What’s needed is a breakthrough metric to measure the development of customer relationships, and a breakthrough framework to manage the people who develop the relationships, tied to profit.

OVERCOMING RISK AND UNCERTAINTY CHALLENGES

Many business leaders recognize that the keys to competitive advantage and profitability lie in customer relationships and customer retention. However, with uncertainty and lack of clarity about how customer relationships work, most have not been able to take full advantage of this insight. A critical relationship metric has been missing, as well as an actionable framework to give executives the strategy and the tools to use it.

Without a unifying relationship metric and unifying framework:

#1 Customers are invisible.
#2 Executives are isolated.
#3 Operational control in sales and marketing is incomplete and disjointed.
These are the major management challenges in the way of the customer focus so many executives want. These are the challenges that make the work in sales and marketing and customer service harder than it has to be, and that put more obstacles in the way of the really bright people who do their best to make it work anyway. These are the challenges that arise from risk and uncertainty in sales and marketing.

Despite the tremendous effort put into market research, technology, and data mining, customers are essentially invisible, and knowledge about them and what happens to and with them is incomplete. Analysis without an operational framework doesn’t lead to operational control.

Although there is much more sophistication in terms of developing strategy and offerings, many executives are uncertain about how their strategy is being executed with customers; they don’t have the operational control in sales and marketing and customer service to take strategy down to the level where it needs to be for execution.

Executives are isolated from both the action on the ground with customers, and also from the people on the frontline with customers in sales and marketing and customer service. Because there isn’t an integrated record of what happens with customers, even within the sales and marketing and customer service functions, operational control is incomplete. Because sales and marketing and customer service are managed as separate functions, operational control is disjointed.

Without effective operational control, there is no link between strategy and execution. And management has to operate more on faith than is prudent. In this customer-driven environment, continuing to operate with these challenges unresolved is neither acceptable, nor profitable, nor sustainable.
The alternative is attractive. “The prize for closing the strategy-to-performance gap is huge—an increase in performance of anywhere from 60 percent to 100 percent for most companies,” offer Michael Mankins and Richard Steele, writing in *Harvard Business Review* in 2005.

**Putting new relationship metrics in context**

Before Frederick Winslow Taylor discovered what to measure—time and motion—manufacturing was as intuitive as sales and marketing is today. It was an art, not a science. From Taylor’s work, the field of Industrial Engineering was born. Manufacturing processes were defined in terms of time and motion, and with the addition of materials to the concept, common manufacturing models (raw materials to semi-finished goods to finished products) were codified. Operations Research was created to broadly optimize the results. Decades later, ERP (Enterprise Resource Planning) was developed for planning in this environment, scheduling both materials and processes. Now manufacturing is much better understood and much more quantitatively managed.

Interactions are to sales and marketing what motion was to manufacturing. And as it was in manufacturing, time is a critical measure for sales and marketing. Time is money. But more than money is needed to measure interactions in sales and marketing, just as more than time was needed to measure motion in manufacturing. Taylor could see what actually happened with the motion—he could see what was being produced as it was produced. In sales and marketing, another metric is needed to see what is happening—a critical relationship metric that has been missing until now.

Continuing the manufacturing analogy, sales and marketing compares more aptly to continuous process manufacturing than it does to discrete manufacturing. In continuous process manufacturing the “brew” in the semi-finished stage can be observed from control panels, its “temperature taken,” and immediate adjustments made. Management needs a way to peer into sales and marketing’s Black Box to take its temperature, to see what is happening. What is
“happening” is that relationships with customers are being developed. What’s needed is a Key Performance Indicator for relationship development. Call it Relationship Value.

**Relationship Value, a breakthrough way to measure sales and marketing**

Relationship Value is the Key Performance Indicator about progress in developing the customer relationship. It measures the “effect” in cause-and-effect. The interactions themselves measure the “cause.” Considering just the interactions or the number of them doesn’t lead to clarity—there are myriad interactions and myriad combinations. The interactions indicate what happened, but not what good the interaction did. Did it move the relationship forward or backward? By how much? With Relationship Value, the effect of one interaction to another can be compared very easily and in real time. Placing a value on each interaction for its effect translates squishy, soft interactions to hard numbers and provides critical context. Relationship Value is the common denominator for the effect of the interaction.

