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PROVIDING AN INDUSTRY ADVANTAGE FOR CPAS

May 29, 2009
Volume 6, No. 5**PRACTICAL MANAGEMENT****People Make Customer Relationship Management Succeed**

It does not matter how sophisticated your customer relationship management technology is; it is the people within your organization who make the systems work. After all, it is people who deliver a service; decide how work gets done; deal with the customers; and ensure the level of quality associated with the product or service. If your organization puts constraints on understanding and responding to the customer point of view, then don't question why you are losing a competitive advantage.

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It has been a long-held belief that medical care in the U.S. is number one in the world. There is, however, growing evidence that this is far from the truth. In fact, according to a survey conducted by the World Health Organization, the U.S. ranked 37th. Expats who retire abroad will be pleasantly surprised by the care they get in Europe and Latin America. From more personal and humane treatment to much improved treatment facilities, expats are getting a level of comfort from the healthcare they receive in many foreign countries, and it doesn't cost them an arm and a leg.

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If you want to be the "go to" person for media interviews or sound bites, there are several methods you can use that will help you build a solid relationship with the intention of promoting your business. There are certain expectations reporters have and if you can meet their needs, you won't

In this issue...

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have to seek them out anymore — they will come to you. Providing informative and respectful interviews of any type with integrity; a professional demeanor and appearance; and an overall positive attitude will make you more distinctive, leading to more exposure.

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THE MARKETPLACE

Seven Strategy Execution Themes That Will Keep Your Organization Moving in the Right Strategic Direction

If only each strategy can be implemented in a way that leads to the results envisioned. So how come this desire frequently falls short? Many issues drive poor execution, but there is one overall common thread: lack of overall organizational preparedness to implement marketplace strategies. The critical issues to evaluate include whether your organization's performance is in alignment with its vision; if there is a lack of customer-centric orientation; and whether the people in your organization have the right tools and resources to meet the needs of your customers.

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INSIDE TECHNOLOGY

Calculating the Cost of Running Your E-Mail System

Your company can accrue considerable cost savings if you outsource the administration and maintenance of your e-mail system. Consider the total cost of ownership of your current in-house system: salaries for the administrator and support staff; yearly maintenance of the software program and server; time spent in vendor contract negotiations; and training and help desk support. While you may save a bit on the initial costs for an in-house mail system, in the long-run you end up paying more for internal resources when they could be put to better use elsewhere.

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May 29, 2009

The Business Edge[PRINT](#)**PRACTICAL MANAGEMENT**

People Make Customer Relationship Management Succeed

By Roger K. Allen

A client recently told me a story that represents an important lesson in understanding technological change.

General Norman Schwarzkopf, Jr., who served as commander of the allied forces during Operation Desert Storm, tells the story of teaching one of his promising lieutenants about leadership. The lieutenant, a recent graduate of West Point Academy, was talking about the advanced technology of the United States military when General Schwarzkopf asked that he accompany him outside. Not knowing what to expect or where they were going, the lieutenant followed his leader. Schwarzkopf and the young man walked up to one of the newest Air Force fighter jets where the General told the young man to command the jet to fly. Of course, nothing happened. Schwarzkopf and the young man then walked over to a tank and Schwarzkopf told the young man to command the tank to move. When nothing happened, General Schwarzkopf commanded the young man to give the order again.

Schwarzkopf asked his half-astonished and half-amused companion, "What did you learn?"

The lieutenant gulped, "I don't know sir."

Schwarzkopf replied, "It doesn't matter how sophisticated our weaponry, people fly planes and people drive tanks."

The same lesson holds true for customer relationship management (CRM). The sophistication of CRM technology does not matter because it is *people* who make it work. Putting customers at the heart of your business has less to do with technology than with people. It is people who deliver a service; decide how work gets done; interface with the customer; and ensure quality standards. CRM technology has provided us with better tools, but it is still people who do the work of an organization and who are ultimately responsible for its success.

Unfortunately, most organizations are designed in ways that inhibit rather than promote a customer point of view. For example:

- People don't receive information to really understand their

customers

- Management, rather than the front line, is responsible for solving problems when things go wrong
- Production ships bad parts in order to meet its quotas
- Workflow is designed to meet the needs of functional silos more than the needs of customers
- Organization members are rewarded for covering up rather than identifying and solving customer problems
- People over-identify with their own functions rather than the whole process or customer outcome

Jay Curry and Adam Curry, in their book *[The Customer Marketing Method](#)*, illustrate the flaws inherent in the design of organizations:

"Buy this product," suggests sales. The customer agrees.

