

MAKING THE CASE FOR INVESTMENT



GETTING THE MONEY TO DO THE RIGHT THING FOR YOUR CUSTOMERS AND THE ORGANISATION

Organisations are often under-funded in terms of their operational capability, service levels, infrastructure and innovation. So how can you ensure that you get the investment that you need to be more effective and to drive a positive cycle of improving value for all? In this paper, Mike Havard, Director of Ember Group, shares his views and experience on making the case for better investment in customer management. How to get what you need from the Board and make everyone happy – your customers, your colleagues *and* your leaders.

What does 'doing the right thing' really mean?

It is clear. One of the key reasons why many organisations face the issues of increasing customer discontent and decreasing confidence, trust and reputation for service is that they fail to understand what sustainable customer value really means. And by this I mean the directors understanding why they need to make the necessary investments (and commit the necessary resources and leadership) to do the right thing for their customers to drive this value.

It's a simple question: what if we do or spend X for the customer, how will it generate X² or X³ return? And this applies as much to proactive service propositions as it does to service recovery, complaints and failures.

It is my experience that the Board and business leaders intuitively get that good service is important and that they say all the right things to their stakeholders and markets, but... and it is a big but... they just don't seem able to spend or commit what is necessary to be effective and competitive in service delivery. Or, as is more likely, they're not presented with the necessary arguments by their teams to make the right investment commitments.

They will spend on new technology and innovations, and on service models that drive out costs, but struggle to take the longer term view on value. Why is this and what can we do about it?

I believe there are several key points we can learn from to get what we want, and what the business needs, to do the right thing for customers.

Speak the language of the Board

This is easy. They are largely only interested in 5 things:

- the **P&L** (making money or removing cost);
- the **balance sheet** (limiting overhead risks and commitments, making capital work harder for them – as measured by return on capital employed, managing cash and working capital);
- **managing risk** (in all its forms - from compliance, fraud, to planning uncertainties and staff issues) and executing well (being agile, keeping fresh, adapting, landing innovation and doing what is necessary through and across the organisation to deliver effectively);
- **competitiveness** – how to stand distinctive, compelling and successful as a brand and proposition for the long term;
- and **stakeholder returns** – which are largely a factor of the first four.



That's it. The Board therefore need investment requests explained simply in terms of how they will impact positively one or more of these five interests. They don't tend to have the patience, time or wit to work out what operational language really means in terms of what they are trying to do with the organisation. So, spend less time on CSAT, ESAT, NPS, AHT, click-throughs, service levels, complaints and CTO's, and lift the discussion to one of **value**.

What do we mean by customer value?

There are broadly three perspectives here: that of the Board, that of the business and that of the customer. For the Board, it should mean what stakeholders get back from their investment in the organisation – whether in finance, time or effort – and as discussed earlier there are only a limited number of things that the Board worry about here. Business value from customers is about the long-term revenues we can manage as a factor of the effort we need to apply (cost to sell, cost to serve, cost to retain) to secure that revenue.

And clearly not all customers are equal; some are unpredictable, some are too costly, some are advocates and some are detractors. But all have a value – whether positive or negative – that we should aim to understand and manage appropriately. And the customer's view on value is how they judge one organisation against another in terms of being able to service and fulfil our need – which can be practical or emotional needs – and are usually both.

This is about effort, ease, cost, benefits, status, reliability, consistency, accessibility, recovery, transparency, trust – a whole range of measures on how we as an organisation will be judged over the term of the relationship and therefore how likely we are to optimise the potential value that customer has to offer us. And most of these can be quantified, and therefore turned into hard commercial value in some way. This is what the Board are interested in – how the numbers stack up.

Align with the priorities of the organisation

All organisations will have growth plans – but within this will be a range of strategies and tactics to realise the objectives. Some will have cost containment priorities; others revenue growth or product growth plans. Some will have service excellence ambitions. Some will have advocacy or compliance or customer satisfaction or stabilisation priorities.

Some will have all of these and others. The important thing is that your request for investment and support must clearly align to the Board priorities for the business. And this applies equally to the public sector too – there must be clear reasons why what you are asking to do builds on the stated plans of the organisation. Lack of clarity and alignment on this will create confusion – which will delay or compromise the opportunity.

