
PRACTICAL
CSM
practicalcsm.com
Certified Customer Success Management Professional
CCSMP


PRACTICAL
CSM
practicalcsm.com
Certified Customer Success Management Professional
Module Two:
Business Fundamentals
Workbook Two

In Workbook Two of our Business Fundamentals module we will be covering the following topics:

Firstly we will take a look at how businesses work in terms of how they are organized, what they do, what resources they need and what relationships they have with other entities. Then we will discuss the principles of business management, where we look at the things that influence change within a business and how business strategy is formulated.

- How Businesses Work
    - Organization
    - Capabilities
- Principles of Business Management
    - Drivers for Change
    - Strategy Formulation

As we saw in Workbook One, the whole point of a business is to enable multiple people to come together under one banner to create more complicated products or deliver more complicated services than would otherwise be possible. Everyone working within a business therefore has a specific, specialist role to perform including for example senior managers who determine the company's strategy and lead the business, HR workers who hire people based on the needs of the business and make sure they are paid and looked after, Sales persons who interact with and sell the company's products and services to its customers, Marketing personnel who make potential new customers aware of the existence of the company's brand and the quality and benefits of purchasing its products and services, the R&D team who determine what customers want and develop new products and services to meet those needs, and then the producers or service providers themselves – people like the assembly workers in the automobile company and the accountants in the accountancy firm who either create the product or deliver the service.

For the CSM it is good to know how a customer's company is organized because this can help them to determine who within the customer's organization might be impacted by change arising from the initiative that their company's products and services have been purchased to support, and which managers might be responsible for or interested in those people.

For example, perhaps the CSM's company sells software for salespeople, and perhaps a customer has purchased this software to support an initiative to increase the Sales department's productivity by enabling salespeople to create customized quotations in real time for customers whilst on site in the customer's offices, rather than having to come away and create the quotation back at the company's offices and return with it at a later date.

The first and most obvious group of people within the customer's company who will be impacted by change caused by this initiative will of course be the salespeople themselves, since they will now be following a different process (staying with the customer rather than going back to the office) and using different tools (the new software) to create customized quotations. They will need to be communicated with to let them know about and prepare for the upcoming change, and they will need training and perhaps even testing on the new process and on how to use the new software, and may also require ongoing support for the new process and software in case they encounter any problems or difficulties.

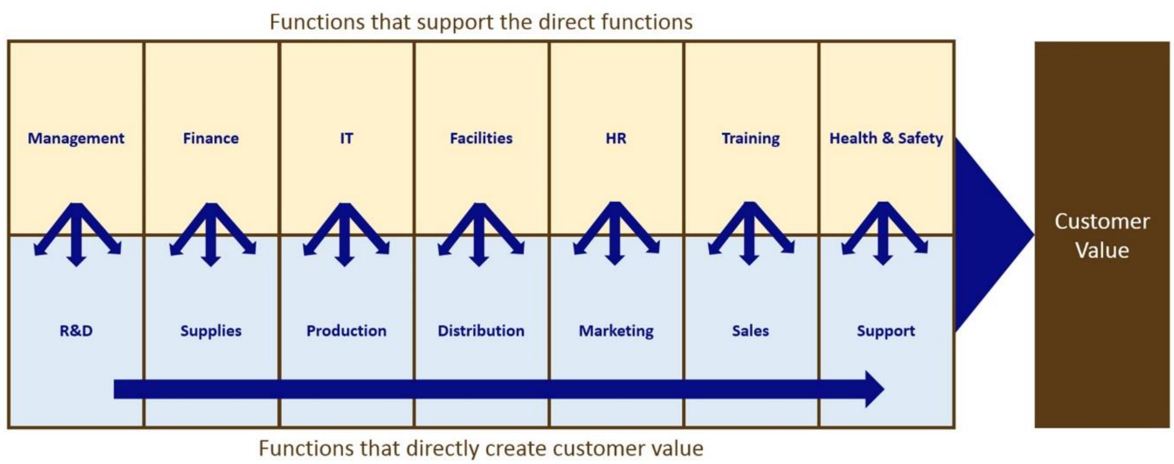
So in this instance, the CSM would be interested to understand who manages the salespeople, how they are organized, where they are and how many there are in each location, and so on, as this will assist the CSM when it comes to helping the company with onboarding and adoption of the software. In addition to understanding who directly supervises the sales teams, the CSM might also need to know the senior management levels within the Sales department and also who they in turn report to in the corporate senior leadership team and how they are incentivized and rewarded. This is in order to understand the needs for value realization and reporting of that value.

Who might be impacted by enabling salespeople to create customized quotations in real time?

