

Leadership as a bottleneck factor in CRM. Or: what could be learned from Alinghi

Astrid K. Holste
Reinhold Rapp*

Resumen

El profesionalismo y la administración de relaciones con el cliente no se detienen con los sistemas y estrategias, el éxito real de los acercamientos prometedores sólo se puede lograr por medio de una nueva orientación y administración. Esto incluye la comprensión de la administración como un marco de referencia existencial que está basado en la confianza, ya que todos los ejemplos presentados muestran que el CRM trata con nuevas situaciones, pruebas, problemas y errores, además de cómo tratar con incidentes inesperados. Cuando un gerente no es capaz de mostrar fe en sus empleados y de establecer una administración que ve los errores de forma positiva (el error como la mejor forma de aprendizaje) como base de la organización, las mejores auditorías y los mejores procedimientos están perdidos. Si este entendido básico es probable que exista en algún lado, resultados positivos del CRM pueden ser obtenidos a corto plazo, debido a análisis consecuentes y a la realización de lineamientos a seguir —y con la introspección continua y la repetición de procedimientos, los cuales pueden servir como ventaja competitiva independiente para un individuo en particular.

Abstract

Customer Relationship Management became a common every day object for Marketing and Sales. An increasing number of customers get lost and less customers' acquisitions are successful. Meanwhile systems and strategies have reached such a high level of maturity that this fact doesn't serve as an excuse. Instead the real cause, the bottle neck factor of a successful CRM has shown up: Missing skills and the lack of professionalism of the managers proclaiming CRM without realizing it. For faster and improved success a radical change of management is needed.

Palabras clave: customer relationship management CRM, dirección, mercadotecnia

* Tecnológico de Monterrey, campus Guadalajara.

Introduction

For the last 20 years Customer Relationship Management (CRM) has existed as a management concept. Lately the IT branch used the notion and made it temporarily popular. After having implemented Customer Relationship Management it is time for almost every company to take an intermediate result.

1. The CRM strategy is established – in internal examination:

A large number of companies own a formulated CRM strategy and it is implemented in an excellent manner due to the view of the internal examination. The role of the customer related actions became less activity orientated than it was 10 years ago. A systematic superstructure is established and also CRM reached a high level of priority in the top management. In internal examination CRM gained a high level of significance and in management surveys it is evaluated with a still increasing potential.

2. The systems are working – as they have been planned to

The long time popular variable is latter becoming silent. The variable ascertains the failure of CRM due to defective IT-systems of CRM. The reason lies in a large number of successful implementations - at a users conference a medium-sized supplier was able to present me over 500 different and satisfied business customers – and it also lies in the qualitative improvement of the system supplier, which survived the selection process and came out of the process as internal gaining strength. Although it turns out perspicuously, during those projects the systems were only used to steer of sales processes or to offer marketing and service offers on a high quality level. That happens because of the strict focus of project planning which is focused on improvement of processes and efficiency. The potentials of revenue and profit improvement are often not planned and certainly not reached.

3. The customer doesn't get a relationship value – due to the lack of leadership and professionalism

All mentioned positive successes of CRM (and this success has rightfully to be compared with successes of other management and “fashion” tools) CRM hasn't reached one of both primary targets: to improve the value for customers. Only in few cases business and individual customers realize the benefit of CRM

strategies as well as the return of the presented information. Analyses so often show the contrary, that especially B2B customers are nowadays more dissatisfied about the quality of support services and the value of their relationship to their suppliers. This undermines not only the positive perception. It also restricts the nonconformity of the external primary target (creating value for the customer) as the direct involved internal primary target (creating value for the company) with it the direct success of the company.

Unprofessional management hampers the real success of CRM

What are the causes that internally CRM has advanced but operates pretty insufficiently externally in terms of customer, profit and growth? Isn't it that we need more patience and have reached a level after 20 years, where young industries like the automotive industry during the 20th of the 19th century were located, formula 1 during the 1970th or the telecommunication branch in the fifties? Do we only need more patience to wait for the fact that everything is being adjusted by itself and CRM is going to reach the customer?

Or is it that we own excellent concepts, ideas and systems but we have insufficient human resources. Or we are not able to realize these ideas. To go on with similar analogies: We do have formula 1 racing cars of the latest generation but we have only amateurs to drive them? We offer high end computers to users that are not able to dominate basic arithmetic's?

Unfortunately my experience, project observations and the exchange with best-practice managers and award – winners do support the second consideration: We are not able to use the existing strategies and systems in a reasonable way because in most cases we do have a lack of professional management in CRM.