"What, you bought this machine? I could have kept the old one going for another year," cries service.

"It'll take three months to make," says production.

"What order for what machine?" asks logistics.

"We love you. We love you!" is the message on the brochure sent by marketing.

"Pay or die!" is the message from accounting with the invoice that arrives in the same batch of mail with marketing's love letter.

Successful implementation of CRM means fixing your organization. That encompasses two parts:

1. All members of the organization must understand a new philosophy; a new way of thinking about customers, the organization and their roles in it.
2. The organization must be designed to support that philosophy.

A Shift in Mindset

CRM has to do with changing the mindset, attitudes and habits of all members of the organization. Those who try to implement CRM without understanding the importance of the social/cultural component can imperil the initiative. What is this change in mindset? It begins with educating every member of the organization in the customer point of view:

- Who is the customer?
- What does the customer need or expect?
- Why has the customer come to the organization?
- What are the unique benefits the organization offers that will make the customer's life better?
- How does the organization's offerings differ from those of its

competitors?

- How does each person contribute personally to that mission?

The change of mindset has to do with helping people grasp a “holistic” point of view of the organization. They need to understand how their roles are interdependent rather than thinking and operating in silos. What unites people is greater than what divides them. Everyone contributes to a single mission and works together to solve the same problems. Each person needs to be seen as part of a larger whole, rather than fragmented and unrelated parts.

The change of mindset also means that organization employees know that they have the resources and authority to do their jobs. Customer-centric companies value their employees as partners in the business. They recognize that people bring enormous intelligence, passion and creativity to their jobs. This is not simple a “feel good” philosophy, but the honest recognition that everyone—most of all, front-line employees—is in a position to make a difference to customers each and every day. Tactics of command and control don’t work. People need to be given information, resources and authority to make a meaningful difference.

A New Design

In addition to a new mindset, leaders of many companies need to evaluate the design of their organizations; to determine where and how the structure is misaligned and how it negatively impacts the mission of maximizing the relationship with their customers. All organizations are perfectly designed for the results they get. Results don’t happen by accident. They are a function of the way processes, structures and systems have been designed. Customer-centricity can only be accomplished by evaluating the design of the organization against the criteria of total customer service.

Department boundaries often stifle collaboration. Compensation rewards an immediate transaction rather than long-term customer loyalty. Consider these impacts: Metrics reinforce production over quality; vital information resides at the top or within the walls of a single department; and decision making flows upward and away from the point of customer contact. If organizations are to become customer-centric they must alter these elements that prohibit the accomplishment of their mission.

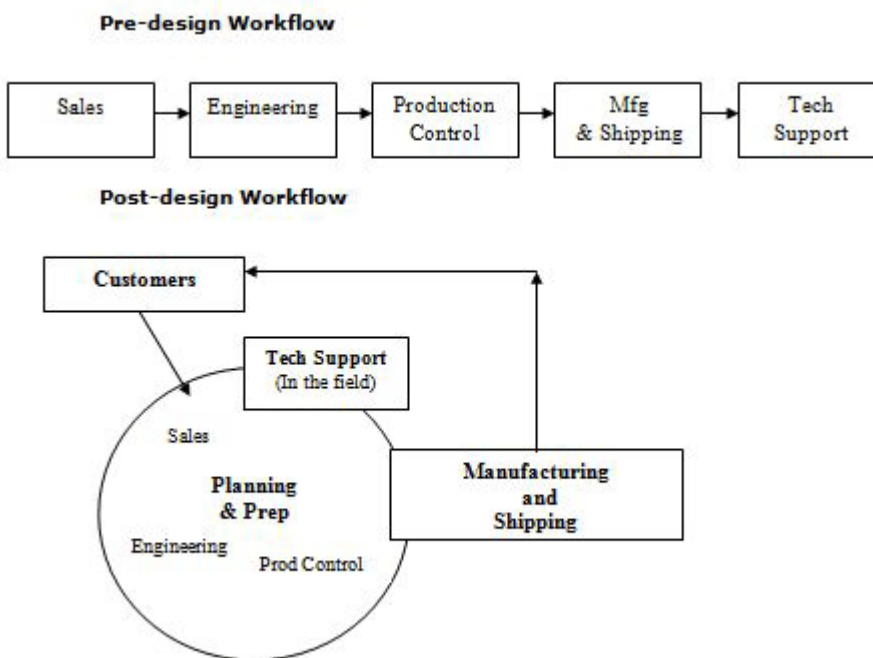
Examples

There are excellent examples and case studies of companies that have gone through serious design changes in order to become more customer-centric. Robert Rodin, in his book, *Free, Perfect, and Now*, describes the total transformation of his company, Marshall Industries, into a customer-responsive company. It grew from \$500 million to \$1.7 billion and became a leader in its industry by throwing out its old motivational

tools and redesigning all of its operating systems.