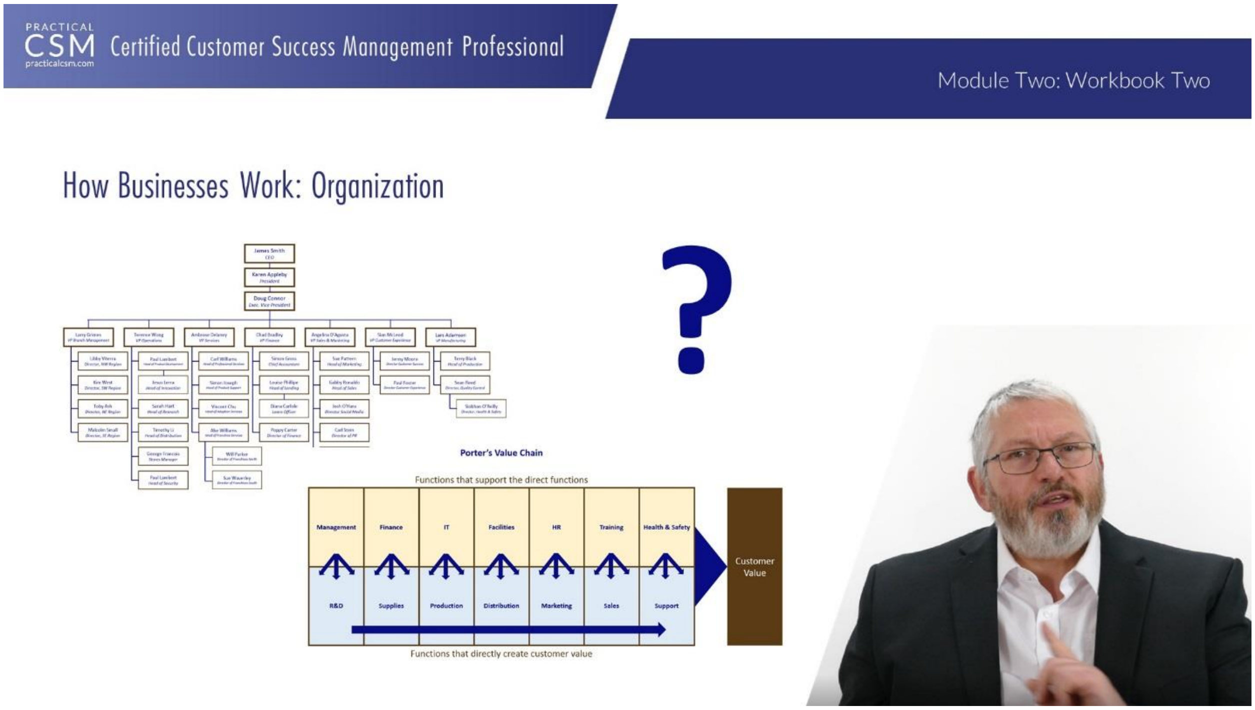
Finally, the really good CSM might also start thinking about some of the wider implications of the initiative. For example, if salespeople use different software to create customized sales orders, does this have a knock on impact on the Production department in terms of the way in which they receive custom orders for them to fulfil? Also if salespeople become more productive, does this mean that the Production and Distribution departments will also need to become more productive? The CSM might also be wondering how salespeople’s productivity is measured and reported, and how it might affect overall revenues and profitability of the company and how *that* might be reported as well as *who* within the customer’s senior leadership team might be interested in any increases that occur.

Two tools exist that may be useful to the CSM to use when trying to understand the customer's organization. The first tool is the organizational chart or "Org Chart" which is a tree-style diagram that shows the different departments within the organization and the hierarchical reporting structure from junior to senior management and up to senior corporate leadership. CSMs can use the Org Chart tool to determine who is involved in management and decision making with regard to onboarding and adoption, and which managers may need to be reported to in terms of value realization.

Porter's Value Chain



The second tool is Porter's Value Chain, which shows the different departments organized not by reporting structure but by their position within the process of creating value for customers. To the right of the model is the value that is being created. At the bottom the different departments that are directly involved in generating that value are shown in a single row from left to right in the logical order that they are actually in when they perform their activities to generate that value. So for example in the case of a manufacturer first the product is designed, then the raw materials and parts are acquired, then those raw materials and parts are assembled into the product, then it is shipped to retailers, then potential customers are made aware of that product's availability, then the product is sold to customers, and finally customers who have purchased the product are provided with support to fix any problems they encounter. At the top the different departments that are indirectly involved in generating value for customers are shown. These departments are not themselves involved in that direct chain of value creation itself, but instead provide vital functions that support the departments that *are* directly involved in generating the value and that could not create that value if they did not have this support. CSMs can use Porter's Value Chain to determine which parts of the business may be directly and indirectly impacted by change caused by the initiative they are working on.