Cause-and-effect in customer relationships is different in every company, and even within different parts of the same company. Because this is so, measuring Relationship Value can lead to sustainable competitive advantage when harnessed. Relationship Value lets managers and frontline staff “take the temperature” inside the Black Box—to see where they are, relative to their customers. Staff on the frontline with customers in sales and marketing and customer service can use Relationship Value to help them make informed, more profitable operational decisions, one interaction at a time, in real time. The byproduct of the operational system is a data stream that can be used for analysis and process improvement, working with commonly available tools and analytical approaches.
With Relationship Value, customers aren’t invisible any more.

Customer Relationship Intelligence (CRI) Framework, a breakthrough way to manage sales and marketing

With Relationship Value embedded in an actionable CRI Framework, to give executives the strategy and the tools to use the new metric, a broader, more holistic process links the customer relationship to profit, and through profit, back to strategy. The approach channels the creativity of the people in sales and marketing and:

- Shifts the focus from acquisition to retention, where the money is.
- Collects missing operational data about the value of customer relationships across the customer relationship.
- Measures relationship cause-and-effect continuously, in an operational system, for in-the-moment decisions and immediate course correction.
- Provides a more up-to-date view of profit and a more comprehensive picture of the company’s fiscal health, for better operational control.
- Captures profit and behavior patterns in order to repeat success.

With Relationship Value and the CRI Framework, management can overcome the challenges of risk and uncertainty in sales and marketing to:

#1 Unlock the unique, sustainable competitive advantage found in customer relationships.

#2 Align the organization in a cohesive framework to earn high-profit revenue.

#3 Operationalize strategy to manage strategy execution in real time.
With Relationship Value and the CRI Framework, executives can see what is happening with and to their customers, act with more certainty on highly relevant Customer Relationship Intelligence, and lead their organizations to breakthrough performance.

With Relationship Value and the CRI Framework, executives aren’t isolated any more. There is shared, cohesive operational control.

Making the case for change
The need is quite real. The challenges that arise from the risk and uncertainty in sales and marketing have many symptoms. Thought leaders have been pointing out many of these symptoms for years. Attempts to solving the symptoms individually often are complex, too complex to be practical or affordable. What hasn’t happened until now is looking at the symptoms as a whole—at the bigger picture creating the symptoms. That insight has led to a solution that is more comprehensive, simple, and elegant: Relationship Value and the CRI Framework.

If you would like help in making the case for change in your organization to be more customer-focused, take a look at these symptoms. With each one, you’ll find what I think is needed to overcome them. The solution to each symptom draws on elements of the whole solution, contributing to and benefiting from the whole.

The rest of the book shows how. Chapters Two and Three lay out a new way to think about and manage sales and marketing and customer service to drive top-line and bottom-line growth. Chapter Four explains how to use the Relationship Value metric to measure relationship development and tie relationships to profit. Chapters Five and Six put customer relationship strategy and tactics in context. Chapters Seven and Eight explain how to set up and use the new, unifying approach for strategy execution and
operational control. Chapter Nine is a reality check on what it will take. These symptoms may help you make a case for change.

**CHALLENGE #1: Customers are invisible.**

**SYMPTOM: It’s rare to have anyone designated as in charge of customer retention.**

Some 80 percent of revenue for most businesses is from repeat/referrals, versus 20 percent of revenue from new business. Yet seven times as much money is spent in acquiring new customers as in retaining them. And way too many new customers are not repeat customers.

Something’s wrong with that picture. Were they the right people to be your customers in the first place? Did they get enough attention?

Executives tend to recognize that customer retention is important to profit, but with the exception of national account teams for large customers, customer retention is generally not on the radar screen of managers and is not even measured. Typically, managers are rewarded for cost-cutting, so much so that “cost-to-serve” is a critical measure.

Yet retention is where the money is. **What’s needed** is a new customer retention function for all customers, drawing on the traditional roles played by sales and marketing and customer service. Then, with a practical way to measure relationships, customer retention could be managed as a profit center. Executives could lower their risk of losing valuable customers and increase returns from all customers, not just the biggest ones.