Ralph Stayer, in his article for the Harvard Business Review, *[How I Learned to Let My Workers Lead](#)*, describes how he changed the vision and attitudes of his employees and redesigned many of his company's systems so that people could focus on the customer and assume full responsibility for organizational success.

A few years back I worked with a company in the aluminum industry. The company recognized it was becoming bureaucratic and unresponsive to its customers' needs. After assessing the strengths and weaknesses of the existing organization, it undertook a process of redesign in which it organized its front office functions to become more collaborative and customer-focused. The following diagrams illustrate, at a high level, this change.



The first chart illustrates the tendency of most people within organizations to think in terms of silos and organize people according to the similarity of their functions.

The second chart illustrates how the company redefined structural boundaries to become much more cross-functional on the front end of the business by combining people from a number of departments into teams that took full responsibility for managing customer orders. The company was able to improve its total billings of a major product line by 50 percent and increase its margins by 25 percent.

Of course, there is no design that fits all organizations. However, most

organizations could benefit from evaluating their design against the criterion of customer impact.

Companies that focus only on the technical side of customer relationship management will either fail or achieve only partial success. If an organization is to truly become customer-centric, it is essential to put at least as much effort into managing the human and organizational sides of change. All of us will do well to remember the lesson from General Schwarzkopf, Jr.: It is ultimately human beings and **not** technology that makes organizations succeed.

About the Author

Roger K. Allen, Ph.D. is a co-founder of The Center for Organizational Design, located in Littleton, Colorado. He is an expert in leadership, team development, and personal and organizational change. The tools and methods Dr. Allen offers have helped hundreds of companies, and tens of thousands of people, transform the ways they work and live. Interested readers can contact Dr. Allen at roger@centerod.com. To learn more about his consulting and training services, visit <http://www.centerod.com>.

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May 29, 2009

The Business Edge[PRINT](#)**RETIREMENT PLANNING****Healthcare Abroad: Fact and Myth**

By Barry Golson

The recent trend of people retiring and moving abroad has elevated the discussion about the level and expectation of healthcare they can get outside the U.S.

The first thing any retiree moving abroad should know is that Medicare will **not** cover you outside of the United States. This fact alone may cause a lot of you to stop reading right here. It's even a factor for those under the age of 65 who are considering early retirement—do you want to settle in a place where you'll *never* be able to rely on Medicare?

Consider the Implications

The Medicare dilemma means aging expatriates have options:

- Find and pay for their own private insurance
- Qualify for a national health service
- Pay out of pocket for medical costs
- Get back to the U.S. in a timely fashion to make use of their Medicare

Starting with the last point, the Medicare problem in countries easily accessible to the U.S. is less urgent. Short flights to Miami from Central American venues, such as Panama and Costa Rica, or drives back and forth over the Mexico border offer expats reassurance. American expats regularly come back to the U.S. for Medicare visits. But where the locations are more distant—living in isolated regions in Latin American countries, or a long, expensive flight away in European countries—the prospects can be troubling. Yes, an expat will have to rely on, and pay for, *local healthcare!*

U.S. versus Foreign Care

Americans (those who are well-insured) still hold a near-legendary belief that the U.S. has the highest quality of medical care in the world. Today, the cost of doctors, healthcare, drugs and hospitals cause unending despair among the uninsured, and the unending battles with insurance companies demoralize everyone. But with all of that, Americans are suspicious of other varieties of medical care—whether “inferior” care in the Third World or “socialized” care in Europe. Canadians, with their universal healthcare system, have their own issues with medical delays

in their home country, but do not share the same suspicions of “socialized” healthcare systems.