In terms of how to *create* these models – well it may be that the customer (or maybe even the customer's account manager) already has an org chart that they can provide you with. Otherwise the CSM simply needs to sit down either by themselves if they know the customer's business well enough or with someone who does know the customer's business and draw it all out. With Porter's Value Chain it is less likely either that the customer's stakeholders or the CSM's own company's sales team have already created this model, although it's always worth checking to see. Most likely, the CSM will need to create the Value Chain themselves from scratch, again either through their own knowledge of the customer's business or with help from one or more others who *do* know it. More discussions about how these and other tools are actually created and used will appear in later modules. The important thing at this *Business Fundamentals* stage is for CSMs to *understand* what these two tools do and why they are used.

The word "capability" means the ability to perform a task successfully. A "business capability" therefore is the ability for a business to perform a task successfully. Business capability modelling is the process of creating an entire model of the business and everything it does, based purely on this concept of capabilities or performing tasks. Business capabilities are generally thought about in three layers or levels, with the high level capability at the top, which can be broken down into several mid level capabilities, each of which can then in turn be broken down into low level capabilities at the bottom. So for example, a high level capability of most companies would be "Sales". Within the Sales high level capability exists several mid level capabilities, including "Order Taking" which is one aspect (but not the only aspect) of the overall "Sales" capability. In turn, within the "Order Taking" mid level capability there are multiple low level capabilities, including "Taking Custom Orders for Product A", which again is one aspect (but not the only aspect) of the overall "Order Taking" capability, which in turn as we have seen is itself one aspect of the overall "Sales" capability.

Why is modelling the business in this way useful? Because in doing so we can describe every single thing the company does, and this enables us to review what the company does to determine whether what it is doing are the right things – ie the things it ought to be doing – or whether it ought instead to be doing other things, or whether if it *is* doing the right things it is doing them the *right way* – in other words whether it should be doing them more productively, more efficiently, to a higher quality, and so on. In other words, business capability modelling enables us to make business improvement decisions, since it tells us what the business is currently doing and how it is doing those things.

The high and mid level capabilities are basically logical groupings that enable us to organize low level capabilities in a logical way that follows the organizational hierarchy. High level capabilities therefore tend to represent the basic functions of the business such as Sales, Production, HR, etc., each of which will have a department that performs those functions. These are then broken down into mid level and then low level capabilities.

The low level capabilities are the actual tasks that are performed by the business and therefore they represent the work that gets done by the business. How is that work performed? Each low level capability comprises three components: People, Process and Tools. The people are the personnel who perform the task, the process is the steps they follow to complete the task and the tools are the equipment or resources they use in the completion of that task.

Here is another example that hopefully will make this clear to you. Let’s use an example from the airline industry this time. A high level business capability for the airline is Airport Services, a mid level capability within Airport Services is Passenger Management and a low level capability within Passenger Management is Passenger Check In. Within the Passenger Check In capability there are people, process and tools. The people include the check in assistants themselves who check in each passenger. The process includes the passengers queueing up in an orderly manner until they get to the front, where they are called forwards to the next available check in assistant. The check in assistant then requests the passenger’s passport and booking reference. The passport and the booking reference are checked to make sure that the passenger is the right person and does have a seat booked on an upcoming flight. The check in assistant then asks if the passenger has any luggage to check in. If so the luggage is weighed and a ticket is generated for it and then it is conveyed on a conveyor belt to where the baggage handlers will take it to be stowed in the aircraft’s hold. Meanwhile the passenger is issued with a boarding pass and is sent off to Security before going airside to await boarding procedures. Of course within this process tools are used. These include IT equipment to look up passport and booking reference information, scales and conveyor belts for the luggage and printers for printing luggage tickets and boarding passes, as well as more mundane things such as telephones and radios to communicate with others if problems arise, and so on.

How might this information be used by the business? The purpose of modelling a business's capabilities is to make business improvements, since it is very difficult to improve something if you do not understand how that thing currently works. By understanding how the process operates as it exists now, the business can determine whether there are any weaknesses in that capability that could be improved upon. For example is it inefficient in its use of personnel or other resources such as raw materials or energy? Is it slow to perform, thereby reducing productivity? Is it low quality, thus producing a poorer result than could otherwise be achieved? Is it frustrating to customers, which may in turn mean that customers are lost to competitors with less frustrating capabilities? Is it unsecured, leaving the company vulnerable to attack from hackers? Is it more expensive to do than it needs to be? These and other questions can all be asked to ascertain whether the capability is fine left as it is or should be improved in some way, or should even be completely replaced by *other* capabilities that perform different tasks but attain the same result.