**SYMPTOM: Often executives don’t know as much about customers as they’d like.**

Direct communication by executives with customers is rare unless they are a top revenue generator. Information to executives about customers is only infrequent and on an aggregated basis, as part of a satisfaction study—how many are satisfied with the product/service, how many are not. It is equally difficult to derive actionable
intelligence about customers from other customer metrics—this many new, this many of a certain size, this many here, this many there, this many who buy this or that.

A 2006 IBM study indicates that 79 percent of executives in the study had only superficial understanding of their customers. Another telling figure is that 74 percent of these same business leaders made decisions on what’s right for their operations versus what’s right for both their business and their customer.

Even with high-revenue customers, executives haven’t had the information they need to know which ones are most profitable, or how they got so profitable, or how to repeat their success. Executives know intuitively that the high-revenue customers are not necessarily their most profitable ones, but that’s hard to prove. What’s needed is a way to measure what a relationship with a customer is worth, and how the relationship develops. Otherwise, it is very difficult to know which customers should get more attention, or how to make win-win decisions.

Executives often don’t have a clear idea of why customers buy, or why they stay. In my experience, after talking to hundreds and hundreds of customers for clients over the years, the reason their customers buy is rarely the same reason the company expects. Why customers stay is yet another matter. A key reason for disconnects between executives and customers is that the research is typically company-focused and doesn’t ask, “Why?”

Yet successful salespeople usually ask, “Why?” When they know the answer, and want to develop a long-term relationship, salespeople then “own” the customer, while the company they work for does not. What’s needed to mitigate this huge risk for the company is a way to continually ask the question “Why?” in interactions with customers across the customer relationship, and then be able to track the answers—within the context of a quantitative framework.
SYMPTOM: Most realize now that technology is not a panacea for being intelligent about customers. There just hasn’t been a viable systematic alternative.

Think of the unfulfilled promise of CRM—the notion that just putting in a system would increase sales and customer loyalty without addressing the people and process issues across the customer relationship. [CRM Failure Rates]

Think of the myriad systems used to keep track of customer activities in myriad functional departments. Sure, some systems are now integrated enough that people on the frontline with customers can look at financial and operational systems. But generally, systems are functional, not cross-functional. And that restricts—at a company’s peril—the ability to see underlying, cross-functional issues (like profit and the customer relationship), and then manage accordingly.

Think of data warehouses chock-full of data to be mined. And with the new Web applications that encourage customer interactivity, there will be even more. But no amount of data mining or predictive modeling can make up for data not being collected or data that is not categorized and valued in the first place. What’s needed is codified, cross-functional data about what happens in real-time interactions with customers. It is these interactions that execute strategy and build Relationship Value.

Think of recognition software “listening” to customers and trained to care primarily if the customer makes unhappy noises—instead of noting the patterns that made them happy, got them to increase their purchase, or make a referral. That takes people and process, not just technology.

What’s needed is intelligence, built into the process and then tracked with an operational system in real time. Then technology and now cross-functional process can take supporting roles, and people can take the starring role.
SYMPTOM: It’s not easy to know who does what to whom, when, and for what results. It’s not easy even for the people doing it, who may very well know what they are doing, but find it hard to show what they did. It’s been nearly impossible to keep track, even in the marketing silo, the sales silo, and the customer service silo. These silos now have contact management systems, but what happens is generally kept in the form of notes. So if management or the frontline people want to know what happened in personal exchanges, they have to take the time to read the notes. Sure, some companies have started to structure contact reports with dropdowns and special fields, but even so, the contact report is only part of the story. Marketing has its set of tactics, sales has its programs, and customer service has its actions. Which customers or prospects got what, when? What happened next? It’s pretty hard to get a complete picture, within the individual silos, of what was done and how it worked to be able to analyze it. As a result of this uncertainty, many companies are flying blind, and there is no audit trail. What’s needed is a method that puts what happens in the context of the whole customer relationship, from a customer’s perspective.

CHALLENGE #2: Executives are isolated.

