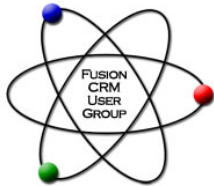
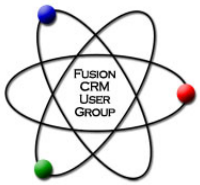


Why Companies Really Need to Master the Art of CRM

Vince Kellen
Vice President, IS
Faculty Lecturer, DePaul University

2007 Conference
March 18 - March 21
Scottsdale Arizona

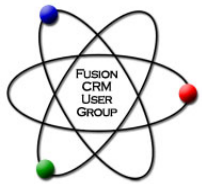




The Argument

- Computing has created an inconvenient truth
 - The faster flow of information has made markets increasingly dynamic and unstable
 - Computing and human culture are irreducibly, symbiotically and *sub-optimally* intertwined

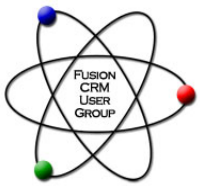
- We need to master the art of CRM. Let's...
 - Leverage our customers' power and knowledge, not our power over them
 - Focus on the human blockages that prevent turning information into advantage
 - Embrace complexity rather than avoid it



Imagine a bike race..



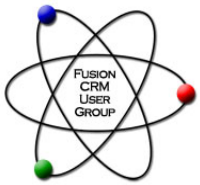
Fusion CRM User Group



Survival tidbits¹

- Looking at the S&P 500 from 1957–1997
 - Only 15% of companies survived
 - Only 16% outperformed the S&P average
- Looking at the top 1000 companies
 - Average profits reached a peak in of 7.6% in 1965 and are now about 4.3%
 - On average, companies are profitable 9 days out of the year
- 18% of companies are unprofitable
 - Up from 5% in 1960
- Since 1960
 - Average lifespan for a big company: 23 years
- Companies are failing at a faster rate
 - 1960 companies, 25% dead in 20 years
 - 1990 companies, 20% dead in 5 years

¹Research from Greg Hackett, as told to CIO.COM



The future is coming faster... And it's angry

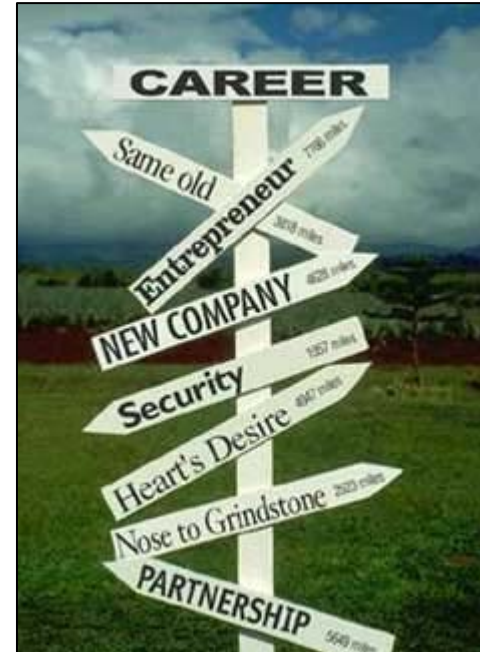
Change abounds. The rate of change has accelerated and is *continuing to increase*

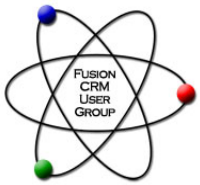
Information technology is the primary accelerant in this increased rate of change

The effects of the increase in the rate of change are being felt in all aspects of life: markets, careers, social structures, governments, personal lives, climate

The increase in the rate of change is without precedent in human history.
We are all pioneers