Let’s go back to the example of the passenger check in capability. On a recent trip from Dublin to San Francisco flying with the Aer Lingus airline, I experienced a different type of passenger check in capability. As I entered the check in hall I expected to see queues to get to the next available check in assistant, but there were no queues at all, and no check in assistants. Instead there were multiple self-service booths – many more booths than there would have been check in assistants previously, which meant that no queueing was necessary. I could go straight up to an available booth, which had a screen on it which gave me instructions. I scanned my passport, I weighed my luggage, I requested a window seat, and I printed my luggage’s label and my own boarding pass myself without any assistance from airline personnel. I then placed the luggage ticket on my bag and took it to the conveyor belt where the ticket was scanned and then the luggage was automatically sent off to its destination. At this stage I had completed check in and was free to go to Security. The process was far quicker than the normal check in process as it had taken just three or four minutes rather than the usual thirty minutes or more (sometimes a lot more) that I usually experience in the check in queues, and the process was also if not pleasant then certainly very simple which made it as pleasant as check in is likely to ever be capable of becoming. The instructions at the booth were easy to follow, and the equipment all did what it was meant to do without any issues.

So what does this example tell us? Firstly that Aer Lingus had seen that the airport check in capability was ripe for improvement, since it was slow to perform, expensive in terms of personnel used and frustrating for customers. Secondly that by finding ways to improve their existing capability they had (I am assuming) managed to get two fantastic outcomes – they had saved money by creating a more efficient capability, and they had increased customer satisfaction by creating a more pleasant customer experience. No doubt it required a fairly substantial investment in new equipment, but overall I imagine that Aer Lingus was very pleased with the outcomes from their check in automation initiative.

From the perspective of the business capability, the capability had been substantially changed. The *people* aspect had been greatly reduced – no doubt there were still some check in advisers available for customers that ran into difficulties, but overall the staffing level would have been significantly lowered. The *process* was different – for example there were no queues and customer followed on-screen instructions rather than being advised what to do by check in assistants. Finally of course the *tools* had changed, with the addition of the automated check in booths and the scanner at the luggage conveyor belt, plus perhaps other communications facilities behind the scene which were not visible to passengers such as me, but which would enable a check in adviser to be summoned to intervene in the case of any difficulties.

From the CSM's perspective, if the CSM understands *which* of their customers business capabilities are being impacted by change caused by the initiative their company's products and/or services have been purchased to support, and also understand *in what ways* these business capabilities will be changed, then the CSM will have a very strong foundation for understanding who within the customer's organization will need to be trained or otherwise communicated to about the upcoming change and what they need training and communication on, as well as what types of value generation the customer will need to report on and who to report it to.

A truism which I think we all experience at first hand is that the one and only constant in life is *change*. Various forces impact us as individuals as we travel through life and cause us to adapt what we do and how we do it in order to deal with the changes we experience. In just the same way, various forces also impact businesses which in turn have to adapt to those forces in just the same way as individuals do. So the first thing to understand about change is that *external forces* (which are commonly referred to as external drivers or external influencers) are constantly impacting a business and causing it to be pushed and pulled in various directions. These external drivers for change can be researched and analysed to determine the type and level of their impact and to help senior business decision makers decide what to do about them.

PRACTICAL CSM Certified Customer Success Management Professional
practicalcsm.com