These, however, are myths and need to be amended. One expat living in Lisbon says, “When I first moved to Europe, I believed that the U.S. medical system was first-rate and could not be duplicated. I do not think this now. I think the general North American public is fed a bill of goods about the pre-eminence of U.S. medical care.” In category after category, from infant mortality rates to access; from care to longevity, the United States has seen its healthcare rankings slip further down the lists of international health organizations—to 37th (just above Slovenia) in the [World Health Organization’s 2007 rankings](#). Of course, the U.S. still has some of the best medical facilities and the best-trained doctors in the world; patients from all over the world come to the U.S. when the treatment is, you know, *complicated*. But even in these categories, it is no longer unchallenged; medical care in France is at least its equal. Certainly France’s emphasis on preventive care leads the world. Other European countries rank highly as well.

In Latin America, facilities and technology are certainly not equal to the U.S., but the quality of care (in urban locations) can be good and—in many expats’ opinions—more humane. When it comes to affordable access to care and insurance coverage for both rich and poor, the U.S. is hardly on the charts, ranking below Honduras, Thailand, Romania, and the Dominican Republic. This issue of insurance coverage in the U.S. may change as the Obama administration has made healthcare one of its priorities, but the U.S. has a lot of catching up to do.

Yikes! Foreign Trained?

Think twice when you hear brokers and real estate developers abroad reassuring Americans that so many local doctors are “U.S.-trained.” You may just as well ask how many U.S. doctors *in the States* are “foreign-trained.” The *New England Journal of Medicine* says that 25% of U.S. doctors studied abroad, and that 60% of them studied in developing countries. So if U.S. doctors are that good—and they are—but so many of them trained abroad, then...what’s up, doc?

The majority of expats we canvassed in Europe and Latin America who settled near urban medical facilities, say their care has been pretty good, good, and excellent. Repeatedly, they report that physicians, nurses, and hospital personnel treat patients with more time and attention than they do in the U.S. In addition to diagnosing the patient, the healthcare providers get to know the patient. However, as in Canada, there are plenty of complaints about the waiting times of national health systems almost everywhere. More often, expats—

- Sign up for the national service as a catastrophic back-up.

- Supplement it with private insurance.
- Pay out of pocket. *Anywhere* is less expensive out-of-pocket than the U.S.

A former D.C. accountant living in Guadalajara says, "Imagine, a doctor will actually take the time to talk to you! They make house calls! They give you their cell phone numbers!" A former Hollywood filmmaker in Ajijic, Mexico, says, "I had quadruple bypass surgery last year, and I can swear that I have never in all my 77 years had better treatment and medical care, and for exactly 10% of what it would have been in Hollywood." In Italy, an expat talks about the national health service available to foreign residents: office visits cost nothing and three days of hospitalization for her husband's life-threatening illness cost \$2,500. In France, Americans who qualify for national health coverage, with supplemental but inexpensive private coverage, can be scathing about the U.S. healthcare system they left behind. Throughout Europe, it is extraordinary to see Americans gather in a café in Barcelona, or a trattoria in Modena to swap stories about their medical care—and to hear, for a change, happy endings and not horror stories

About the Author

Barry Golson is author of the book Retirement Without Borders, from which this article was adapted; and Gringos in Paradise, about building his dream house in Mexico. He writes about retirement although he is anything but retired, writing books and running the website ForbesTraveler.com. Barry can be reached at bgolson@yahoo.com.

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May 29, 2009

The Business Edge[PRINT](#)**COMMUNICATIONS**

Maximize Your Company's Exposure by Building Relationship with the Media

By Pam Lontos

You already know that the media is the best avenue for promoting your business, because it adds credibility to your message, positions you as the expert, and best of all: it's free. So you've done a few interviews and gotten quoted in a few articles, but those just left you hungry for more. Now, how do you expand on the contacts you've already made? The key to getting more exposure is to build relationships with the media professionals. [Editor's note: See [How to Use Publicity to Increase Your Profits](#), March 2009 *Business Edge*.]

A steady media contact is like a key to the city of free publicity. Reporters will actually start calling you for interviews and quotes instead of the other way around. But developing such relationships is not that simple; it takes work on your part. The good news is that when you master these relationships, you'll find them to be much easier for gaining publicity than convincing a new media person that your message deserves to be heard. Use the following tips for building your relationships with the media.

Give Excellent Phone Interviews

In dealing with the media, most of your interviews will take place over the phone. But that doesn't mean you don't have to give a good first impression. Yes, you can wear jeans and a sweatshirt for your afternoon call, or even interview at a messy desk, but you can't sound incompetent. When the reporter can't see you, he or she will draw conclusions about you from your tone of voice and your word choices, so don't take these interviews lightly.