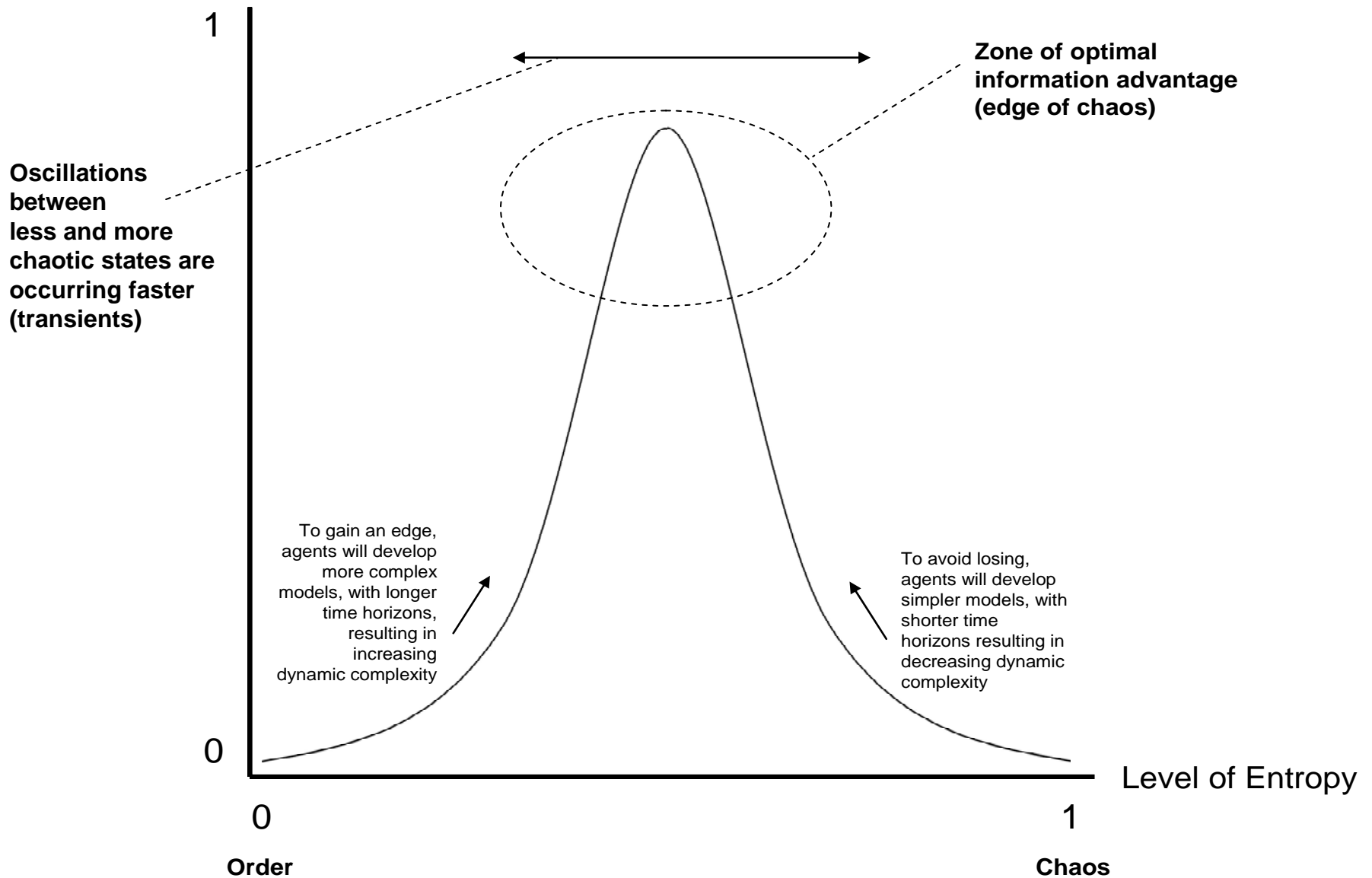
Has CRM has been contributing to this change?...

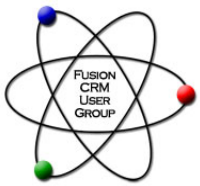




Information at the edge of chaos

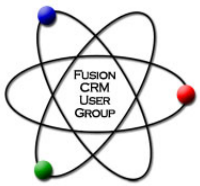
Probability of occurrence





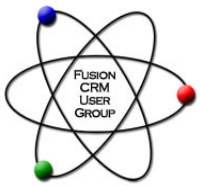
More about fast transients

- Markets are making quicker and more abrupt shifts between states. Disruptive products come quicker and die sooner
 - Markets have faster transients
- Firms need to make quicker shifts to take advantage of market ambiguity. Firm life spans are shorter
 - First need to have faster transients (agility)
- Firms that can't maneuver quickly become wreckage on the highway
 - Are mergers and acquisitions simply wreckage removal?