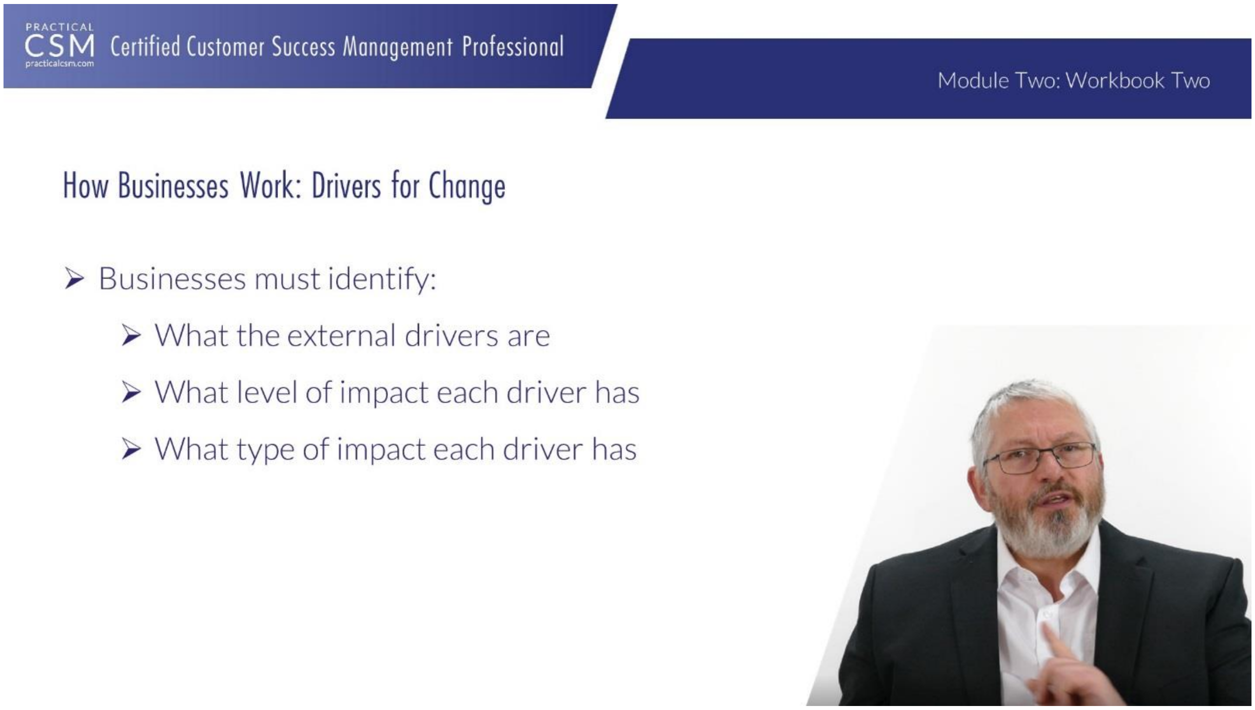
Module Two: Workbook Two

PESTLE Analysis: Starbucks

POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL	LEGAL	ENVIRONMENTAL
Political unrest in areas where the coffee is grown Trade issues when exporting and importing Reductions in licensing and permit costs in areas where the coffee is grown Globalization of the coffee bean market has caused the cost of coffee beans to drop	Rising interest rates make repayments on loans higher The upturn in economic conditions within the USA creates greater sales from coffee consumers High value of the dollar against foreign currencies reduces purchasing power when buying coffee beans	Increased consumer interest in organic and environmentally friendly products Increased consumer interest in fair trade products Customers continue to want and are prepared to pay for a "special experience" over an average one Population is getting older	Technological advances in coffee making equipment enable less skilled workers to be more productive The rate of technological change is increasing, leaving Starbucks more vulnerable to new technology that its competitors might take advantage of	Employment laws that forbid the employment of illegal aliens must be strictly adhered to Local planning regulations make it increasingly more difficult and more expensive to open new stores	Starbucks customers create a lot of waste as they often leave the shop with their cup of coffee and then dispose of it in the street. The packaging for this cup must be carefully considered to make it as biologically degradable as possible.

One common tool used to document and classify external influencers is the PESTLE Analysis. The PESTLE Analysis divides up external influencers into six categories, namely Political, Economic, Social, Technological, Legal and Environmental, hence the acronym PESTLE. By dividing up external drivers into these six categories it makes it easier to research and analyse than attempting to do so for all types of drivers at once.

On the slide you can see an example of a PESTLE Analysis for the Starbucks coffee house chain.



What is important for businesses is not just to identify *what* the drivers are, but what level of *impact* each driver will have on the company, and what *type* of impact. For example, some drivers may actually be perceived as positive changes that create new or increased opportunities for the company, whereas other drivers may be perceived as having a negative influence that will cause problems for the company. Likewise and regardless of whether positive or negative, some drivers may have minimal impact on the business whereas others may have very significant and far reaching impact on the business. The senior leaders of every company need to make sure that they are well aware of the external drivers that are currently impacting (and therefore influencing) their business, and they need to also make sure they know both what type and what level of impact those influencers are having, so that they can formulate appropriate *strategies* to deal with them.

As well as external drivers for change, there are also *internal* drivers. These internal influencers or drivers would include the company's long term vision and mission, the company's existing capabilities and capability gaps, the company's guiding principles and its culture, and the company's resources such as cash, knowledge, experience, equipment and so on. Senior leaders again need to understand these internal drivers for change as well as the external drivers, so that the whole picture of what is both positively and negatively impacting the business and by how much the business is being impacted by those things is fully known and understood. Only then are business leaders in a position to determine strategy and then to create initiatives to fulfil that strategy and finally to fund and resources those initiatives in order for activity to take place and ultimately for strategies to be fulfilled that will (hopefully) lead to the corporate vision coming closer to being accomplished. Just as a note on that last point. In fact a company's vision is *never* fully accomplished, because as the company draws nearer to attaining its vision, its business leaders will update that vision so that it always remains as a long term target for the whole organization to rally behind and work towards.