SYMPTOM: Often executives find it difficult to explain how they achieved success. That makes it hard for many executives to give good direction in order to help their teams repeat success. Jim Collins, the author of Good to Great, says the most dangerous position for a company is not to know why it’s successful. Yet executives typically have to rely on the opinion of people close to them or on anecdotal information rather than quantitative measures. Even valuable anecdotal information loses potency and reliability as it is passed up the chain of command. But it hasn’t been practical for it to be any other way until now. As a result, executives have been isolated from the very people who could give a
first-hand account—the customers and the people who relate to them in sales and marketing and customer service. And even the people in those functions haven’t been able to look at success in any sort of context. **What’s needed** here is an actionable framework to know: Do this, this and that. In this order, at this time. In that pattern.

**SYMPTOM: Typically, sales and marketing people are the first to get the budget ax.**

How risky is that? People buy from people they know, or know of. Developing relationships takes time and effort. Yet sales and marketing and customer service people routinely have been considered expendable by companies. Quite often, people in sales are hired because of their relationships, and then are thrown away. In customer service it is nearly impossible to get the original person if you have to call back about an unresolved issue. Until now, the value of relationships has been greatly underestimated, and what it takes to build or develop them has not been understood or appreciated. While developing relationships is a primary function for sales, all people on the frontline with customers contribute to success, but most companies find measuring their performance extremely difficult. **What’s needed** are relationship metrics to easily measure and manage staff performance. This new approach could lead to better treatment of everyone critical to the success of the business and could preserve institutional memory.

**SYMPTOM: Short-term thinking stymies long-term success.**

Executives are often forced onto a treadmill and find themselves managing to quarterly expectations instead of managing to build long-term relationships with customers—which is the source of truly sustainable profit. [Short-Term Thinking]

Incentive programs for executives and salespeople also reinforce the short-term view—they have to, because the average tenure for sales and marketing management is under two years, and for executives, just over three years. The vast majority of incentive compensation plans for managers are tied to short-term functional objectives,
rather than to a strategy to build the business long-term. Short-term thinking is pervasive. While cuts of sales and marketing and customer service people are routine to “make the numbers,” the budget cuts in these areas are even more drastic when a company is making itself attractive for an acquisition. But by making cuts like these, the company cuts off its lifeblood: its connection to customers. Is it any wonder that most mergers and acquisitions deliver disappointing results? All too often, the acquirer doesn’t get a vital, alive company and even if they do, they are likely to have to execute a round of cuts in order to realize the savings they promised Wall Street—thereby throwing away the brand equity and customer equity they just paid for. Is this shortsightedness, or just plain risky? What’s needed, to justify doing the right thing for the long-term, is a process to measure the value of customer relationships and the people who develop them.

**CHALLENGE #3: Operational control in sales and marketing is incomplete and disjointed.**

**SYMPTOM: Current metrics are inadequate for measuring strategy execution.**

Profit is how a company keeps score, how it tells if its strategy is working. Yet profit and strategy execution have been hard to measure, except as an end state.

Efficiency measures of a person’s skill in executing a function or the organization’s use of a tactic like the cost per lead, time to close a sale, time to resolution of a service issue, or the percentage of “perfect” orders are not sufficient to measure strategy execution effectiveness. [Ackoff and White Opinion] None of these metrics measure the progress in improving relationships with customers and correlating that to profit—the ultimate in effective strategy execution. Happy customers buy, and stay.
Current strategy mapping approaches have had to typically rely on metrics for strategy performance management from single function solutions at the tactical level. None of the metrics are bad per se; each is helpful in context, but they just don’t do the strategic job of measuring the customer relationship so it can really be managed and developed profitably. Most traditional metrics measure the company and the company’s activities in relationship to the customer, but not the customer relationship itself.

**What’s needed** are relationship metrics to codify the common, cross-functional language of profit, as it is earned in a cohesive framework, to bring profit planning and execution from the bottom up—where the action is, where the customers are—to the executive suite.

**What’s needed** is speaking of strategy in terms that relate to the customer relationship.

**What’s needed** is speaking in consistent profit and relationship metrics, in a cohesive framework, across business units and across the company.