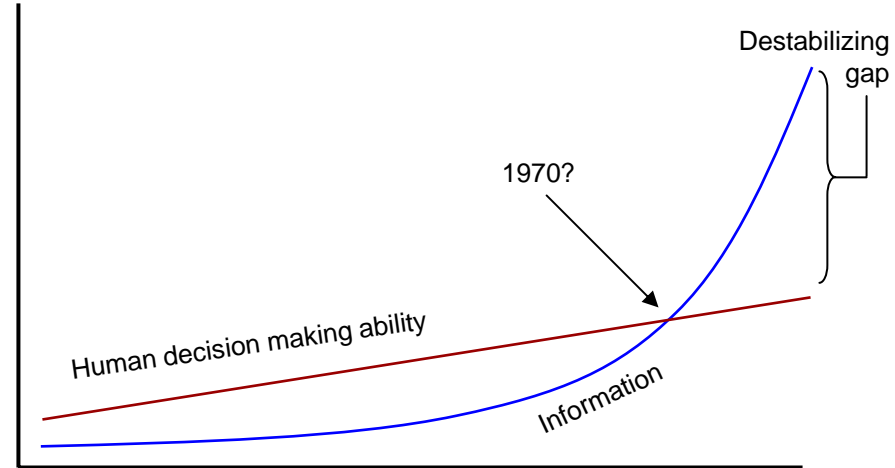
What has enabled fast transients?

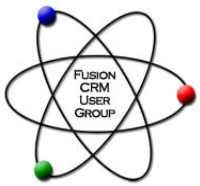
- CRM systems add to increased information flow
 - Knowledge of customers, firm reaction, competitor sensing, new offerings, altered customer behavior and on and on. Transitions between order/chaos (transients) increase in frequency
- The flow of information is imperfect
 - Integration of systems has improved, but still has difficulty. Data quality is still a concern. Fragmentation of human cultures continues
- How much faster can these transients go?
 - That is uncertain! But the zone of optimal information use is not in chaos, but in a slightly more ordered state at its edge
- What does this mean to us?
 - We have to find ways to "surf" these fast transients. CRM can help



More info is *destabilizing*

- More information without improvements in human decision making will result in more disparity in the type of information used by firms as well as in their competitive actions. More info just increases the gap
- This gap (a form of information ambiguity) could increase overall instability, contributing to faster transients between order and chaos
 - U.S. foreign policy?
- However, this gap makes available competitive opportunity, provided the balance between order and chaos remains