One final note on drivers for change. The external drivers impacting businesses within the same region and the same industry are likely to be very similar. So for example the external drivers that are influencing a retail bank in North America are also likely to be influencing *all other* retail banks in North America. This is not the case for *internal* drivers however, because each retail bank has a different vision, has different capabilities, a different culture and so on. Therefore at least some strategies for dealing with influencers will be likely to differ from organization to organization even when both organizations might outwardly seem quite similar, and other strategies may be the same or quite similar, since each organization may be dealing with a combination of some similar and some different influencers.

Because external drivers tend to be the same or similar for all organizations within both the same region and the same industry, Customer Success Managers who wish to understand their customer's external drivers for change can usually do so with minimum effort by performing a straightforward Google search for external drivers for that industry within that region. Most times they will find plenty of pre-existing research that they can utilize for their own purposes. Of course CSMs should use their discernment when selecting information to use from external sources and make sure that the source is reliable and the data is reasonably up-to-date. On the other hand, the same process is harder to do for internal drivers because these are not shared between an entire industry within a region, and are specific to an individual customer. For larger, brand name companies there may be some information available online that the CSM can use, but mostly it will be a question of knowing the company itself. Researching the customer's company is covered within Module 3 of the training course.

As we have seen, change constantly occurs in the form of external and internal drivers, and these drivers are constantly pushing the business in all sorts of directions, not unlike a ship that is left to drift in whatever direction the winds, the waves and the tides of the sea happen to take it in. Left to itself therefore, the business will at best drift around without purpose or direction and at worst will soon founder and be overcome by its competitors. Hence of course, the need for strong leadership. The most basic and primary duty of a senior leadership team is to set the direction in which the company should be headed, and this is done first by formulating the vision for where the company needs to end up as a long term target or goal, and then to create strategies to overcome negative influencers, take advantage of positive influencers and arrive at that destination as quickly and as efficiently as possible.

There are a number of important aspects to good business leadership, including having the personal qualities that enable leaders to gain the loyalty and respect of their workforce and the ability to inspire that workforce to get behind their leader's dreams and ambitions for the company and to play their part in turning those dreams and ambitions into a reality. To be able to do this, those dreams and ambitions need to be known and need to be easily understood by everyone – certainly by the workforce, but also by others including investors and customers who *also* need to "buy" the dream in order to want to be (and continue to be) investors in the company and customers of the company.

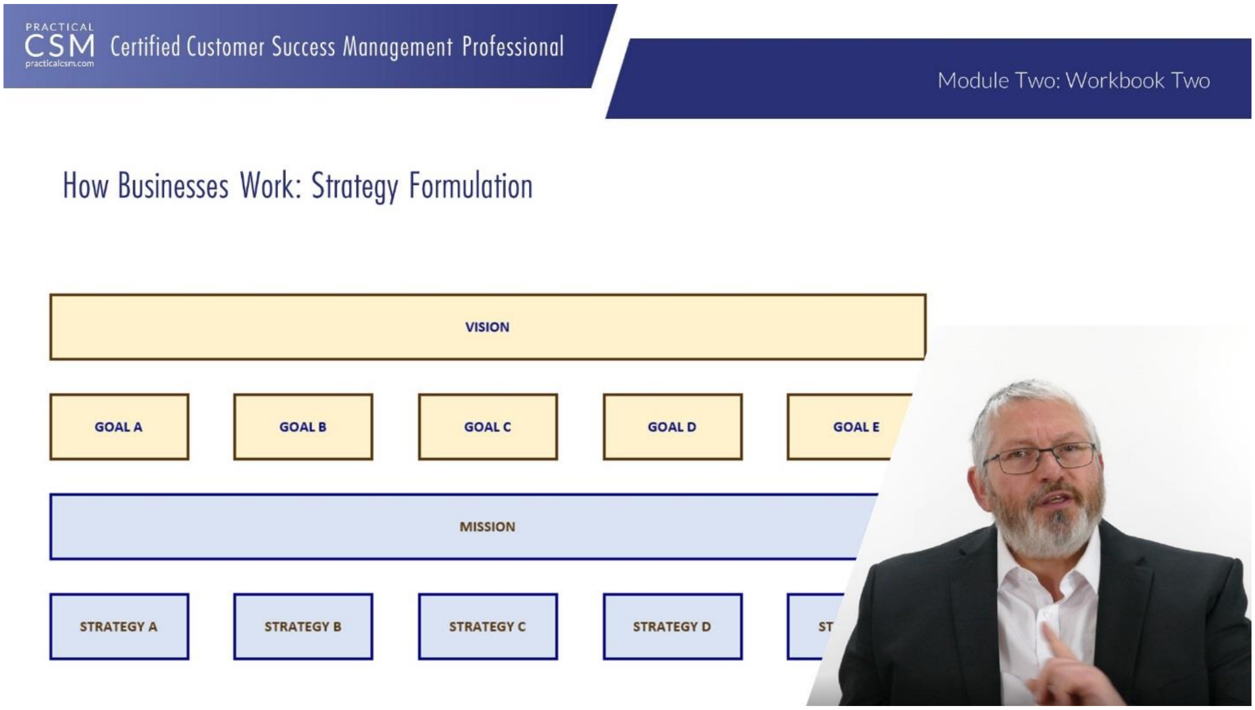
The senior leaders' dreams and ambitions are therefore usually turned into a "vision statement" or sometimes it is referred to just as a "vision". The word "vision" refers to seeing things, and a clear, colorful vision therefore enables things to be seen better than an unclear or less colorful vision. The right level of detail within the vision is also important, since too little detail does not convey sufficient meaning, yet too much detail makes things complicated and hard to remember. The corporate vision needs to be simple – no more than one or two sentences in length.

