offer easy customization and flexibility allowing companies to work in a more agile and fluid business environment and quickly respond to changes and unique situations as they grow and expand.

The fact is most companies, large or small, do not need a full-blown ERP solution or “best-of-breed” applications in all parts of their business. Next Generation Strategic CRM provides multiple benefits to these companies by providing true business-wide customer management and an integrated business-wide operations platform in a “good enough” model that satisfies most business situations.

## Identifying CRM’s True Cost and Value

When considering the cost of CRM, there are several factors that must be considered. Despite what vendors and resellers may advertise, the true cost of implementing CRM as a core business strategy will likely be in the tens of thousands for a relatively small business, to hundreds of thousands for larger enterprises. However, cost is only one part of determining value. A company must also consider pay-back (what you get in return for the expense through savings, productivity improvements, and increased revenue).

Revenue is fairly tangible to measure and is a direct result of managing opportunities more precisely, better targeting of qualified leads and profitable customers, and the company’s ability to recognize trends and preferences and respond quickly to these opportunities.

Savings, improved performance, and customer loyalty/satisfaction are a bit more intangible to measure. However, there is enough anecdotal data to suggest that companies can save money through freed resource time to focus on core business

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**This however would be a mistake.**

activities, better and more timely data to make quicker decisions and respond to opportunities and change, customer satisfaction through better response and self-service options, and better performance by doing things quicker and more consistently.

When determining actual costs of CRM, one must look beyond just the cost of user licenses and administration of the solution. A substantial percentage of cost is associated with business process and training. A relatively small percent of the overall cost is generally associated with actual system implementation and customization, but this can add up if a company chooses the wrong technology.

To reduce costs, many companies will try and cut corners on process analysis and design. This however would be a mistake. Process is what dictates how a company manages things consistently, how it hands off tasks to other individuals or entities and defines what an individual's/business unit's expected role and response time is to activities. Without defined (but agile) engagement and workflow processes, it would be difficult to identify the right technology or train users on the proper methods and interactions of business operations. It would also conflict with expected results such as improved business performance as lack of defined processes allows chaotic and inconsistent behavior which results in inefficient use of time and inconsistent or inaccurate data management.

Another cost consideration is time. The longer an implementation takes, the higher the costs and longer it is before value can be derived. In today's business environment where change is constant, long implementations can not only fail to achieve the intended value, but can literally impair a company's ability to recognize and effectively respond to change.

When considering implementation time, companies often look at the technology or system implementation time. However, there are several pre and post technology/system steps that must also be considered as part of implementation time. For example, interviewing and developing business needs and requirements, analyzing and re-designing business processes, training, and roll-out of the solution.

For traditional full-blown ERP and large "best-of-breed" implementations, the overall implementation time can be a year or more to fully reach production readiness in a company. With Next Generation Strategic CRM and "good-enough" business process design (what I like to call "agile process"), implementation time

can be significantly reduced and can see production readiness in as little as a few months depending on the size and needs of your company. The faster the solution is implemented, the sooner you begin to gain value from the investment.

The final cost consideration (which also strongly impacts the value returned) is leadership. There are countless anecdotes on the high value return derived from implementing CRM and countless stories of those implementations that failed to achieve any significant value. But before taking this anecdotal data at face value, consider that the reasons most CRM strategies and implementations fail to achieve significant positive results is due less in part by the products or processes implemented, and more in part by the company's leadership.

It is very common to find executives who view CRM as a point-solution for sales management rather than a core strategy of their business. This thinking reduces the value of their CRM implementation to a tactical tool for a select group of people. The value from utilizing CRM as a point-solution will never achieve a return greater than the cost of the solution.

Leadership is what drives success of most major initiatives within a business and CRM implementations are no different. When there is no committed strategy and alignment at the top of the company, then users will follow in stride ("if it is not important to them, then it's not important to me"). Artificial leadership (when executives talk the talk but don't walk the walk), is also very common. Executives stand up and commit publicly to an initiative, but then do little to support or oversee the initiative, instead focusing their priorities on other interests. A common end-result of artificial leadership is poor adoption, compartmentalized processes, and decisions made in a vacuum. The final implementation never achieves its expected goals.