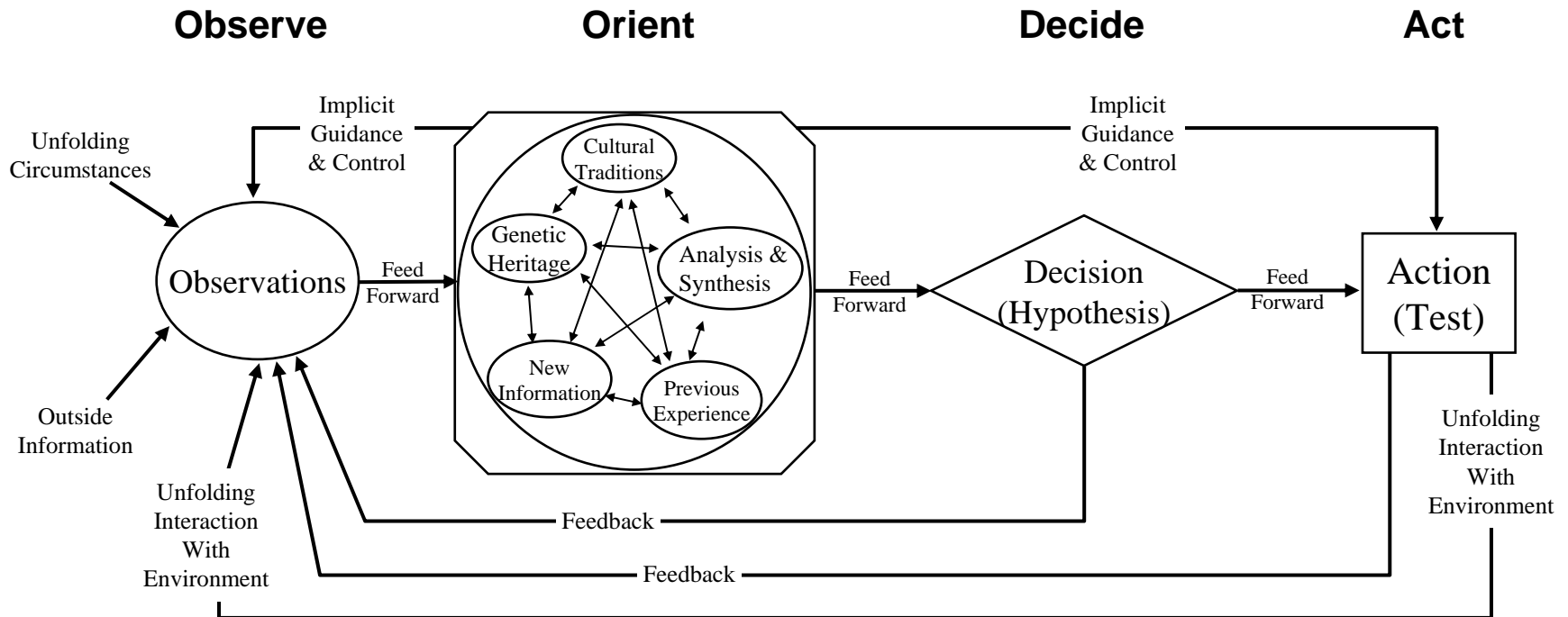




Man + Machine = Companies

- Computers have intertwined with human culture
 - The youth of today use I/M, SMS, cell phones, FaceBook, MySpace, YouTube, etc. to maintain their social being, *simultaneously*. What did we use?
 - Firms know of their internal and external environments through systems
 - Web sites, e-mail, spreadsheets, phone systems, file sharing, e-commerce
 - All processes that have information have some measure of computer-assisted automation
- But CRM so far has revealed problems
 - Imperfectly connected enterprise systems, incompatible data, organizational disputes of who "owns" the customer, silos within silos, reorgs, foolish M&A activity all result in less than stellar customer relationships

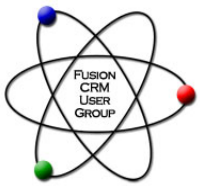
Col. John R. Boyd's OODA Loop



Machine = Feedback + Observations + Feed forward + Analysis

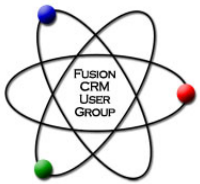
Human = Culture + Heritage + Experience + Decision + Action + Feedback + Feed forward

It may be difficult to neatly separate the man from the machine.