What this corporate vision does is it specifies the target state for the company to achieve. This is actually very important. Think about how you might route plan a journey in your automobile. Your start point for the journey is of course already known, since it is where you are right now. But where is your destination? If you do not know your destination then how will you get there? And even if you do by chance get there, how will you know?

So the point of a corporate vision is simply to provide a sufficiently detailed target for the company so that its managers, workers, investors and customers all share a common understanding of *where the company is going*.

The vision is an overall target – the *ultimate* destination as it were. It would be hard to achieve that vision all in one go, since it includes everything that the business wants to become. With this in mind, visions can be divided into a number of *goals*. A goal is a smaller and more specific target and is just one specific part of the vision, so that attaining a goal means that the company is moving forwards towards attaining its vision and attaining all goals therefore means attaining the entire vision.

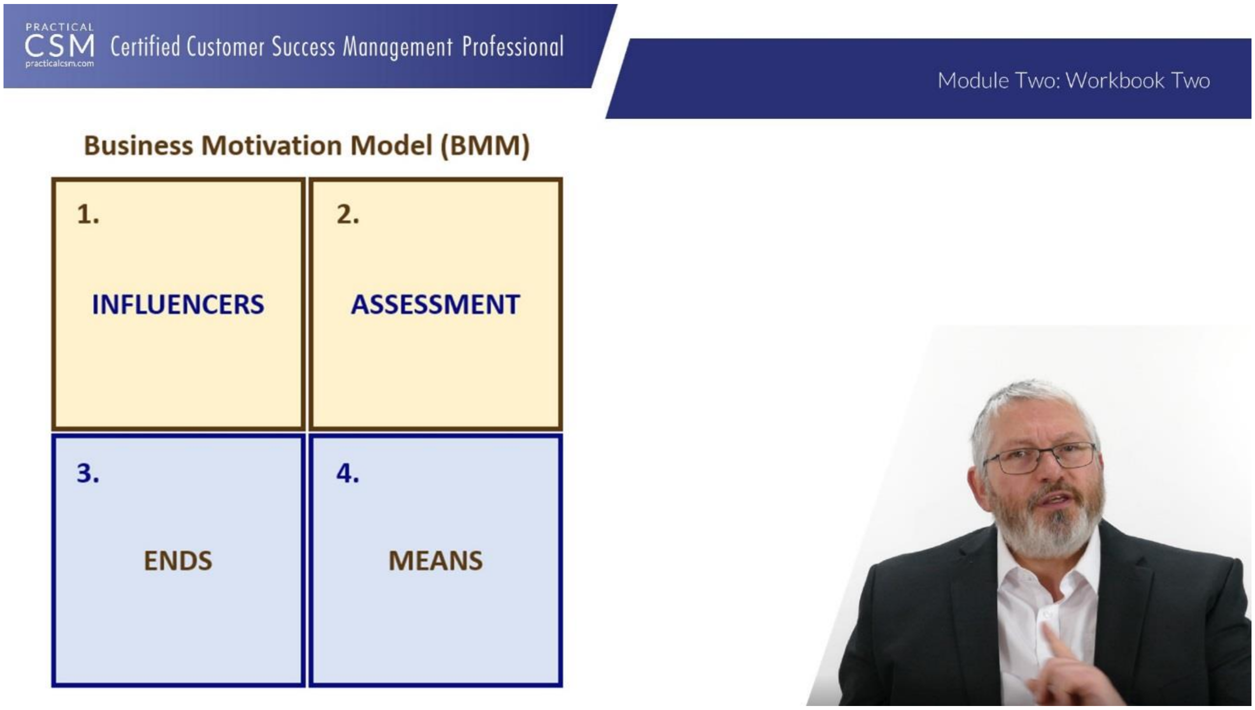
Dividing up the vision into a number of smaller goals is helpful because it can be difficult or even impossible to attain the vision all in one go. Resources to do so would never stretch that far, even if anyone could work out what to do and how to do it. Instead, by dividing up the vision into a series of smaller, more manageable goals, the company can then work on one or a small number of goals at a time and in this way make perhaps slower but certainly more regular and more measurable progress towards overall vision attainment.