Before the interview, prepare for the call. Take time to write down the main points you'd like to cover. Use this as an opportunity to relax, collect your thoughts, and make a few notes on an index card. However, avoid reading scripted responses from a pre-printed sheet. You want to sound natural and honest, plus the reporter will always be able to tell when you're reading. Also, seek a quiet spot for the interview. If your office is noisy and busy, close yourself off in a room without distractions. With a few notes ready and all your distractions put away, you won't struggle through the interview; you'll sound relaxed and confident.

When the phone rings and the interview starts, stand up and smile while you talk. Standing, like you're giving a live presentation, raises your energy level, and you'll be more alert than if you were sitting.

Additionally, a genuine smile radiates through the phone line, and the reporter on the other end will feel the joy in your voice. Both these techniques can make the difference between a mundane interview and a great conversation. They build a rapport that influences the reporter to keep you in mind for future stories.

Another way to build a relationship in a phone interview is to be respectful and show the reporter that you care. Ask the reporter if you're talking too quickly, because reporters often take notes by hand. Slow down your pace so no points are missed. Also, ask the reporter nicely to mention your business information. Don't be pushy; remember, the reporter decides how much room you get in the story. And never request a copy of the story for your approval. The reporter doesn't answer to you. But don't be afraid to show interest by asking for a copy of the magazine or a tape of the show after publication or broadcast.

As the interview starts to wrap up, inquire about other stories the reporter is currently covering. Explain how you may be able to enhance a story and offer a unique angle that may interest the reporter's audience. Let the reporter know you are available for additional questions and can provide other sources. Also, show the reporter that you're eager to be an accessible source of information in the future.

Add Integrity to Your Message

Reporters love accurate sources with factual information. By conveying your message with integrity, you can score a space on their contact list. Start by sticking to the facts. Don't overload the reporter with tons of unnecessary information, and always back up your claims with numbers. For example, instead of saying, "A majority of my clients...", try, "Eighty-five percent of my clients..." And always be forthright. If you want to be quoted in the story, don't answer a question by saying, "You'll get the answer to that when you buy my product."

Never be afraid to give too much information away. Many times, people fear that if they give meaty details about their business, then no one will need it. In reality, this is one of the biggest mistakes you can make with the media. Think about it like this: In a one-page article, you may get two or three quotes. Or, if you're on a radio or television segment, you may get three minutes of actual talk time. There's no way you can ruin your wealth of knowledge in that small space. Remember, the more people get, the more they want, and it's the same for the media. When you provide it with tons of information, reporters will be sure to come back for more because you practically gave them the first story.

Personal experiences also add integrity to your message. They place you in the real world, doing real actions, rather than just sitting on the set of a television show, or on the other end of the phone line. Reporters love to hear firsthand accounts relating to the topic. Your experiences add a personal, unique touch to the story. You also want the reporter to know you're an approachable person, so laugh with them and be friendly. Personal experiences differentiate you from all the other interviews. So use a good story, and the media will remember you in the future.

Finally, always speak with authority. Don't use weak language like, "I think," or "maybe," and use the word, "you" as often as possible. Add benefit statements to your facts and eliminate technical jargon and out-of-date phrases. Not everyone knows as much about your topic as you, so always explain things as if for the first time. You want the reporter to understand so your message can be clearly conveyed to the target audience.

Look Your Best

The television world revolves around physical appearances. So when you get booked for a TV interview, your appearance is everything. How you sit or stand will send a message about you as a person, and about your business; so make sure the message is the right one.

First, you have to plan what to wear. As a general rule, think basic. Women should stick with simple suits, blouses, and tailored dresses. Keep the busy prints, accessories, and jewelry to a minimum. True colors, like blue, green, and grey are more flattering than black, white, and red, which give a washed-out look. You want all the attention to be on your face, not on your wild outfit. Finally, go for natural fabrics like wool, cotton, and linen so you're more comfortable.

Men should also plan for basics. Wear dark—not black—suits paired with lighter shirts. Avoid shirts or ties with patterns, as they may look funny on screen. Red or burgundy ties are best. Again, wear natural fabrics, like wool and cotton, for comfort. Essentially, simple clothing keeps your face and your message at the center of attention.

