Persuading the CIO to Buy
Engaging the CIO to Advocate

A Fireside Chat With Patty Morrison and Bill Lee

Patty Morrison, EVP and CIO
Cardinal Health

Following is a conversation between Bill Lee, Founder of the Center for Customer Engagement and author of, *The Hidden Wealth of Customers* (Harvard Business Review), and Patty Morrison, CIO of Cardinal Health and former CIO of Motorola, GE Industrial Systems, Quaker Oats and Office Depot. The conversation took place at one of our conferences in Berkeley, CA, in front of 160 executives and managers from many of the top technology firms in the world.

Bill Lee, Founder, Center for Customer Engagement

And frankly, relative to other marketing spend — like print, advertising or other media or Internet ads or whatever — reference programs are easier to quantify.

Why Customer Reference Programs Are Important in a Tough Economy

Bill Lee: *Especially in light of this economy, how do you keep customer reference programs relevant in the mind of senior executives?*

Patty Morrison: I had a chance to talk to several of the audience members, and this is one of their biggest concerns. Prior to being CIO, I spent 16 years at Proctor & Gamble, which is often called "the capital of marketing." Also, my own personal technology background is in statistics and quantitative analysis, so I did a lot of market research work early in my career. I know that CMOs really struggle with quantifying the value of marketing spend. It can get very esoteric.

I was very impressed this morning, listening to the amount of metrics that reference managers have developed which actually show your direct contribution to revenue generation. The more you can make that correlation, the more you are going to stay relevant.

And frankly, relative to other marketing spend — like print, advertising, or other media or Internet ads — reference programs are easier to quantify. So in some respects, you may have an advantage in today's environment where you can actually quantify your benefit. And I think Infor [referring to Abby Atkinson's presentation earlier in the day] was a good example of how one of you actually got an increase in your reference program budget. That will help you stay very relevant.

Another one of the most important things you can do with referencing today is to build confidence in your company. There is a lot of nervousness in the IT senior communities about the viability of their vendors. From the Satyam fraud debacle to companies that are going bankrupt or filing Chapter 11 (such as Nortell), technology buyers are worried. I was actually in a meeting last week with a senior technology strategy advisor at Morgan Stanley who is doing 7 vendor reviews a week just on the viability of their companies. So, one of the most important things I think you can do from a customer reference standpoint is to make sure your prospects — and don't forget about your existing customers — have confidence in your viability.

One of the biggest confidence boosters you can provide to a CIO is not just your financial performance, but who you are signing up as customers. What new logos are you acquiring? What deals are you getting renewed? What are your other customers really thinking about you? Those are the things that could be very differentiating for all of you when you're fighting for near and dear dollars while everybody's cutting. So, those are a couple of thoughts that I had.

Bill Lee: *You know, we're so busy proving how companies can benefit from our solutions that we forget to assure clients that we're not going belly-up in six months.*

Patty Morrison: Yeah, just look at the number of technology companies that have filed Chapter 11 or — God forbid — have had a fraud situation. And they are often companies that you would never have suspected. There's a lot of concern right now. So, making sure that you're building a lot of data to provide that confidence can be a real benefit to your companies. And it's very unique to right now. We've never seen anything like this, right? It's pretty bad out there.

Bill Lee: *Let's flip this a bit. What opportunities are out there that reference programs can help their companies pursue?*

Patty Morrison: I think the opportunity — and this is what you all do really well — is to focus on real value creation for whatever products or services your companies have. For me as a CIO and a buyer, I'm looking for investments that pay for themselves in hard savings in the first year. Can you demonstrate to me that your other customers get that kind of immediate return? There isn't a lot of large scale spending opportunities out there. Promising a 3-year return or revenue generating benefits won't work as well in this environment. Most of the CIO's I talk to all have had their budgets cut. They're trying to just hang on to some minimal levels of investment — strategic investment spending. They're looking at their own operating costs, always trying to reduce those costs. And they've already done so through such things as labor arbitrage, to off-shoring, to large-scale outsourcing contracts, and hardware deflation.

