

CRM (Customer Relationship Management)

A Perspective

Fifty-two years ago Peter Drucker wrote: “The true business of every company is to make and keep customers”. Prophetic? Maybe, but we think not. From the beginning of time or at least from the first transaction we believe it has been intuitive nature to keep customers happy and keep them coming back. It was easy then because it was a one-on-one transaction without the need for a process. Now it’s not so easy. Enter CRM.

The origin of CRM, as we have come to know it, began in the early 1970’s. When academics and consultants had an epiphany determining it would be better for companies to become “customer centric” vs. “product centric”. CRM was born out of this thoughtful insight. But everyone knows it is less costly and more profitable to retain a customer than to find a new one. Additionally, customer spending typically accelerates over time, satisfied customers give referrals along with testimonials, and loyal customers are less price sensitive. So what was new? A process, a rigorous process to resolve breakdowns in handling customer concerns in a proactive manner vs. a reactive manner. CRM is a philosophy and rigorous process for managing relationships with customers that transcends the entire organization. It is based on 3 simple but powerful principles:

- Protecting the customer base
- Nurturing the customer base
- Increasing the asset value of the customer base

Yet the simplest and least obvious reason for CRM is: Customer Relationship Management is about relations between people. Business is done by people, not companies. No process can change the human desire to take care of the concerns of customers if the desire is not there to begin with.

Cross-functional relationships are just as an important part of CRM as the process of managing customer relationships. Software and processes do not take this dynamic into account. Therefore, managing employee relationships should be a strategic initiative equally important to CRM.

With the advent of sophisticated technology and software CRM can now provide company-wide information designed to reduce costs and increase profitability by improving customer loyalty. CRM software brings together information from every area of a company giving a complete 360-degree view of a customer. A panacea it's not. With all the success stories available on the Internet there are thousands of horror stories of complete failures implementing CRM applications. Virtually all these failures had nothing to do with managing customer relationships. These failures were due to strife and conflict with employee relationships. For CRM to be truly effective, an organization must convince its staff that change is good. Again, this requires effective Employee Relationship Management (ERM).

That sounds simple, but in today's environment the complexity of employee relationships and the dynamics between divisions, departments, remote manufacturing and engineering operations along with managing global customers Employee Relationship Management (ERM) becomes even more important and valuable.

The bottom line is that the basic behavioral desire to take care of the concerns of customers and employees must be woven into the fabric of the organization along with a rigorous process to fulfill that desire. If not, no amount of software or consulting will make a difference. Resulting in abject failure.

So, what is ERM (Employee Relationship Management)? Since all CEO's consider customers and employees their most valuable assets ERM was developed based on similar principles as CRM:

- Protect the employee base
- Nurture the employee base
- Increase the asset value of the employee base

The hard and soft cost of losing a key employee is expensive and in some cases devastating. Turnover is a non-budgeted item and that cost hits the bottom line dollar for dollar. So retention of employees, as with customers, is extremely important. ERM focuses on building relationship and trust that leads to happy employees. Happy employees work better together, have greater trust, and are a great recruiting vehicle because they tell others they love where they work but most importantly they are willing to commit to extraordinary results. Which leads to breakthroughs that lead to Breakaway Innovation.

Just like CRM, ERM touches every function within an organization. CRM does not take into consideration innovation or for that matter ideation or I2P (Individual Intellectual Property). ERM does by providing the needed building blocks to make other systems like CRM successful while creating a path for Breakaway Innovation. As mentioned above, ERM should be a strategic initiative equally important to CRM.