Often this has caused many problems in CRM projects. Software and the necessity to act do exist but there is a lack of energy and seriousness to deal with real market and customer related problems. In most cases the reason lies in the lack of quality, the adjustment of the management and the persuasion to be able to approach a new theme with old prescriptions. As Theodore Levitt mentioned in his groundbreaking article 40 years ago: „The customer is not considered to be ‚the problem’ – not because there is any certain belief that no such problem exists but because an organisational lifetime has conditioned management to look in the opposite direction (Levitt, 1960).“

How are managers succeeding to create the move towards the relationship of the customer and realizing CRM successfully with a professional claim? Out of every CRM area they apply the best learning and leadership concepts.

Professional leadership applies at three different levels and can be observed overall

Long ago the notion management has become a leadership term added by new learning concepts (Daft, 2004). Especially the critic of classical of management education Henry Mintzberg established new variations (Mintzberg, 2004). In conclusion three levels of new leadership concepts can be observed:

Individual leadership of the own person

Nowadays every manager needs a defined orientation and a defined scale for his actions whereas strategic ideas for organizations don't play an important role as visions or benchmarking for the individual part. Especially the multiplier function of the manager plays an important role in social-psychological processes. These extensive processes play an important role in CRM, but in this amplitude it can hardly be observed in management matters.

Overall leadership of a team

Although for management building a team is not an innovative thought. In CRM it reaches a new stage of complexity. Since all divisions are directly and indirectly involved in supporting customer processes, there is an extensive need of professional and overall leadership. Often the temporary projects are realized independently from hierarchy and its flexibility is extensively challenged by steady reorganization of sales and product development divisions. To the classical internal leadership, the leadership of customer and customer teams is added furthermore. For example in cases of concerted development or services it takes place. For this form of flexible, transborder team leadership under high quality standards new methods are necessary and needed.

Conceptual leadership of the organization

To conserve the head start in the competition and not to lose the focus, organizations do need strategic leadership. For suppliers of economically developed countries the competitive advantages lay more and more on customer and market divisions than on the production area. Disciplines of the market leaders are intensely described as “customer-intimacy, operative excellence and product management”, but are often realized as combinations. CRM managers have to focus on the guiding idea of customer intimacy and simultaneously they have to involve the core success factors of further dimensions (Tracy et al., 2002). These concepts are not only to formulate in a separate form, they are also to be realized in CRM terms of effects and possibilities of implementation.

In the important and broader context customer relationship management and its possibilities were already interpreted and the management was described in an even broader context than in the narrow notion of customer and market (Payne et al. 2003).

That is what we are going to play on examples of different perspectives of realized professional CRM management procedures.

Airbus testing pilot: Personal professionalism

As almost no one else on the one hand the test pilot of a new generation of planes as Airbus A 380 is dependent on services and information of further persons. On the other hand he needs to act completely on his own when he is exploring a new product in an unknown environment. He needs a high end professional scale to differ between testing new approaches or to retreat to approved methods. Equally, he needs a clear idea about the expectations of the team, the organization and the market and how to incorporate these different levels in his estimation, judgment and decision. That's why the training and procedure of the test pilots is used as an orientation.

In the Alinghi team: Team professionalism

In the numerous sports team challenges of nowadays two big competitions are worth mentioning: the bike sports event Tour de France and the sailing sports event America's cup. For both team work, coordination and classification and

not the material is decisive. The Swiss winner team Alinghi has been able to manage these challenges. Even more than in bike sports it is important to recognize the environment and the weaknesses of the antagonist. Simultaneous the best individuals in a competent team have to be combined to be able to react flexibly according to any change. Because Alinghi in many races realized that in an almost unbeatable way, the example of the sailing team was chosen as orientation for the area of professional team management.

The company Dell: Conceptual professionalism

As Dell with its upstart hardly any company has arranged a whole industry that successfully. Other than established competitors they searched for the direct connection to the customer and professionally worked out a direct marketing advice, logistics and human resource management to become the supply leader worldwide. Meanwhile the company from Texas is going to complete its classic PC – product offers with printers, PDAs and screens – and in some segments they are also going to become the market leader. In terms of customer intimacy (almost every Dell pc is customized) and operative excellence (process orientation in marketing and logistics is pretended to be the world best) Dell is best practice orientation for many companies. In terms of product leadership Dell was also able to work out a gap between them and the competitors. That is why Dell is going to be an important orientation for the conceptual professionalism in CRM.