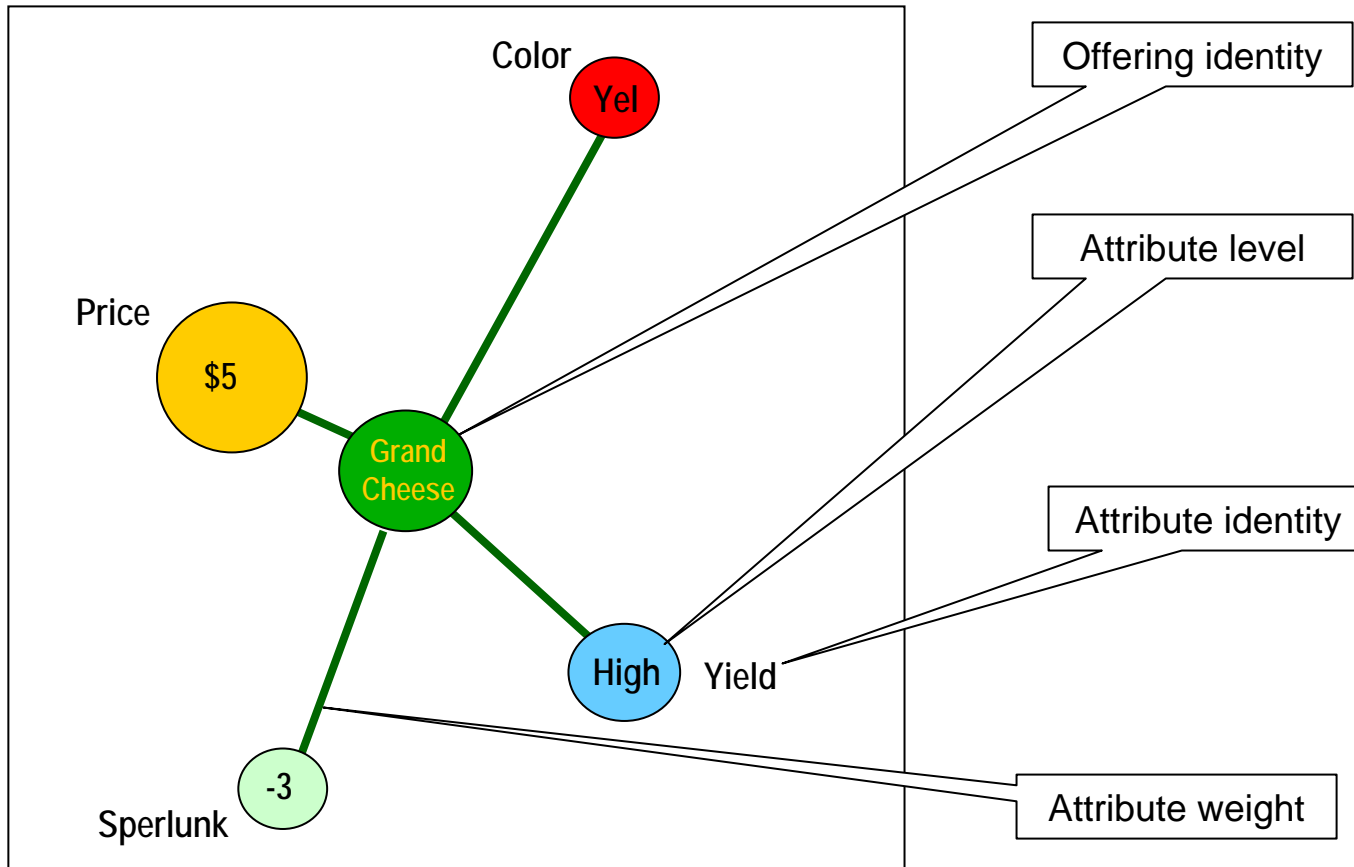


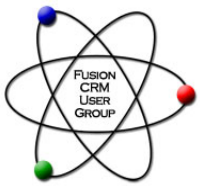
Customers Accelerate Complexity...

- ❑ Markets are collection of customers who have more or less ability to choose offerings
- ❑ The essence of business strategy is to deploy resources so that more customers choose the firm's offerings at the expense of competitor offerings
- ❑ CRM and Marketing begin and end with the customer's choice
- ❑ So how is it that customers come to choose things?