During the interview, use good posture. Sit up straight, or stand tall, but not stiff. You want to appear relaxed and confident, not uptight. Don't rock or swing or pace. Moving too much will make you appear nervous. Keep your arms and hands loose, not crossed over your chest. And use hand gestures to emphasize your points.

Next, where do you look? As tempting as it may be, don't stare at the camera. Look at the interviewer and pretend like the camera doesn't even exist. Eye contact is always good. And show your enthusiasm by sitting forward, not back in your chair. When you're on television, looks

should always be a top priority if you want to get called back for more interviews.

Leave a Lasting Impression

Media professionals always need reliable sources of information to develop their stories. When you develop relationships with them, you can be the person they call for quotes. Energy and friendliness on phone interviews lets the reporter know that you're excited about talking to them. Integrity lets the media know that your message is unique and your information is accurate and credible. Looking confident and pulled-together on television puts the focus on you and what you have to say.

Make the effort to build relationships with media professionals and they'll know they can rely on you as a source. When you use these tips to make their jobs easier, you will get more interviews, more quotes, and more free publicity for your business.

About the Author

Pam Lontos is owner of PR/PR, a public relations firm that specializes in professional speakers, authors, and experts. Having been an author, speaker, and former vice president of Disney's Shamrock Broadcasting, she knows the ropes of getting you good publicity and how to use it to really boost your business. Interested readers can contact Pam at pam@prpr.net and can visit www.prpr.net.

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May 29, 2009

The Business Edge[PRINT](#)**THE MARKETPLACE**

Seven Strategy Execution Themes That Will Keep Your Organization Moving in the Right Strategic Direction

By Scott Glatstein

According to a study by the [Conference Board](#), marketplace strategy execution ranks high in the top ten issues that senior managers must face today. While many issues drive poor execution, they all appear to point to one major common factor: A lack of organizational preparedness to implement marketplace strategies as envisioned by those who conceived them.

For example, Store A, a consumer electronics retail business, advertises great selection and low prices. Its customers are not disturbed if they don't receive A-plus service. Their expectation is low prices, not world-class service.

Store B advertises, "No question is left unanswered." Customers entering this store expect great service. If sales associates are inattentive and customers receive no help when asking about a product, then the expectation remains unfulfilled. This means customers will not return for future purchases.

Companies that spend their time developing a strategy need to follow through for the long term. I describe in my new book, [Strategy Activation: How to Turn Your Vision into Marketplace Success](#), seven strategy themes to think about when creating and following through with your marketplace strategies that will drive your organization in the right strategic direction.

Seven Strategy Activation Themes to Think About When Creating and Following Through With Your Marketplace Strategies:

1. **Understand that although a strategy may appear brilliant on paper, it is the implementation that is important.** Failure to follow through can result when you allow your strategy to outstrip your organization's capabilities. It can also happen when your employees do not understand your marketplace strategy or their expected behavior, or when your company does not support the strategy's delivery. You may also have conflicting success metrics and employee rewards. Find where the problem is and fix it immediately.

2. **Keep in mind that a promise, no matter what it entails, leads to customer expectations.** Your strategy communicates intent. It's a promise made to the marketplace. This promise creates expectations for your products and services that must be met if customers are to walk away satisfied.
3. **Remember to go beyond the promise and communicate how your organization will deliver on its marketplace promise.** We live in skeptical times. These reasons-to-believe, fine-tuned expectations add assurances that the company will follow through on its promise. Plus, it will provide internal direction for resource allocation, product development efforts and system design.
4. **Recognize it's the customer experience that differentiates one organization from another.** The overall customer experience includes the sum total of all the little touch points your customers have with your organization. From the advertising messages to interaction with sales; and from customer service personnel to monthly billing statements, your company's products, services, and experiences must all reinforce the image desired in the marketplace.
5. **Align employees.** Your employees drive customer experiences. Promises can only be fulfilled if your employees understand them, believe them and are compensated well for fulfilling their role.
6. **Create business processes that reinforce your envisioned marketplace strategy.** Internal and external business processes must support your strategy implementation. They must be mapped and traced, noting each step's effect on the overall customer experience and the organization's ability to fulfill its promise.
7. **Give employees the right tools that enable their ability to be consistent with the desired marketplace image.** These could be *task* tools to complete a task associated with a specific process step, *information* tools to provide critical information for accomplishing one's job, or *communication* tools to ensure everyone is on the same page. The tools must enable delivery of the promise and meet customer expectations.

