

Client Relationship Management

When does an organisation need to formalise its processes?

Most senior executives at organisations with large client bases believe that they have relationship management processes in place. On closer inspection it is most often found that these activities represent optional, supplementary responsibilities of low priority to the workforce and senior management on a day-to-day basis. Very few, if any, full time resources are committed to sustain momentum and consistency. At the same time, CRM technologies offering sophisticated, flexible repositories of client information are underexploited by many of the organisations that have invested in them.

For senior managers who are considering their options with regard to their company's management of key client relationships, there are some clear-cut business indicators that point to a requirement for a centralised programme, with empowered leadership, formal disciplines, dedicated resources – and prolonged financial and political investment.

1. **Client Needs and Characteristics.** The business that clients conduct with an organisation will be defined by the products and services that it offers, in the geographical location that it has a presence. From the client's perspective the company will be benchmarked against competitor providers in the areas that it operates. For many commercial relationships, this is the extent of complexity – and the correct management model is strong sales contact and an acute sensitivity to competitive pressures at the product end.

There is a need to take stock, however, if clients are showing the following behaviours:

- a) Consolidating suppliers;
- b) Becoming increasingly demanding for customised products and service;
- c) Raising the bar with regards to geographical coverage;
- d) Requiring much higher levels of credit or capital commitment ;
- e) Growing new business activities untouched by existing providers.

At its core, Relationship Management is change management between 2 organisations. In today's business context, where collaboration, transparency

and homogeneous product offerings have become defining characteristics, many businesses are operating in markets where remaining relevant depends upon deepening engagement with clients.

2. **Strategic Retrenchment.** Since 2000 the realities of executive over-extension have become apparent. Globalisation, technological innovation, information transparency, volatile capital markets and regulatory intervention in response to market abuses have mixed together to provoke a distinct management adjustment of strategic goals and priorities. Non-core activities and forced, failed synergies between acquired divisions have been abandoned – often as a result of regulatory probing or perceived reputational and operational risks. The latter issue is of growing importance in an environment where brand strength to support core growth activities must be preserved at all costs.

Where does this involve Relationship Management? The answer lies in the need of many companies to buy in, on a white-labelled basis, products and services that they might have previously ‘manufactured’ themselves, for onselling, branded proprietarily, to end customers. This sort of supplier relationship is far more intense than the traditional type, and more complex for both parties. The very decision to step away from certain activities will often be determined by the possibilities for developing sustainable relationships with key, market-leading 3rd party suppliers. For those companies, the choice of strategic partners is a one-off event, winner takes all. Investment in the relationship throughout levels of management, across as many functions as possible, is a prerequisite for success. These decisions are multi-layered, with broad organisational support necessary, every step of the way.

3. **Organisational Marketing.** The corporate marketing resources committed to the consumer market-place stand in sharp contrast to the investment in brand management for business customers. In fact, many companies enjoying strong branding in the consumer arena choose to follow the path of least resistance and carry the associations into firm-to-firm relationships.

With growing emphasis upon customised products and services, and a shift towards integrated solutions, client perceptions of supplier capabilities cannot be left in the hands of marketers aiming at the consumer market. Often we find that major shifts in corporate strategic priorities, which hold important consequences for customers and clients with regard to product quality and service levels (good and bad), are poorly communicated and irregularly updated.

With an institutional client it is high quality information, timeliness and an ability to respond to unexpected reactions that are key. The ideal channel for such positioning is a Relationship Manager, one of whose functions is to

ensure that the client, at multiple levels, has an accurate expectation of the organisation servicing it. We categorise this as Relationship Marketing, an activity that is likely to grow enormously in the next 5 years.

4. **Analytics.** Performance benchmarks remain central to business discipline. Within most organisations measurement begins at a function/product level, where input and output are very simply collated and represented. The 2nd dimension is a geographic 'look', usually to place regional facilities and staff in a comparable context. Most Investor Relations departments at large companies represent management performance in the context of these 2 complementary perspectives. This is not surprising as both dimensions highlight the tangible infrastructure of any business – namely the products, staff, fixed assets and offices.

Today the intangible infrastructure of companies is highly valued (often on the balance sheet), measured and analysed. Client relationships are joining intellectual property, branded products and corporate reputations as recognised intangible assets.

This development is fuelling corporate appetites for better, comprehensive client information. However, most organisations try to build data points and processes to upgrade client metrics, in particular, around existing product or regional resources. Inevitably the richness of the information is compromised by legacy processes. If the client franchise is to be comprehensively understood, it has to be managed on an equivalent basis to the other 2 dimensions, with all of the political complexity involved.

5. **Conflict Resolution.** The corollary to deepened client relationships, and the consequent investment of time and resources by both parties, is that expectations rise. This is clearly the object of the exercise in a positive sense. However, disappointments and failed delivery of commitments will generate a far more vigorous and punitive response from many clients.

In simple business terminology, a client franchise needs to be risk managed with as much focus and detail as finance, legal and other more traditional areas where risk is a key element. The difference is that the financial metric is opportunity cost, as opposed to more easily measured losses and expenses.

The suspension, or loss of, a large client's account across multiple business lines is a body blow for any organisation, and the revenues are extremely difficult to replace. Historically it is at this point that senior management is asked to 'put in a couple of calls' to ameliorate the situation.

A comprehensive Relationship Management programme will naturally act as the primary shock absorber for negative developments in an institutionalised client relationship. Comprehensive peer analysis, accurate information about

recent issues with the client and approximate measures of opportunity cost can inform Relationship Managers and business decision-makers. However, the fundamental role is of constant communication so that no single problem gathers sufficient magnitude to corrupt firm-to-firm business.

6. **Retention of Talent.** Many organisations struggle to find challenging roles for senior sales and client-facing executives. Whereas some move on to broader leadership positions in the organisation, many wish to retain their client orientation, but are unmotivated by the prospect of remaining in sales or sales management. Often they are highly compensated too, which pressures expense management.

The commercial value that this type of individual carries, beyond skills and experience, is the depth of his or her relationships. These are the building blocks to the intangible assets referred to earlier. The challenge for senior management is to convert these assets into platforms for revenue growth.

This is not a simple process, but the extension of career prospects for seasoned client-facing professionals acts as a motivation, creates a sense of long term commitment (2-way) and signals to clients that the time that they commit to relationships with individuals at the servicing organisation will have long term benefits in terms of continuity and consistency.

In terms of hierarchies, some organisations have made the shift to the creation of Offices of the Client, reporting directly to the CEO or Chairman. This structural development is a crucial signal to client-facing executives that their careers can develop fully without having to step away from their relationships and expertise.

Assessment

The motivation most often found with managers looking to launch relationship management efforts is one of regaining control. Clients, when complex organisations, represent an opportunity and risk at the same time. Intuitively senior managers feel responsible but unempowered when faced with conflicting priorities for time and resource allocation.

Although these sentiments are accurate reflections of the realities of many client businesses, the desire for control clouds judgement, and distorts the construction of programmes and the setting of priorities.

The establishment of successful, comprehensive relationship management programmes embeds a new type of management control, but in a slow and evolving fashion. Client relationships are organic in nature, yielding unexpected benefits that are impossible to forecast. To many senior executives this may sound nebulous. In

reality, as has been identified in earlier description of operating characteristics that suggest a need for formal programmes, the nature of organisational challenges has shifted sharply towards intangible assets and broader definitions of risk management. As such Relationship Management acts as a cornerstone of knowledge-based decision-making.

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