**When properly implemented, CRM should cost you nothing.**

When you compare the savings, revenue, and improved performance against overall cost, you should find that CRM's value exceeds its cost. In other words, when properly implemented, CRM should cost you nothing.

Executives who are experiencing CRM as a cost or have yet to achieve any real value, need to seriously look within to understand how well they have considered and supported all factors surrounding CRM as a business strategy. The results may be eye opening.

## Conclusion

Next Generation Strategic CRM is a new paradigm shift from traditional SMS-based (Sales, Marketing, Support) CRM. Next Generation Strategic CRM encompasses all parts of the business, from traditional sales, marketing, and support, to engineering, manufacturing, operations, to supply and sales channels, to the customer. Executives would be wise to fully understand CRM from a core business strategy. Those that view it as a point-solution will never achieve the results and benefits expected.

Companies currently reviewing or anticipating developing a Next Generation Strategic CRM strategy should consider the following:

1. **Begin with the CEO.** If the CEO is not the driving catalyst for making CRM a core strategy for the company – STOP! Without the CEO’s support and strategic mandate the effort is destined to fail.
2. **Know Your Mission.** What is it that you are going to do? By when? For how much? How will you measure success? And, most importantly, by what scale? You need to know the scale of the implementation you are about to drive and must manage expectations from the very start.
3. **Start with People First.** Focus first on the people – the stakeholders. Communicate continually on the good, the bad, and the ugly of the initiative. Without their input and engagement it will be difficult to gain full adoption.
4. **Focus Process Second.** Your business processes should drive your CRM solution methodology. Best practices are useful for common processes, but be flexible! Your company’s uniqueness can override or customize a best practice. Use the 80/20 rule and don’t get stuck in the minutia.
5. **Choose Technology Last.** The last part of the entire CRM implementation should be the technology. Ironically, many executives move right ahead with a “fire, ready, aim” mentality – a backwards approach of choosing the system first then modifying process/people to follow the system. Without question, this is one of the primary reasons, in our experience, why CRM implementations fail.



## About Centricity Systems

Centricity Systems specializes in providing high-value advisory and implementation services for emerging and high growth companies in the areas most critical to driving business success:

- **Information Management**
- **Technology Consulting**
- **Business Performance**

For more than 20 years, Centricity Systems and its staff have helped companies with strategy, implementation, and management in mission-critical, high-value areas including:

- Infrastructure development and organizational build-out for Professional Services and Customer Support,
- Interim management for Professional Services and Sales Operations,
- CRM/ERP strategy, evaluation, implementation, and administration,
- Content Management strategies and implementation,
- Business Process Engineering and re-alignment,
- IT/System Consolidation and re-alignment,
- Change Management strategies and execution management,
- Customer Experience and Customer Satisfaction evaluations,
- Web/Portal/e-Commerce enablement, design, and development,
- Sales Support and infrastructure development for Sales Operations (proposal management, tools, sales presentations, collateral).

### Contact Us

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### About the Author



Steve Larsen is the founding partner of Centricity Systems, with more than 25 years of experience growing start-up and global technology and software companies.

He is considered an expert at customer information management and organizational process, and an accomplished and respected change agent. His vision and leadership have accounted for numerous innovations and improvements in start-ups and global enterprises alike, and have resulted in notable growth, profitability, and value.

Prior to founding Centricity Systems in 2002, Steve spent the last 19 years in various management roles in services, sales, and support, most recently serving as Vice President of Professional Services for TeleGea and Ensim, and as Senior Director of e-Business Commercial Operations and Customer Management at Nortel Networks. He has also held management positions at Bay Networks, Wellfleet Communications, and Wang Laboratories.

Steve is an active member of the Association for Services Management International (AFSMI), and Customer Relationship Management Association (CRMA).