Now, when you get in front of a CIO, the opportunity for your sales people is not to walk in and say, "Tell me what your strategies are." They need to say to buyers, "Here's a problem I know you have, and here's how we can help you solve it. And it will get you some immediate payback." The majority of the funding that's going to be available is going to be for those short-term projects on which you can get a real payback.

So, customer referencing really builds your confidence to say, "Here's what we did at another company." And don't be afraid of saving just $5,000.00, $10,000, and $50,000. Even at a company like Motorola, I was interested in that kind of money because budgets were very tight. So bring those case studies. Show what your other customers have done, and I think you can really help. CIO's are

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looking for those types of answers right now.

Bill Lee: *What can reference managers do to help with existing customers and keep them happy? Are reference programs in a position to build relationships and if so, how?*

Patty Morrison: Absolutely. In tough times especially. This is a relationship business, right? Budgets are being cut. As a buyer, I want to know that you care about me and can help my firm save money. Even if it means that you are building business cases that actually reduce your revenue. The opportunity is substantial for reference programs to build relationships with customers when times are tough. And building those kinds of relationships really does make a lasting impression on the senior people because what I look for is: whether or not I have a partner, someone who's going to be with me in good times and in bad times? And that is very differentiating in how you can work with your customers.

The Strategic Role Reference Programs Can Play

Bill Lee: Patty, this seems to get into a more strategic role that reference programs can play in their firms. How would you suggest they do so?

Patty Morrison: Don't just fly in and out with a reference request or a media request. Offer me the full range of opportunities to engage with you. Give me the chance to improve your service to me, measure the value you're delivering, develop best practices together, partner with you, engage in marketing with you, and interact with my peers. And then make referencing a part of the ongoing discussion between the account manager and the person they're selling to at the senior level. That's what a strategic reference program does. You'll probably get a lot more traction at the senior level.

Remember, you have some leverage. If you're a smaller supplier or brand new, and I'm meeting with your account manager all the time and building that relationship, I want to help that firm grow and get established. It's in my interest. So I'm willing to do what I can to help you grow your customer base.

On the other hand, if you're larger and better established, you can help me reward my team by letting them go to conferences and present papers. It's great career development for them. So again, make it part of that ongoing relationship with the account manager. It just works a whole lot better when it's always part of the discussion. "Hey, here are the customers we're trying to develop. Do you know any of them? Would you feel comfortable talking to any of them?" Your customer may come back and say, "You know this guy's a jerk. I'm not going to talk to him." Or, "I don't know if I have a strong enough relationship with this person to even have any influence. But this person I know really well; I think their situation is very comparable to ours. I'd be happy to do a personal reference." And then it's usually a phone call.

Always remember: the most important thing is to be delivering. If you're not delivering, it's kind of irrelevant to talk about references.

The second area that is really effective is a very well run customer advisory program. Who was I talking to at Verizon earlier? I was actually on the MCI customer advisory board many years ago. I've done

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The Value Proposition for a CIO Reference

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customer advisory boards, and I think particularly for CIO's, it's a really good way to get ongoing engagement and referencing because it happens more naturally when they're all together. So, if you have an ongoing customer advisory board — and this applies to large and small alike — it can apply to segments within your company or the entire company. You can bring a new prospect into an existing group of customers, and they get an immediate reference. They hear what works and what doesn't. Everybody wants truth and honesty, right? Nobody expects everything to be perfect. They want to learn how your solutions can best be made to work. But make sure it's a really well-run customer advisory program. So, if you're going to make the commitment, do it right or don't do it at all.

Bill Lee: *How many folks here have dual responsibility for customer advisory boards? Several. How many of you who don't, how many of you interface pretty closely with your customer advisory boards?*

Patty Morrison: What did we call it? Groundswell? Word of mouth? The kind of referencing that happens informally. And for senior executives, I think that's how referencing tends to happen. So, make referencing a part of your ongoing discussion with the CIO or the senior executive that you're dealing with. Think about how you interact with your customer advisory boards. Those would be two ideas for you.