**What’s needed** is to stop executives from being isolated from their customers.

**What’s needed** are relationship metrics to measure a company’s interactions with customers. It is these interactions that ultimately execute its strategy, earn profit, and deliver competitive advantage.

Executives get this. Some 71 percent of senior business leaders believe that the customer experience is the next corporate battleground, according to a survey by Colin Shaw and John Ivens, authors of *Building Great Customer Experiences*.

John Chambers, Cisco Systems CEO, especially gets this. He wrote in the company’s *Executive Thought Leadership Quarterly* in 2005: “The next generation (of productivity growth at Cisco) is almost all based on interactions between functional units: between engineering and sales; between ourselves, our customers, and our channel partners; and between engineering, manufacturing, and service. … If we are going to grow at 10 to 15 percent productivity, it is these interactions in real time that we need to be focused on for the next decade… As markets move
toward greater transparency, these interactions will be an important source of competitive advantage.”

**SYMPTOM:** *Very few in most companies know where they are going, and why.*

A 1996 study by consulting firm Renaissance Solutions, Inc. and CFO magazine found that typically only five percent of a company’s frontline staff understands the company’s vision and what it is trying to accomplish. Frankly, it has been really hard to translate vision into action and operationalize strategy to make it clear what everyone’s role is.

- So companies rush to tactics in marketing and hope an answer will emerge. Sometimes it does. Sometimes the positioning appeals clearly to the customer. Sometimes the positioning is aligned with the company’s business goals.
- Or companies throw a head count at the problem in sales and hope for the best. Sometimes they get lucky.
- Or since most companies think of customer service as a cost center, they routinely outsource customer service. And they, too, hope for the best.

**What’s needed** is a cohesive framework granular enough to get everyone behind a common strategy and consistent relationship metrics to measure progress. With such a framework, management would get more value out of strategic planning in general, and strategy mapping tools like the Balanced Scorecard specifically. The framework would define what metrics are important to track in sales and marketing and customer service within and across business units for strategy effectiveness, not just for operational efficiency. [Porter]

**SYMPTOM:** *Marketing is more of an experiment than it has to be—and not a controlled one, at that.*

Marketing people are beaten up over ROI all the time. [ROMI] Their managers ask them, “What will we get if we do this or that?”
Fortunately, there is a shift underway toward bigger-picture metrics, however, these metrics are still very limited and hard to repeat. The best most companies have are attitudes and perceptions tracking research, pipeline metrics, or Customer Lifetime Value (CLV). Some link CLV to tracking research. CLV is fine, especially when measured as potential profit. The problem comes in linking CLV to attitudes and perceptions tracking research. What people SAY isn’t always what they DO.

What’s needed is the ability to correlate profit to what people DO. What’s needed, in advance of execution, is the ability for executives and managers to evaluate how likely they are to make money with a particular strategy and its related set of tactics, and thus be able to establish critical controls in a strategy decision model. What’s needed, then, is the ability to operationalize strategy so that strategy execution can be measured and tracked in real time across the entire customer relationship, not just the part marketing handles. The resulting data stream feeds profit and decision models and pattern analysis tools with up-to-date operational data. Then when the teams in sales and marketing and customer service achieve success, they know how to do it again—because they know what happened. They have operational control.

Instead of all of marketing being considered an experiment, these managers could consider only new marketing approaches as research and development. They could manage these exceptions closely, while everything else would be routine.

SYMPTOM: It is really difficult to align an organization to execute on its strategy.

That only a small percentage of companies are able to successfully execute even well formulated strategies, has been bantered around for decades. When Walter Kiechel III wrote about it in Fortune magazine in 1982 and Planning Review in 1984, he put the number at 10 percent. In a 1999 Fortune article about CEO failures of the period,
authors Ram Charan and Geoffrey Colvin estimated the number at 30 percent. Creators of the Balanced Scorecard David Norton and Robert Kaplan both of Harvard have made great strides in bringing methodology to the fore to drive that percentage up. They now have a new book out called *Alignment* to help.

I agree that alignment is critical. When an organization is aligned, people work together toward a common goal, behind a common strategy, across functions, with a common budget built from the ground up to be successful.