Having decided upon the company's destination and distilled it into a corporate vision for themselves and everyone else to understand and then divided it up into more manageable goals, the next task that the senior leadership team need to take on is the task of working out how the company is going to get from its current state to its desired future state. This is referred to as strategizing, or strategy formulation. A high level strategy is often referred to as a "mission statement" or simply a "mission". The mission explains in very high level and broad terms how the company will go about attaining its vision.

Below the vision sit the individual goals, which as we have seen are more realistically achievable than the vision as a single and entire entity. Similarly below the high level strategy called the *mission* sit lower level strategies which are simply referred to as "strategies". For each goal that the company's senior leaders define as a target, they will also define the strategy for attaining the goal. The goal explains what the company wishes to achieve and the strategy explains how the company is going to go about achieving it.

Goals and strategies can be subdivided further in order to provide more specific targets to aim for and more explicit instructions as to how to achieve those targets. These subdivisions are sometimes referred to as “objectives” and “tactics”, where an objective is a very specific part of a goal, and a tactic is a very specific methodology for attaining that objective. Whilst the fulfilment of broader strategies is usually handled by the senior leadership team, the fulfilment of the individual objectives is generally handed down by them to more junior management levels such as at the regional and/or departmental level, and if this occurs then it may also be left up to those more junior managers to decide upon the tactics for attaining the objectives they have been given.



Now we can fit all of these pieces together to see how the whole thing works, and to do this we will use something called the Business Motivation Model (or BMM). The BMM divides corporate strategy formulation into four sections: Influencers, Assessment, Ends and Means. We will examine each one in order.

The start point is *influencers.* As we have seen, influencers are the drivers or motivators for change, and can be a mixture of both external and internal influencers. Step one in the Business Motivation Model is to conduct research to uncover all of the influencers that are currently or will shortly be pushing or pulling on the business in one direction or another.

After all the influencers have been uncovered and documented, the second stage in the BMM is *assessment*. In assessment, each influencer is assessed as to its potential *impact* on the business. In order to know whether to and in what way to deal with an influencer, this impact must first be understood. So for example questions such as “how much damage might we incur if we ignore this influencer?” and “what benefits might we get from successfully dealing with this influencer?” might be asked in order to fully understand the type and level of each influencer’s impact.

Once the assessment has occurred, the business leadership team can move to the third stage in the business motivation model, which is called *Ends*. In ends, the business leaders decide on the end result or target destination that they want to achieve from taking any action to deal with these influencers. This is certainly likely to include creating new specific *objectives*, is very likely to include creating new or adjusting existing *goals* and may even involve making some changes to the overall *vision*.

Finally at stage four, the leadership team turns its attention to *Means*. In means the business leaders determine (either themselves or via more junior managers) the *tactics* for attaining each objective and then determine new or make changes to existing *strategies* to attain each goal and finally if necessary update the *mission* to align it to any changes in the vision.

This process is of course cyclical, since new external and internal influencers are constantly occurring.

So what is the point of all this from the perspective of the customer success manager? The point is this… The customer has purchased the CSM's company's products and services for a reason. That reason will generally speaking at least, be in order to support a tactic to achieve an objective, which in turn supports a strategy to attain a corporate goal, which in turn supports the customer's overall mission to attain its vision. If the CSM can uncover this information then the CSM can start thinking about how to measure and report on outcomes in a way that shows the customer's managers how the CSM's company's products and services are supporting it both tactically and strategically and perhaps even in the overall fulfilment of its mission and vision. This linking of the CSM's company's products and services to the desired outcomes of the customer's business at every level from tactical to strategic through to the overall vision is very powerful in terms of generating loyalty from customers and increasing the likelihood of renewals and/or further sales.

At this point you may be thinking "I get the need for CSMs to understand the customer's vision and mission and to understand which goals and objectives my company's products and services are helping to attain, but I still do not understand *how I do this*." If this is the case please do not worry, as that's absolutely fine and exactly as it should be. Remember that Module Two is called Business Fundamentals and its purpose is purely to give you a grounding in how businesses work so that you understand them. The entire rest of the course from Module Three to Module Ten will be explaining in great detail your role as a CSM and how you go about helping your customers to achieve their business goals and objectives.


PRACTICAL
CSM
practicalcsm.com
Certified Customer Success Management Professional
CCSMP