Getting Customers to Reveal ROI

Cynthia Hester (HP): *One of our challenges in working with CIOs is corporate policies that restrict what they can say. They particularly don't want them to discuss their ROI on solutions we provide. So do you have any guidance around how we make it easier for them to open up a little more around what their payoff is?*

Patty Morrison: There are two ancillary functions that every technology sales organization has to deal with to sell into IT. One is procurement and the other one, that people often overlook, is public relations. Motorola is a perfect example. It had a large PR organization. I had a designated PR contact. And if you develop a relationship with that PR contact, you need to understand what their agenda is.

If you want a customer to publicly reference for you, you need to understand what message their PR is trying to get out to the world about their company. And then ask, how might our message tie into theirs? For example, at Motorola we were a high-tech company and wanted to talk about things like mobility, devices, and public safety.

So, if you're doing business with Motorola, how can you tie your messaging to theirs? If the PR person comes into my office with you, and you both say, "Here's the message we think benefits our companies together," then I see a win-win. I'm there.

When it comes to ROIs, I think you can play with that. You don't necessarily have to say, "We saved X million dollars." But you may be able to say a percentage. A lot of times you can actually demonstrate those values without getting into, "We have a billion dollar IT budget, which is two and a half percent of sales." People don't like to get those kinds of numbers out into public, right? So, you've got to think a little creatively about how you're going to release actual metrics.

Why It's in a CIO's Interest to be Your Reference

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For example, you can certainly discuss value in a case study or white paper. You might work an arrangement with an independent third-party to do those kinds of studies. I tended to like these, because they weren't biased by my team thinking we got more benefits than we did, or by the supplier thinking the cost was lower than it was. So, we could actually get some very good viable numbers that would really help. I could take them to my management and say, "Developing this information is a win-win." You could publish it; we could publish it and really demonstrate it together. So that would be just one idea if any of you have thought about the relationships you have with any of the PR organizations within the companies that you've targeted.

Persuading the CIO to Buy

Bill Lee: *Ok, let's have you put on your hat as a buyer. You've had a lot of experiences as a buyer with supplier company's reference programs. What is the worst experience you've had with a reference program?*

Patty Morrison: I think generally one of the worst things a vendor can do is to ask for a press release when you sign a contract. I really hated doing that because I believe very strongly that it's the implementation of the technology that determines what value is created. So, under only very unusual circumstances was I going to actually release a press release prior to implementation.

Any terms in the contract around press releases is also a no-no, unless it's tied to actual end results in some way. So I would almost always say no to the companies that come in and immediately say, "We want to do a press release announcing we did this." I made only a few exceptions to that. One was when a senior person at one of my largest suppliers with whom I've done business with for 15 years asked, "Can we put in our earnings release that we acquired you as a customer?" I have done that. But it's based on a long-term relationship. Otherwise, up-front, expected referencing doesn't really work.

The other thing to watch out for is making sure the references you provide are a match. I think it's got to be tough for all of you because you're generating so many references. You're getting requests all the time from your sales organizations. But when you provide references that aren't a good match, then as a prospective buyer I'm talking to one of your customers who can't relate to the problem I'm trying to solve, and I can't relate to theirs – that doesn't work so well. So there is a little bit of matchmaking that has to take place. And again, your account rep or sales person is really critical in making sure that it's going to work.

You guys have got limited time and dollars right? I heard that in this morning's presentations. You ought to build for yourself a metric showing the "successful reference ratio "of your sales people. They match prospects with good references. They interact well with reference customers. They develop excellent relationships. They cultivate referrals and leads from their customers. Identify these stars, and cultivate them. Find ways to reward them and give them visibility. You'll likely get much better results than trying to spread your efforts across thousands of sales people, right?

Such an account manager is really, really critical. For a lot of my largest suppliers,

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I think of those account managers as equally important to my successes as direct members of my own organization. Especially in situations where you are heavily sourced, you know it's really important.

Case Studies That Sell

Janet Ludley (RIM): *I don't want to put you on the spot, but have you ever been influenced by reading a customer reference success story or a case study where it has actually convinced you to buy a product? [laughter]*

Patty: In general, not often. For me and my organization, I'd say reading a Gartner report, or Forrester or AMR report, or reading relevant 3rd party case studies has been the most effective for me – more so than case studies written by the vendor.