But instead of alignment, too often strategy is the purview of executives, while everyone else does their best to figure out a reasonable course of action within their functional area. [Strategy Link] They fight over resources with other functional areas, or work at cross-purposes. There are no clear handoffs or consequences. For people who think beyond themselves and care about the company’s success, it is frustrating. I know; I’ve been there.

When marketing develops leads that sales ignores, or generates interest, only to have the phone ring off the hook and not be answered, it’s frustrating. But marketing is measured on the number of leads they generate and what they cost—not on the follow-up, or if they are the right leads to execute the strategy.

When sales knows what customers want but is never asked for an opinion as marketing campaigns are being developed, it’s frustrating. But sales is rewarded on making the sale by whatever means necessary, with whomever they can get to buy, not if they made the sale using marketing’s leads or spouting the company message. It’s frustrating for sales to book an order and be told it can’t be delivered. Actually, it is downright maddening for salespeople, since they are compensated on completing the sale. But to be fair, it is equally maddening for operations to try to deliver on unrealistic promises made by sales.

It’s frustrating for customer service people to be told to get customers off the phone fast or they will be penalized—knowing that those customers will have to call back and go through the dance again. Often customer service people just do not have enough information: *How many times has a prospective customer responded to an offer, but*
customer service knows nothing about it? How many times are customers sent from one department to another until they finally reach the right contact? How many times does the customer know more than the help desk person about how to solve the problem?

It is really frustrating for the professionals in these functions to know that no one really knows or appreciates what they do, to see their efforts wasted, or not know if what they are doing is strategic or not. They do the best they can, knowing that all this “not knowing” makes them vulnerable. Clearly, they are not in control.

What’s worse, the most important thing these professionals do is often not even recognized: they are the ones who establish and build relationships with customers, but that isn’t measured. **What’s needed** is a cohesive framework to align executives with managers and with frontline staff who work with customers and take strategy down to the customer relationship level. This framework could lessen the risk to people in sales and marketing and in customer service, and to their companies in general.

**SYMPTOM: It’s been hard to know what to expect from marketing.**

The short-term view prevails here, too. As a result, in most companies not enough time, money, or effort is put into marketing activities, or tactics are used inappropriately. An extreme, immediately recognizable example occurred at the height of the dot.com boom, when cash-rich, start-up companies blew their budgets on Super Bowl ads, leaving no money for ongoing marketing. But just as unrealistic are more traditional companies who run only one ad in a national publication, to try to net leads for an obscure business-to-business pitch.

Instead of betting the company on one tactic, experienced marketers know that a campaign over time with a consistent presence works best. A research study during a recession showed that if a business maintains or increases its marketing investment, within four years it will have four times the revenue of businesses that stopped or decreased their
marketing. [McGraw-Hill] The problem is, experienced marketers have trouble proving consistency works, even with this research since they haven’t had the tools to measure it. Besides, it is rare for marketers to be at a company long enough to explain their theory, since marketing is often cut on a whim.

I was lucky. I have had my own firms and could partner with my clients to show that the mix worked better than a single tactic. I could point to pilots with controls for a major leasing company in financial services and another for a company selling service contracts for networked printers.

Experienced marketers know that they aren’t selling a product or service; they are creating a positive selling and retaining environment where people have a comfort level with the company. That requires numerous tactics, used many times, to develop the trust needed by the customer. What’s needed is a way to measure the role marketing people play in developing the customer relationship. That’s where the real value is.

**SYMPTOM:** Anticipating demand is elusive for most companies.

If expectations of marketing are unrealistic, what happens in sales can be as unrealistic. Unfortunately, often neither management nor sales have enough information about the current market situation or customer relationships to do more than estimate demand. So management will give sales “stretch goals” keying off of statistical models based on past performance or on what they need to reach to satisfy the market.

Without better information, management is often forced into the dangerous position of basing their plan on the stretch goals they created in the first place. And to respond to a stretch goal, sales forecasts quite often are divorced from reality—except for projecting whatever number will keep them employed. And then, in that impossible situation, to meet the unrealistic quota and make their quarterly numbers, sales will cut deals that aren’t always in the company’s best interest,
make promises that can’t be delivered, or sell products that satisfy the quota but don’t solve the customer’s problem. Sales growth then is haphazard, occurring where there is least resistance and where a commission can be earned fastest.

