

IAN GORDON ARTICLE

Relationships with Investors and Owners

Ian Gordon

President - Convergence Management Consultants Ltd.

Author: "Relationship Marketing: New Strategies, Techniques and Technologies to Win the Customers You Want and Keep Them Forever" (Wiley, 1999)

The ability of the company to form enduring customer relationships depends heavily on investors and owners, and their views regarding the link between customer relationship management (CRM) and shareholder value.

Businesses are incarnations of the people who own them. Passive investors place their trust in management to run the company in their interests. At the other extreme, venture capitalists are closely and actively involved in shaping the business. Over time, much about the company, and especially its culture, resemble those who own and run it. Patient capital is more likely to allow a company to put in place the people, processes and technology that give customers an opportunity to target the company. Capital with a shorter fuse is more likely to want the company to take immediate action to target customers and sell, sell, sell. Management working in companies where the owners are more short term will quickly face deep questions when they want to invest in a relationship-based strategy.

How then to build the customer relationship where investors and owners have yet to see relationship marketing as a strategic umbrella under which most of their initiatives can fall?

1. Management should understand their investors and owners even better than they do their customers. Even in widely-held companies and especially in companies more narrowly-held, such as by pension funds, owner-operators or venture capitalists, the roles and interests of the investors and owners need to be assessed. Management must align with investors and owners but can of course influence their views. Before CRM can be fully implemented, because it is often expensive, investors and owners must come on board first.
2. To bring investors and owners on board, management can develop CRM awareness, interest and understanding. Approach the opportunity from a financial perspective, showing how customer differentiation and program management, for example, can contribute materially to near term profitability, with many areas of cost reduction and new value creation possible, once relationships mature. Give investors and owners books and articles to read from sources they consider credible, such as from the Harvard Business Review on customer profitability (9/1/1995).
3. Prepare a CRM plan. Show that CRM is much more than a tangled series of technology-based initiatives. Benefit from the advice of the investors and owners, most of whom owe their success to skill in managing relationships. If your company has venture capitalists, they can play a very constructive role here, including drawing on their networks of skilled professionals for additional advice, introducing people to drive your CRM initiative or facilitating additional communication with preferred

customers and partners. They can also help in the roles in which they are particularly skilled, such as providing capital for the CRM initiative, and advice in finance, such as customer assessment.

4. Where investors and owners cannot accommodate the CRM initiative once they fully appreciate it, either the plan must be abandoned or changed, or the views of investors and owners altered, over time. A final approach, and a much more challenging one, would be to manage the mix of investors.
5. Bonding with investors and owners, and influencing them, can employ many of the same principles as customer bonding. Who are the most important investors on whom to focus? What is their present bonding with the company? How would each describe a deeper relationship? What value do you want from each investor? What relationship objectives should be set for each? How can each investor be moved up the bonding ladder to a higher level relationship? How can technology be used to enable (two-way) investor communications and a learning relationship with each? How should the relationship with the company be measured? High levels of investor retention, good advice, an increased (and more patient) capital base, an expanded network and a culture and vision that pays attention to the customer and employee relationship, could result in a big increase in shareholder value.

If the customer relationship is to be deepened, investors and owners must be aware and interested in the benefits of CRM and prepared to commit management time and capital to the initiative. As one manager said: "You've got to keep convincing the investor that you are on the right track. To the extent that you do, they'll keep providing the money... To the extent you don't, they'll either cease providing the money to the company or they'll continue providing it without you."

— Ian Gordon

Ian Gordon is President of Convergence Management Consultants Ltd, a management consultancy specializing in customer relationship management and the resolution of strategic marketplace issues. He is author of over 50 articles and a number of books, including the recently released "Relationship Marketing: New Strategies, Techniques and Technologies to Win the Customers You Want and Keep Them Forever" (Wiley, 1999). He can be reached at gordonih@aol.com.