That's because they actually show a real problem that got solved versus general ratings on vendors. That's what I do as a CIO: solve problems every day. So, such reports tend to be much more effective with me.

Also, I'm not likely to pull information about a vendor. I'm more likely to have it pushed. One of the more creative ways I've seen of pushing data is through other vendors. For example, if HP is mobility solutions, they could bring me a RIM case study showing how a particular mobility solution saves office rent and improves productivity at a company like mine. That would be an effective way to push data, saving me from having to look at general information on the web. The problem with the pull is that I get so much stuff, so it's got to be selected and targeted.

The other thing when you start to look at printed material or written information is that if I'm already in a community, I'm more likely to look at such material on the web. So, if you have a customer advisory board, for example, and it's a closed community, these are people you're talking to all the time anyway, so you'd tend to look at that.

By the way, I have a thought on ratings systems. I love to cook; I go to FoodNetwork.com and look at recipes, and I read the ratings on the recipes. If , say 9 of them are positive and 1 is negative, I'm really surprised how influenced I am by that 1 negative. I think you need to be really careful with that. If you start to get into that ratings thing we were talking about this morning, that's the sort of difficulty you'd have, at least with me. I'm sure there are people out there who know more about the psychology of ratings than I do, but it strikes me as tough to implement ratings schemes and see how they will influence potential buyers.

Take Time to Understand Your Reference's and Your Buyer's Problems

Janet Ludley: *That's great. It illustrates the influence of 3rd parties and how you prefer to take their recommendations as well as do your own research.*

Patty: I'm in a lot of groups with CIO's and we just chat, you know. "So how's your big fat outsourcing deal going with X?" we'll say. And we get candid information. The thing about some of those dialogues is that they tend to be very real, very informal. And I'm not alone, most of the CIO's of large companies are involved in other CIO groups.

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The most important thing you can bring to a dialogue with me is knowing my problems, and it's really not that hard. You guys are doing customer references, right? Are you investing in market research about those customers? If you want to develop a customer as a reference, know everything you can about them. And then know everything you can about your important prospects too.

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Stephanie Roodhouse (Informatica): *You mentioned you were turned off when asked to do win releases, and I imagine that there are other things vendors have asked for that turned you off. Could you talk to us about some specific value packages that resonated with you?*

Patty: I can think of a lot more things that don't work than do; that's kind of sad. Don't send me a chess set in the mail with everything but the kings and with a message saying that if I want the kings, I have to have a meeting with you. [laughter] I've seen them all. You guys are in customer reference management. You've got to make sure your companies are absolutely great at CRM.

You wouldn't believe how many times I have gotten letters from very large companies addressed to CIO's from 2 times ago. Their mailing lists aren't even current. My favorite one was the company that sent me a Nokia phone when I was at Motorola. [laughter] That was a fun one. I think there are a lot of gimmicks that, by themselves, aren't all that obnoxious, but the problem is that I got them all the time. My assistant and I would laugh all the time asking, "Well what did we get today? We got a racing car without the remote control." Don't do that.

I'll give you an example of the kinds of materials that work. Reporters are really good at this. Take *Baseline*, or *CIO*, or *Information Week*, for example. When they approach me for an interview, they do a lot of homework before hand. They know what kinds of problems I'm trying to solve. It's all publicly available.

The most important thing you can bring to a dialogue with me is knowing my problems, and it's really not that hard. You guys are doing customer references, right? Are you investing in market research about those customers? If you want to develop a customer as a reference, know everything you can about them. And then know everything you can about your important prospects too.

Don't worry about coming in and selling the answer to world hunger. I would say it's more of a turnoff for me when someone comes in and says, "We want to take over all this stuff for you." I'd rather we start, you know, small. Solve a specific problem and demonstrate to me how well you can do.

Take a similar approach when you bring in references. Do you all know Cathy Brune, who was just in the *Wall Street Journal* recently? Cathy's the CIO of Allstate and a personal friend. And she's in Chicago. So, if you came in and told me that you'd met with Cathy Brune at Allstate, that's a reference I would value.