**What's needed** is better Customer Relationship Intelligence, so that both sales and management can be more certain about their numbers. Over time, with a better understanding of customer behavior and profit patterns, management could develop a more sustainable business model, at far less risk to themselves and their companies.

**SYMPTOM: Budgeting, planning, and forecasting are broken, ergo, so is execution.**

Just as top-down numbers quite often drive forecasts, as noted in the previous point, top-down numbers drive what the budget will be in many companies. *Will there be across-the-board cuts, or increases based on last year's numbers, or a percentage increase over what the competition is spending, or will a best practices number be used? [Strategy Link]*

Is that any way to manage to an objective? It is, if a company can’t articulate its strategy effectively throughout the organization and know what it needs to do to execute. Knowing what to do—at the individual customer level—is key. Too often, managers get a budget number and then do their best to plan their tactics to it without knowing what the overall directional strategy is.

The current system is set up to be reactive instead of proactive. Most strategic plans don’t easily roll into execution, into action. So they are put on a shelf, dusted off once a year to react to end-state numbers, and then recast for another year.

Is there any wonder that there is a lack of support for linking strategy, planning, and execution in most organizations? It’s not practical, using current approaches. There haven’t been hooks to link to. **What’s needed** is a cohesive framework across the
customer relationship, using the common language of profit, for operational control.

**Just imagine...**
Imagine what it would be like for innovation and productivity if the creativity of those involved in sales and marketing, and management, could flow smoothly, without these challenges? How much better people would be treated, and how much more profitable and more sustainable business would be!

*Now with a breakthrough metric to measure the development of customer relationships and a breakthrough framework to manage the people who develop the relationships, tied to profit, these challenges can be overcome.*
Key Points

• Sales and marketing works as well as it does now because of the creativity of its people in overcoming operational challenges.

• Tools have been lacking, leaving many best practices in the hands of the individual “best” practitioners, rather than being institutionalized in the enterprises where they work.

• It is hard for executives to keep in touch with what is really going on between their organization and their customers.

• What is needed is a CRI Framework, based on Relationship Value, which can:
  - Unlock the unique, sustainable competitive advantage found in customer relationships
  - Align the organization in a cohesive framework to earn high-profit revenue
  - Operationalize strategy to manage strategy execution in real time
Commentary Related to Chapter One

What is Marketing?
Is it strategic marketing, market research, product development, product marketing, brand management, or sales and marketing? All of these? Or is it one of myriad subsets, like the evolving and ever-more-important database marketing or Internet marketing? Or is it the advertising that retailer John Wanamaker was obsessed with nearly a hundred years ago when he lamented, “Half the money I spend in advertising is wasted. The trouble is, I don’t know which half.”

I’d say Wanamaker took too limited a view, a limitation that has continued to plague marketing. I have always thought of marketing in the broadest sense, appreciating both the strategic and operational aspects. But for clarity in this book, I’ve opted to use the term “sales and marketing” when speaking of people in marketing and sales functions.

In developing the CRI Framework, one of my goals has been to explicitly connect sales and marketing to what is called strategic marketing in some companies, strategic planning in others. By whatever name, executives in these roles participate in the development of the directional strategy for the company at a high level to determine what business the company is in, and its position relative to the competition.

This book and the CRI Framework it describes is not about how to do strategic marketing or product development or product marketing or brand management, although having more relevant Customer Relationship Intelligence will affect what is done in those functions. Because market research supports not just strategic marketing or product development or product marketing or brand management, but sales and marketing as well, this book is about market research. With the CRI Framework Voice of the Customer market research is built into the process to provide ongoing feedback.

So what is marketing? A widely accepted definition of marketing on a global scale comes from the UK’s Chartered Institute of Marketing (CIM), www.cim.co.uk/cim/index.cfm, the largest marketing body in the world in terms of membership. CIM claims that marketing is “the management process of anticipating, identifying, and satisfying customer requirements profitably.” I’d agree, and not worry about whether marketing is strategic marketing, product development, product marketing, brand management, market research, or sales and marketing.
With an actionable CRI Framework, the planning that this definition implies just became more operational and iterative, because how sales and marketing works is by developing relationships, one interaction at a time. And now, that process can be measured and managed.