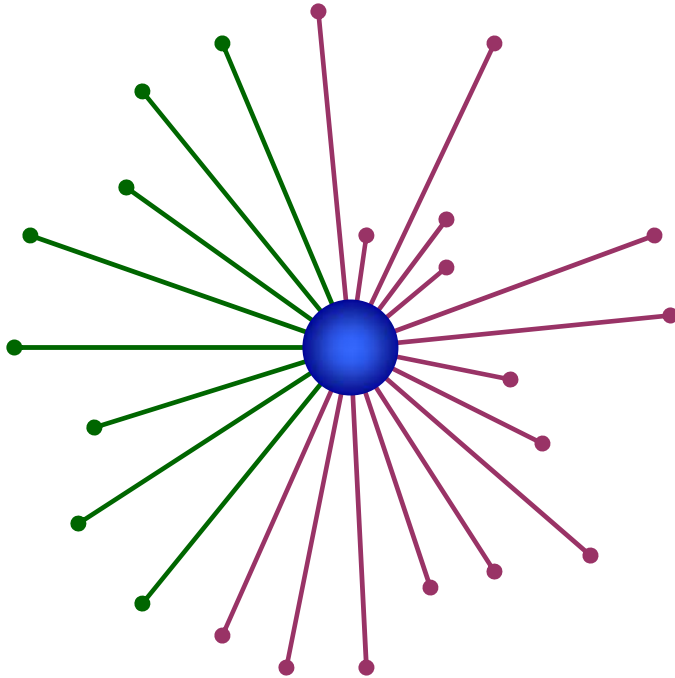
What Customers Choose





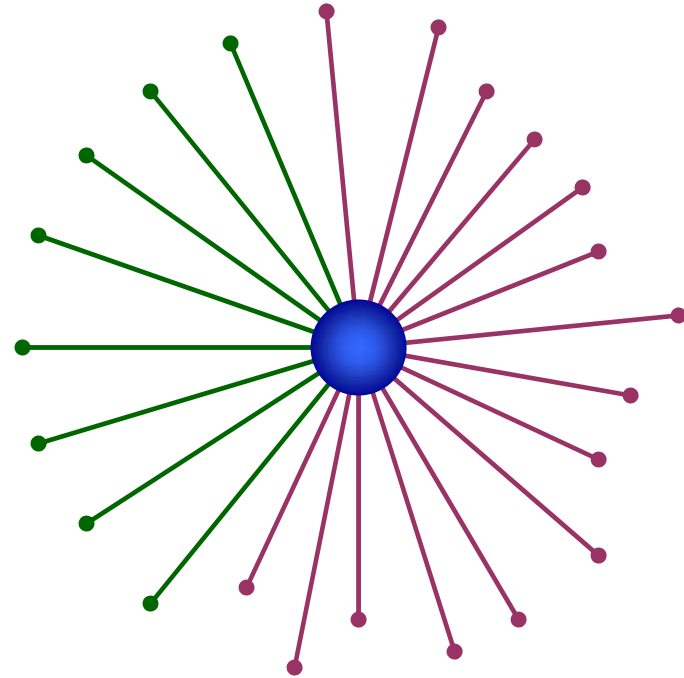
An offering is not just product attributes

John Petrone
Papa Petrone's
Springfield, VA



—● Product Attribute
—● Service Attribute

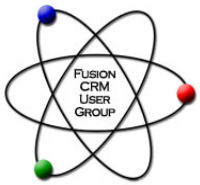
Mike Vady
Seniora Pizza
Syracuse, NY



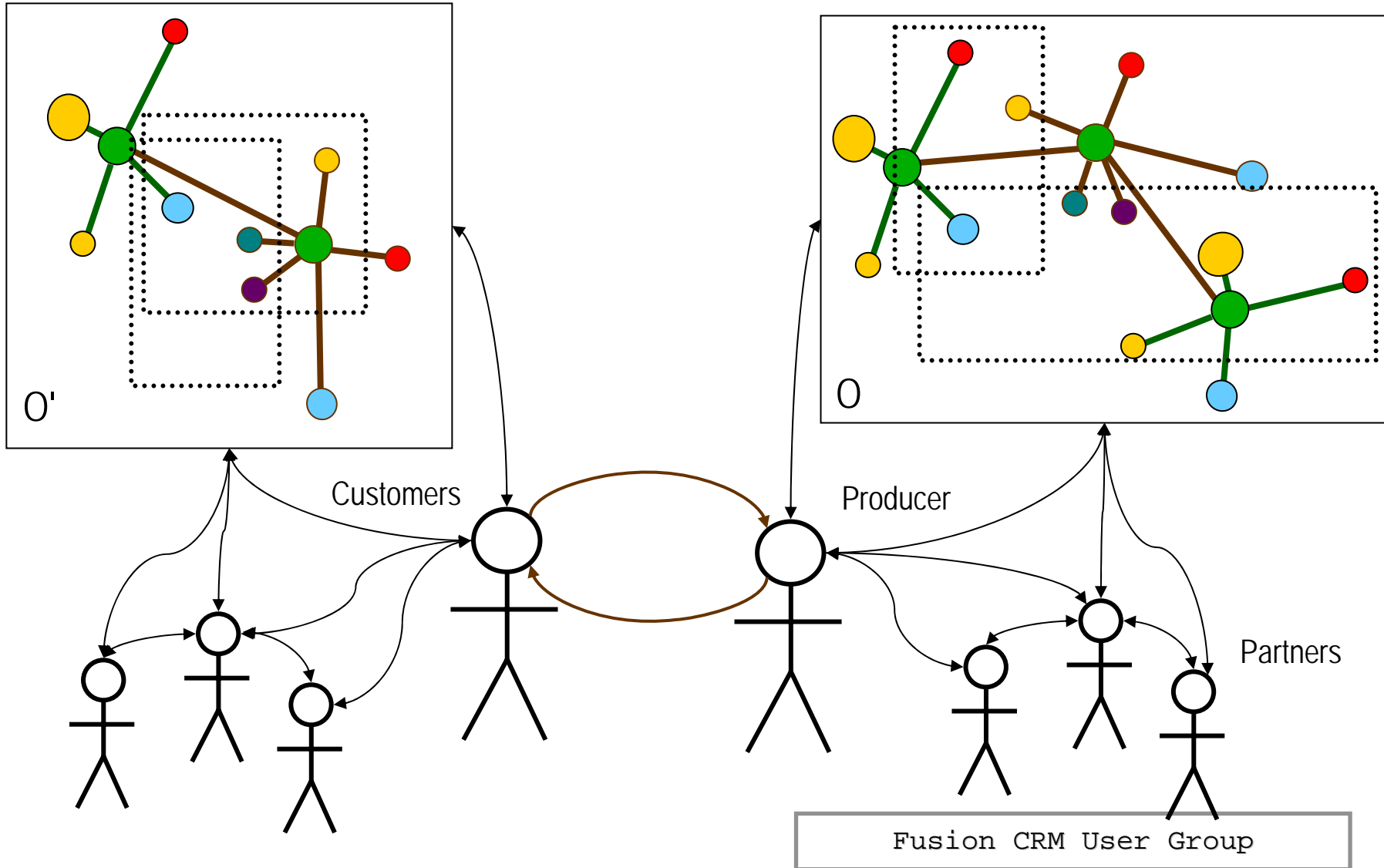
An offering includes things like:

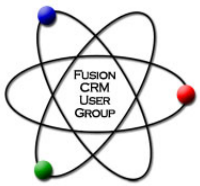
- Customer service, billing
- Logistics, field service
- Configuration, sales force

Fusion CRM User Group



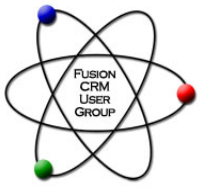
The Customer Experience Space





Experience Space Rules

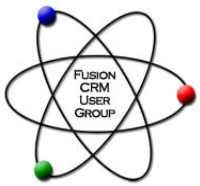
- Firms have an imperfect understanding of their offerings
 - Firm fragmentation
 - Cognitive limitations
 - Incomplete view of the customer
- Customers have an imperfect understanding of a firm's offerings
 - Customer fragmentation (post modern consumerism)
 - Cognitive limitations
 - Incomplete view of the firm
- Talk travels
 - Customers talk to each other, propagating a firm's offering faster and more imperfectly than before
 - Offerings link to each other
 - Offerings compete and mutate with each other as they seek maximal propagation



**"If you're
not confused,
you're not
paying
attention."**

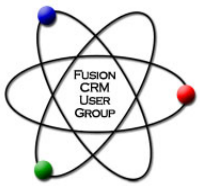
-Tom Peters





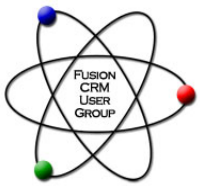
Summary of arguments

- CRM can contribute to firm agility
 - Better sense-making (analytics, scanning)
 - Better response management (self-service, R&D)
- CRM systems and human systems are imperfectly intertwined
 - Implementations must be mindful of deeply human issues of change and learning
 - We need to focus on what prevents knowledge from being turned into appropriate action, not how to install the technology
- With Web 2.0, firms have less power over customers
 - We need to leverage our customers' ability to self-organize, self-express and interact with each other
 - We need to observe and learn from their interactions
 - We need to automate tailoring of service delivery



CRM and Complexity

- We need to embrace these new complexities, not avoid them
 - CRM can help firms absorb and share knowledge
- This capability is contextual, path-dependent and rare
 - How firms choose to intertwine CRM and human systems is idiosyncratic to the people in the firm, the tacit knowledge in their heads, how they talk to each other and the path the firm took to develop this capability
 - Doing this well is barely reproducible and only with much effort. If you're a competitor, this is a good thing
- CRM is the first and final frontier of competitive advantage
 - Before machinery, commerce was built on tacit knowledge and human relationships
 - The 20th century was a temporary ordered state where we forgot this
 - The 21st century will use machines to manage this



Why now?

- ++ The race is tighter. Winners see and do things others don't or can't. Today's CRM systems are better poised to collect data and service customers
- ++ Abstraction of information is moving along (ontologies, web services). This helps customer knowledge flow across the enterprise
- -- Firms still have trouble with the human dimension. Learning, teamwork, handling change
- == This is an exciting time! Firms are learning to ride, but we have much to improve...