Therefore, you should also ask yourself, do you know who the CIO is connected with, who they're going to trust, who they're going to listen to? If it's a CIO in Chicago, it likely we all know each other. If they're other groups, you know I worked at Proctor & Gamble, GE, Office Depot, Motorola, and PepsiCo, which is Quaker Oats — a lot of companies. So, learn something about my company, me, my network. It shows you've invested in understanding me before you've walked into my office — understanding my situation, as opposed to the worst thing you can do: walking in my office and expecting me to spend an hour telling you everything about what my problems are. That doesn't leave a good impression with me.

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Bill Lee: *Fascinating analogy: approach a reference as a reporter would, do your home work, know what their issues are, know who's in their network, and then know how you can contribute. This ties in to the earlier point you made about knowing what your customer's marketing message is, so you can integrate your messaging with theirs to create a win-win.*

Chris Lucas (EMC): *Changing gears a second, we wonder about how to get prospects to rip and replace their existing software solutions in favor of our alternative offerings. As the saying goes, software is "sticky." Do you have any examples of when you did a rip and replace, and what was the compelling thing that made that happen?*

Patty: I think it's a really tough sell, rip and replace. The majority of the time I've seen these is in a merger or divestiture situation. You merge with another company, or you acquire another company. You have A; they have B; somebody is getting ripped and replaced. So, it's useful to watch the frequency among your customers of mergers and acquisitions.

The other thing is, architecturally, I don't think as many companies are only going to adopt one source, such as SAP or Oracle or HP or IBM and that's it. I don't think that's as realistic today. It's important to understand how your products can be complimentary versus just rip and replace, because I think the rip and replace is a pretty tough sell.

The only place where I would do a rip and replace would be where the technology change is disruptive enough to make it worthwhile and, architecturally, where you're moving to something a little bit more open. VOIP might be a good example of that. It's been pretty disruptive. Do you rip and replace PBX's? Do you go from Avia to Nortel or vice versa? No, you're basically going to do a wholesale upgrade to your technology, so if you have interventional points in your architecture, that would be another good place to rip and replace.

Lori Loe (Eccolo Media): *I have a question about changing a firm's messaging from technology features and benefits to business value. What sort of business value messaging is most persuasive to you?*

Patty: You hit the nail on the head. Address your messaging to your customers' business problems that you're trying to solve, not your technology features and benefits. It's like the difference between ingredients and a recipe. The outcome you're looking for is not the individual ingredients that you're putting into it.

Let me give you a business example that was just awful. RFID was a technology that was widely sold a few years ago. It's basically a chip that sits on a product or pallet or whatever that can be read with a barcode. It was a technology that tech firms hyped because, boy, wouldn't it be great if you had an electric barcode versus a printed barcode? Nobody really talked about the business problem that it was trying to solve. For example, "shrinkage" (theft or other loss of goods) is a big and expensive problem that retailers have, and they deploy a lot of technology to control it. They put in checkpoint scanners at store entrances where beepers go off. The taggings required for this are expensive but considered worth it for expensive or high end items like printer ink or luxury goods.

Now, RFID was touted as a solution to shrinkage. But what many firms offering RFID didn't address in their marketing and reference materials was that there

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are a lot of other issues in addition to the technology. That's what's important when you write a reference. It's not just that your customer implemented RFID to reduce shrink. They implemented a program to reduce shrink by tagging the products, by training the associates in the store, by locating the product in the right place, and so forth. Solving problems is never just about one technology. It's about the processes. It's about the people. It's about all of that. So, how you describe solving the problem versus the technology, that's what's helpful.

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A Case Study in Cultivating a Powerful Reference

Bill Lee: *Patty, when we talked last fall you mentioned a novel and constructive approach that a reference program took towards you as a buyer, in order to cultivate you as a reference. Can you tell us a little bit about that?*

Patty: An account manager from one of my larger vendors – I met with this AM quarterly — told me that one of the new metrics for their quota was going to be references, and asked if I'd be willing to help them out. I said yes, as that was part of that ongoing dialogue that I mentioned earlier. That is, we'd meet every quarter; we'd would go over all of their performance metrics and how they were doing as a supplier, and I would go through all of the things that were going really well, and we would identify the things that I thought were best practices. And for me, that opens the door to referencing. So if we were doing something really well with this vendor — something that in my career as a CIO I believed was unique and exceptional — we would identify those kinds of things and get them documented.