**New Roles for Marketing, Sales, and Customer Service are Needed**

For companies to realize competitive advantage from customer relationships and optimize profitability, they must be relationship-driven. New, unifying roles for marketing, sales, and customer service need to be defined that use the common language of profit to align strategy and execution, and expand responsibilities beyond acquisition and closing into retention.

The new roles enable a process to develop relationships with customers across the customer lifecycle. It is a joint collaborative process with customers—with interactions back and forth. The interactions are how the tactics, designed to execute strategy, are carried out. Measurement needs to be about: What customers DO, what staff on the frontline with customers DOES, and what happens as a result to build the relationships necessary to acquire and keep profitable customers.

With these new roles, both the company and the customer win. A business is a partnership between a company and the customers who purchase its products and services. It always has been a partnership, but that is just more recognized now.

**CRM Failure Rates**

In their book *Making CRM Stick*, authors Daniel Murphy, Joseph Grady, Javad Maftoon, and Andres Salinas note how critical an issue it is that CRM implementations have failed to produce the desired results. The authors point to several studies: an IBM study that found that 85 percent are failures, an Accenture study that found a 60 percent failure rate and a Gartner Group finding that “only” 50 percent are failures. Only 50 percent!

**Short-Term Thinking**

A recent study by Duke University professors John Graham, Campbell Harvey, and Shiva Rajgopal found that 78 percent of executives would sacrifice long-term value to achieve smoother earnings. Granted, they did see this as
a choice of lesser evils. Organizational guru Russell Ackoff of the Wharton School weighs in, noting that “wisdom is the ability to perceive and evaluate the long-run consequences of behavior. It is normally associated with a willingness to make short-term sacrifices for the sake of long-run gains.”

**Strategy Link**

In his paper “Strategy Execution: An Oxymoron or a Powerful Formula for Corporate Success?” Peter DeLisi, President of Organizational Synergies, pointed to a 1999 *Strategy & Leadership* journal article by David Axson. The article mentioned that less than 60 percent of companies tie incentive compensation to achieving their strategic plans, while 97 percent tie compensation to their financial plan results. Axson’s article also pointed out that the typical company gives access to the strategic plan to only 42 percent of managers and 27 percent of employees. DeLisi made the further point that giving access doesn’t necessarily mean making strategy clear.

In a 1996 study Renaissance Solutions, Inc. and *CFO* magazine found that only 43 percent of companies have a strong link between long-range strategies and their annual budget. According to the study, only 50 percent of executives, 20 percent of managers, and less than 10 percent of frontline employees have goals and compensation linked to strategy.

**Ackoff and White Opinion**

Russell Ackoff in his book *Re-Creating the Corporation*, notes that “control is a double-edged sword; it involves both doing things right (efficiency) and doing the right thing (effectiveness)...It is better to do the right thing wrong than the wrong thing right...In some cases, increases in efficiency can decrease effectiveness.”

My colleague Jim White notes that the reverse is also true. An increase in effectiveness can decrease efficiency. That is especially true when redundancy is required. When you are striving to achieve perfect service for your most profitable customers, you might want some redundancy as a failsafe.
Porter
In his 1996 paper “What Is Strategy?” in the *Harvard Business Review*, competitive advantage guru Michael Porter made the point emphatically that strategy is not operational efficiency. Yet tools intended to help link strategy to execution like the Balanced Scorecard are frequently used for operational efficiency, not strategy effectiveness.

ROMI
Return on Marketing Investment (ROMI) is a relatively recent attempt to answer the ROI question. ROI typically is used as an efficiency measure of a person performing a function or an organization’s use of a tactic or activity. ROMI attempts to link marketing activities to sales and to the financial goals of the company. It paints a bigger picture, but not big enough, because the entire customer relationship is not examined.

McGraw-Hill
The study I mentioned was done in the 1980s. I saw first hand in the 1990s during another downturn how these numbers held for a client who invested for the long-term when others did not.