Align with the financial protocols, timings and preferences

If you can, make sure that you are fitting in with budgeting and planning cycles, and doing the required socialising of the proposals with key stakeholders in advance of any Board review. There should be no surprises for anyone, and ideally you will have had prior nods from as many as possible even before the Board sits to review your proposals. Importantly, make sure that your investment requirements align with how the organisation views financial structures – for example, do they prefer Opex or to capitalise investments? How do they prefer to finance investments, and treat ROI and NPV measures?

Do you need to factor in the cost of money – or should you, if it can help the case?

If you don't know what these mean then ask for financial help – or even better, get trained, as understanding the finances of an organisation will be important for your own career progression, not just getting the investment for initiatives in your current role.

Remember that emotion works well in the Boardroom too

Don't just rely on data, stats, numbers and logic to make your case – the Board is made up of humans... usually. They get emotion. Describe an affected customer. Play a poor or distressing call recording. Recount a real scenario that has happened or could happen, so as to stand your proposal clearly in their mind. A sample of one can be as powerful, rightly or wrongly, as any statistically significant sample of evidence. Use this. Throw the emotional 'splats' at their heart, as well as the logical 'stats' to their head.

Make a compelling case – be visionary if you can

It is important to lift your argument beyond contentious detail to one of irrefutable logic, vital execution and visionary potential. If you are wallowing in the complex detail of business case numbers, shaky assumptions, marginal percentage shifts and potential double counting you are open to challenge on any number of criteria.

This will undermine your credibility and your case. Better to take the strategic view. Simply, why must this investment happen? What, strategically, becomes impossible to achieve without it? What is at high risk to the business if it doesn't happen? Where are the directors exposed? Where are wider plans and ambitions exposed? Where is the brand exposed?



The order of things

There is a clear hierarchy for your argument here – with business risk at the top and most important (‘why we are exposed as a business if we don’t do this’), growth risk beneath this (‘why we won’t achieve what we want to without it’) and operational issues beneath these (‘you are making life difficult for too many people without this investment’).

Most investment cases I see are narrated in operational terms – and therefore become harder to commit to when funds and resources are inevitably constrained. Be bold in your vision – lift their heads to wider opportunities you can fulfil, and open their eyes to bigger risks they are exposed to.

Make the timing of the decision impelling too

It is not just the finance and the resources that you need when seeking investment, it’s the authority to act quickly and do stuff now. As mentioned, agility and ability to execute are important Board considerations and your ability to raise this as an opportunity will be important. All too often a notional commitment is made to the plan, but not the actual commitment. Be clear on the implications of delay and the readiness to execute with the right resources.

HOW WE CAN HELP

All of this then becomes about commitment to the cause and the required resources, not just the finance. And that is how investment success works. Doing the right thing for customers will generate long term value. We just need to work out what that right thing is, and then how to fund it to drive the value we know is there. Good luck! (And Ember is ready to help when you don’t want to rely on luck).

NEXT STEPS

Here at Ember we have worked with many organisations to shape and define their operating and technology strategies, the business case for change and helping them land the required investments to do the right thing for their customers. We’d love to help you too. If you would like to discuss how we can help then please call **0207 871 9797**.

ABOUT THE AUTHOR

Mike Havard has had 25+ years leading and growing successful businesses. He is a founding director of Ember, a professional services group dedicated to helping organisations get more from their customer engagements and the partners they use to manage these. There are four companies in the Group, focused on consulting and analytics for customer service strategies and performance transformation, independent outsourcing and contract advice, training and recruitment or executive search services. Mike has also held various Non-Executive Director, investor and advisory roles in a range of innovative technology organisations including e-learning and skills management, anti-fraud technologies, crowd-sourced servicing and A.I. tech. He is an Honorary Life Fellow of the IDM and has authored management textbooks on customer management.



Ember

Ember Group
60 Trafalgar Square
London
WC2N 5DS

T: +44 (0)20 7871 9797
E: Info@embergroup.co.uk
www.embergroup.co.uk