This arrangement would work with other suppliers too where, let's say, they had a newer program that we chose to implement, and we regarded it as an emerging best practice. We would work with that supplier, and then I'd work with my team to write it up, showing what worked, what didn't, keeping it as realistic as possible. It really helps the supplier with their marketing and sales, and, frankly, it helps us a lot too because we learn from it. So, part of it was this documentation of best practices.

The second part of our arrangement was to systematically review what prospects they were talking to. That was a great opportunity to match a best practice to potential prospects. Or, we'd have a conversation about, "Who do you know on this list, and where would you feel comfortable having a discussion?" A lot of times I end up delegating those kinds of things. I don't do the references myself, but I might call up someone on my staff and say, "Hey I want you to have a meeting with this company and talk to them about what we've done with this supplier. Be honest. Say what's good and what's not good." So, it wasn't always me, but because I had that conversation all the time with the account manager, and that relationship, we did a lot of

The Essence of a Powerful Reference Relationship

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references. And by the way, that is a supplier for Motorola, and they just won an award for being the most referenced account in their company. So, that program is really working for them.

Bill Lee: *Working together to create best practices for achieving business results. Very powerful knowledge for both vendor and customer. Are there other applications of this idea you'd suggest?*

An Often Overlooked Yet Powerful Reference

Patty: A really good best practice is to talk to your own IT functions. Many of you [the audience] work for IT companies. You're selling stuff that most of your IT should be "eating." Your own IT function can be a great reference for you. I can't tell you how many times a Motorola salesperson would ask me to be a reference for Motorola stuff. And frankly, if you can't eat your own dog food, well then, why should we be talking to you at all? Microsoft lives this. You guys aren't allowed to put anything into the enterprise customer until Tony Scott, your CIO, has blessed it! You are the case study for eating dog food! [laughter] Your own IT shop can be a great point of reference for you.

Bill Lee: *Some firms have case studies from their own IT departments. As a prospective, outside buyer, how valid do you think such case studies are? Would you want to see these in a library of other case studies from a vendor?*

Patty: Case studies from your own IT department using your technology are absolutely persuasive. I work with a lot of hi-tech CIO's, from IT shop to IT shop. Nobody color codes it; nobody puts "lipstick on a pig," as they say. Really, I mean, it's a professional courtesy thing. It's part of that personal reference. CIOs talk about the truth: here's what worked, here's what didn't work — particularly if it's emerging technology, even though there's a lot of pressure on salespeople to sell the new stuff, right? We all know things don't work perfectly.

Take SAS, who's also present today. My question as a buyer would be, how do you guys use analytics to do customer analysis and really understand personalization? That's what you're selling to your customers, how you use it internally. Answers to such questions can be really pretty powerful versus being discounted. I think you should test that with your own salespeople. How powerful are such internal case studies versus traditional external customer case studies? I like to think that sometimes your IT functions can be more strategic in such ways, as opposed to just keeping the Blackberrys running.

Now there can be some other issues to address when you do this. Take Microsoft, for example. One of the tougher things about referencing their internal use of a particular software is that they are essentially 100% Microsoft internally. So, if I'm an outside buyer, I'm wondering, "Okay, how do I integrate the Microsoft solution with Oracle and with Siebel." There are a few things that Microsoft uses that aren't Microsoft, but not a lot. So, one of the challenges they have is that they can't demonstrate how to integrate their software with lots of other more heterogeneous stuff.

Bill Lee: *Yes, I'm afraid so. Reluctantly I'm going to have to cut if off. Patty, thank you so much.*

… because I had that conversation all the time with the account manager, and that relationship, we did a lot of references. And by the way, that is a supplier for Motorola, and they just won an award for being the most referenced account in their company. So, that program is really working for them.

Case studies from your own IT department using your technology are absolutely persuasive. I work with a lot of hi-tech CIO's, from IT shop to IT shop. Nobody color codes it; nobody puts "lipstick on a pig," as they say. Really, I mean, it's a professional courtesy thing.

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