Five guiding ideas of professional leadership in crm

Because of perceptions of the insufficiency and due to the mentioned success examples of professional leadership it is important to express guiding ideas:

1. Learning from the environment of CRM

Especially in new; complex and fast changing environments professional cognition and individual leadership is demanded. Learning from the environment is a result of consequent change perceptions in it a purposeful comparison with experiences and as fast as possible adaptation of the procedures. Or as it was described by an airbus pilot: “Most important is the view out of the window not the one on the instruments. Using my instruments I have to trust my technicians

and the developers, watching the real world outside I have to rely on my perceptions. The instruments are delivering the deviation of the norm, but in terms of weather, traffic or distances the real world has always to be interpreted in a new way. It is also necessary to transfer these individual insights to bigger groups that are affected and due to their experience to reflect the insights. The learning based on the environment has in medium terms a wide impact on concepts and strategic leadership. Learning from the environment has an impact on a) the observation of the close environment (customer, competition and relation) and the wide environment (technology, social and political environment). First it is important for to realize important changes of the customer, in the relationship and the use of the relationship processes. Especially the change in the customer processes and the generation of value includes dramatically consequences for the management. For these aspects the observation of the external environment plays an important rule, which means social or technical developments as the overall, general influences. This couldn't be observed only in rapidly changing markets as the one of information technology or the one of financial services. It also could be discovered in established B2B markets as in energy purchase where constant changes rule the market and relationship forces.

As important steps for realizing the project it is referred to a clear system where learning in the environment has to be realized, how it is organized and how individuals could be trained to realize changes of the environment in a fast manner and to train their reactions. Equivalent to the simulator of flights a simulator of the environment seems to be a necessary innovation. Also the observation of the wide environment has to be intensified. What are the competitors establishing for the customer relationship? How will new technologies change the relationships? Which influence does political framework of laws have? Therefore it is important to establish an easy and effective monitoring system of "early detection".

2. Training the procedures not training the technology

While production processes are improving – especially in the most intense phase of TQM and Lean Management – the importance of leadership training was discovered. The grade of intensification decreased dramatically because of the focus changed from product orientation to market and customer orientation. Especially while the introduction phase of CRM the training was focused on new technologies and how to handle the software. It was left to the "approved"

training-on-the-job experience after the kick-off event. The negative effects are neglected in this test training with the “living” object of customer relations as well as the potential of improvement as consequence of good training. Or could you imagine that as a top-performance team the sailing team of Alinghi is working out its crucial handles during the race? In the philosophy of the America’s cup winner the p of practice and the ratio of training:competition plays an important role. Central procedure consists in: relation and quality always have to be positive, that means that procedures are trained more often than they take place during the race and way more often during the training the achievement which is used is trained. Before I am going to compete, every procedure is endlessly trained and improved continuously. A crucial fact is that every job is filled twice and the sportsmen do have a direct competition for the final competition for being nominated. Only the best one will get the position and by constant training he will be at pains to learn and to improve its position. Relating that fact to CRM means that new procedures (as direct marketing address for example) are not trained with the – often valuable – customer, but rather establishing a form of training that outside the concrete customer situation (for example internally with employees or in form of market research procedures) realizes theoretical and practical procedures. The procedures are analyzed towards individual and organizational potential of improvement. Further potential of improvement could result from the procedure of an “understudy”. After these trainings concrete actions are realized and a sweeping debriefing will be the next learning step. Such a process should flow into an overall CRM training that processes and contents of training are created in the long run. It also has to be suggested to vary the forms of training and to complement with new content and innovative tools. It should be identified that everybody is willing to go interesting ways and to communicate it to each target group. Or could you imagine that the actions of Alinghi could be trained with a boring power point-presentation?

3. Simulation of the unexpected

Especially when new concepts as CRM are introduced, new technologies are implemented (as new CRM-Software) using new and innovative procedures as multilevel communication. But often they are filled with inexperienced personnel so that inevitably an internal complexity is created that leads to unexpected developments as for example positive events as an over expected response of customers to the loyalty program of Aral gas stations (as they were not able to

offer every loyal customer a football), but also to a lack of response of a call center offer, where employees are waiting unmotivated without receiving calls. Due to last years practical experience a large number of these events could be observed leading to the opinion of the management that “they are not able to do it”. If it is basically assumed that unexpected happens and the amount of single aspects couldn’t be realized properly you have to anticipate events and to evaluate its effects. That’s why for hours the test pilots are training with the flight simulator. Predominantly usual situations are not trained; instead they train the happenings that are unexpected during the common process: Decrease of pressure in a climb flight, breakdown at the same time of technical systems and the back up system or flawed information are presented with its negative effects checking possible reactions. The same happens with the Alinghi crew not working out its competitive advantages during good weather periods rather than handling unexpected situation being simulated before.

Using this perception for the leadership of CRM processes and – teams means that the plan of strategies and activities not only considers “normal” customer reaction but also anticipates positive (the customer reacts way more intense than expected) and negative outliers (the customer doesn’t react at all or different than expected). These scenarios doesn’t only have to be presented and trained, before realization possible reaction patterns with all needs of resources have to be regarded. These simulations of the unexpected could be systematically connected to both presented ideas which means that effects of changes in the environment could be presented *during* the action. Training could be in charge of considering the alternatives and possible unexpected customer reactions.