Understand that successful marketplace implementation is difficult. It requires forethought, planning, and a relentless focus on your marketplace promise. Strategy activation is not an overnight fix, but a discipline that can help a company prepare for flawless marketplace implementation. The rewards of happy customers, energized employees,

and a successful business are worth every ounce of effort demanded.

About the Author

*Scott Glatstein is president of [IMPERATIVES, LLC](http://imperativesllc.com), located in Minnetonka, Minnesota. It is a consultancy that turns market opportunities into record-breaking profits with effective marketplace strategy execution. Scott is the author of the book, *Strategy Activation: How to Turn Your Vision into Marketplace Success*. He can be reached at sglatstein@imperativesllc.com.*

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May 29, 2009

The Business Edge[PRINT](#)**INSIDE TECHNOLOGY**

Calculating the Cost of Running Your E-Mail System

By Scot Gode

We all know the economy is a bit rocky these days, and many of us are contemplating new ways to reduce IT costs and improve efficiency. One issue to consider is the economics of maintaining an in-house e-mail infrastructure, versus outsourcing all or part of this work. There are a couple of outsourcing alternatives to self-managed e-mail systems, known as *hosted* or *remotely managed services*.

More often than not, the true cost of running corporate e-mail systems is masked or incorrectly calculated. In order to correctly work through this analysis, you need to take a hard look at the costs and associated ROI for various components of your e-mail system. Let's examine a few of the most critical and/or most often misunderstood pieces of the total cost of ownership (TCO) puzzle by focusing on Microsoft Exchange Server technology (Exchange), which is the most widely deployed corporate e-mail system. Bear in mind, these cost concepts and scenarios also apply to other e-mail platforms, such as IBM's Lotus Notes/Domino or Novell GroupWise.

In order to perform a detailed calculation of the cost of managing e-mail, it's best to use a TCO tool, which encompasses all the cost variables, such as training, help desk, software support fees, network bandwidth, extra services, hardware and support. Under certain scenarios there can be some cost variations in TCO calculations based on the scale and level of technology used by individual companies. For the purposes of this article, I have focused on the more costly and/or strategic components that will affect your business.

Planning, Deployment and Migration

There are obvious major upfront costs when deploying an in-house system. It is not just the hard costs of hardware and licensing, but also the time spent in vendor contract negotiations, testing, and deploying the new or upgraded e-mail system. This is one place where the benefits of an outsourcing model seem obvious, but the savings really depend on the scale of your application and infrastructure needs.

Exchange Server Management

It is clear that outsourcing your Exchange deployment is a much less expensive option. Not only will you and your IT department no longer

have to worry about ongoing hot fixes, patches, and service packs, but you will also no longer have to deal with ongoing management and configuration of the environment. When outsourcing a typical 1,000-mailbox deployment, you can realize an estimated savings of \$5,000 per year.

E-mail Monitoring

To implement a really strong monitoring solution for in-house e-mail, you'll have to buy and maintain a software program, such as Microsoft System Center Operations Manager, and also an additional server to run the monitoring program. On top of the software and equipment costs, there are significant running expenses for hiring and training personnel to work with the software to set appropriate thresholds. There are also the expenses of testing and running the reports on the environment. By choosing a remotely managed service, your company can accrue all the benefits of a complete monitoring system, while saving a minimum of \$35,000 per year over in-house e-mail systems. Hosted e-mail does not usually provide visibility into the health and performance metrics of the service.

E-mail Support Staff

Finally, we come to the biggest expense of in-house e-mail systems: Exchange administrators. These individuals are not always easy to hire—and when you find a good one, highly qualified administrators can cost an average of \$100,000 per year or more. Also, once you attract qualified administrators, they will have to spend time amassing certifications on new and updated technologies to keep your business in line with new developments.

According to leading IT analyst firms, large companies with 10,000 or more users spend over \$300 per year per user, and need to employ seven full-time and six part-time employees to administer the Exchange Server. By choosing a managed system, you can save several hundred thousand dollars per year—up to \$450,000 to invest on IT projects more likely to produce far greater returns for your enterprise.

Your company may be able to keep initial costs low for an in-house e-mail deployment, but the long-term care and feeding of the system using internal resources will be significantly greater than the predictable monthly subscription payment to a remote management service provider. By eschewing the old in-house model, and leveraging the new infrastructure-as-a-service model, you can make better use of internal IT personnel. Further, you can predictably control your budget for e-mail, leaving your company better equipped to weather the current business climate.

About the Author

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