4. Thinking and acting from beginning to the ending of the processes

Although tools and possibilities of systematic analysis of the customer and the relationship recently exist these tools are used very insufficient (Rapp, 2005). Everybody is talking about the “closed-loop” dealing with the first contact to the customer to dialogues and latter the measurement of results. But in most companies you will only find some general charts and in reality you wouldn’t be able to observe the approach. Because during their daily work employees and managers are not used to think in terms of “end-to-end” or they don’t use it. For the realization of the closed loops different departments like controlling or logistics have to be integrated and are mostly not.

The company Dell offers an ideal example that it doesn't have to be like this. Before Dell starts a direct-marketing-procedure to e.g. a special individual customer segment, the complete start-end process is not only defined and arranged, it is also created in that way that it can be realized in a very fast circle. For every prospect (of each target group) there is a special telephone number, for every Web site there are specific buttons existing that which immediately could be connected with the appropriate customer number. It is easy to comprehend, when and at which point a new customer is canceling the interest- and purchasing process or how successful the concept of addressing the customer is and when the process of purchase is completed. The responsible gets these information not weeks later, he gets them the same day, that means that Dell can recognize the results of the closed-loop immediately. In case of problems during the process (like an exaggerated demand, products couldn't be delivered) Dell can react within 24 hours and give the customer an alternative offer. Meanwhile the company reflects to gather data about reporting of every section of the process as lead, not even daily realizing a configuration to the emission per segment and product group, they want to establish it even two times a day to react faster.

For companies willing to orientate on these facts, it will be important for the future not only to gather detailed data about the most important start-to-end processes including all involved divisions – even under consideration of the customer processes - and to present it. It will be even more important to find specific ways in the shortest time possible to gather data about the processes and to report it in order to react in terms of organization as fast as possible. Way too often the opposite is happening in companies where processes aren't transparent for *not* being able to react! This behavior that is based on a lack of trust or culture of errors could only be solved by professional leadership management.

5. Audits as scale of orientation

After all presented deficits and possible solutions there is a general question left: How does an optimized, professional leadership management look like and which employee in my organization has the skills for being a manager realizing the potentials of CRM? A situational process is able to solve concrete problems, but it is not helpful to find an overall orientation of my company. It doesn't offer me the observation independent from individual cases or persons. An audit enables the managers to evaluate on the base of beforehand constituted criteria's possibly related with concrete potential of improvement and procedures. These

often very technical orientated steps could be adapted to management situations and are recently very popular in the human resource division.

But the value of these audits is also obvious in other areas. Every member of the Alinghi crew is passing *daily* through these audits during training and competition. Beforehand the criteria of performance like e.g. rapidness of reaction, communication to downstream positions and flexibility in handling is clearly defined and scaled. After the termination of the procedure the superior positions, neutral observer, peers and involved persons define the satisfaction level and publish it the same day. Such an audit doesn't only allow a better evaluation of performance of a procedure – especially in relation to the understudy – it also offers the overall aggregation of all important criteria over a long term variation in time. An improvement during the audits could obviously be identified not only by the examination itself, but rather by the fixation of procedures connected to the audit to optimize and improve the procedures.

The consequence for professional management in CRM is to develop special CRM management audits that identifies the variables and criteria of individual leadership for the customers (personal performance) of team management and organization (organizational performance) and of strategy and concepts (conceptual performance) and defines firm evaluation criteria. The next step handles with the procedure of getting clarity about the causes of the performance characteristics and how these results could be improved due to concrete procedures (normally by the first four of the five approaches). Such an audit shouldn't audit the used procedures, technologies of the status of special aspects like e.g. lead management (special CRM strategy audits do exist), it should enable the manager to break down the CRM targets to individuals and organization and to enable them to exploit and use their potential due to a definite position-fixing.

Conclusions

Professionalism and customer relationship management doesn't stop with systems and strategy, but the real success of promising CRM approaches are only to be realized by new orientation and management. This contains an understanding of management as existential framework that is based on trust because all of the presented examples show that CRM deals with new situations, test, trial and error and how to deal with unexpected incidents. When every single manager is not able to show a leap of faith to his or her employees and establishes a positive

failure management (“failure as best chance to learn”) as basement of the organization, the best audits and procedures are doomed. If this basic understanding is likely existing on either side positive results of CRM could be realized in a short term due to consequent analyses and realization of the for guiding ideas – and with continuous internalization and repetition of the procedures they can be given as a competitive advantage independently from the particular individual.

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