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INTRODUCTION: STAKEHOLDERS, BUSINESS ASSETS, AND THE CRM MODEL

The need for businesses to connect with and serve a complex set of internal and external stakeholders – customers, partners, collaborators, suppliers, and employees, among others – spans companies of all sizes and all industries. More and more key business processes and initiatives depend on the ability of companies to ensure that their software systems are designed to assist in an increasingly important task: to help support the interactions between internal and external stakeholders and key business assets that drive company success and customer satisfaction.

This is the concept of customer relationship management (CRM) taken to a new level. While CRM is about managing the interactions between customers and companies, many businesses, as well as government agencies and non-profits, are discovering that there are other types of interactions between a variety of stakeholders and business assets that can benefit from CRM-like functionality.

These interactions span the gamut of commercial and human interaction: from managing real estate auction contracts and scientific conference submissions, to managing support for highly specialized equipment and municipal building permits. The ability to apply CRM-like capabilities to non-CRM-like processes is becoming an important area for innovation, competitive differentiation, and service. When done right, these processes provide new areas for value and return on IT and human capital investments.

Importantly, the ability to deploy these applications in a timely and cost-effective fashion requires highly flexible deployment options – on-demand, on-premise, or a combination of the two – that have historically been unavailable in either packaged or custom-developed software. To do otherwise is to ignore the vast differences between customers' business requirements and business processes – differences that can only be addressed by flexible deployment options.

Realizing these objectives requires a unique approach to matching business requirements to technology development and deployment: start with the packaged CRM software model as a starting point, and then add a strong development and customization environment, as well as support for a hybrid deployment model. This ability to use CRM functionality as the basis for industry and company-specific requirements holds the promise of harnessing the best of the packaged and custom software worlds in the service of the customer and the company, without incurring excessive development and maintenance costs.

Until recently, leveraging new forms of stakeholder and business asset interaction was easy to conceptualize but hard to realize. Since 2008, however, Microsoft Dynamics has been delivering a toolset – part of the Microsoft Dynamics CRM 2011 product offering – that allows partners and customers to build line of business and industry applications, and deploy them on-demand or on-premise as needed. This toolset – which Microsoft calls xRM – starts with Microsoft Dynamics CRM's powerful workflow engine and data models and then extends them to allow the rapid development of a new set of applications that can be deployed on premise or on-demand.

The result is that xRM is the enabling technology for what Microsoft calls extended CRM, a term that aptly describes the use of CRM functionality as a building block for connecting stakeholders and assets in ways unseen in the packaged software world. Enterprise Applications Consulting (EAC) believes that the xRM framework

represents a major breakthrough in the quest to align business needs with software capabilities in ways that extend existing concepts of packaged enterprise software value. Using Microsoft Dynamics CRM 2011, a company can then leverage the xRM framework to significantly improve its CRM processes as well as extend the CRM model to support specific business or industry requirements. This ability to take the best of CRM and then extend it to support the unique relationships of a business makes Microsoft Dynamics CRM 2011 a highly competitive product in the market today.

This report takes a look at the opportunity presented by the xRM framework to meet these requirements across different industries and business models. The first section outlines the issues behind the need to better link stakeholders and business assets, and discusses how this linkage drives business innovation. The second section discusses how the xRM framework is able to provide this linkage, and how it enables companies to build and deploy the applications that meet these requirements. The third section showcases how xRM customers have used the software's capabilities to build extended CRM applications that expand the basic functionality of CRM into new, company-specific solutions. The report concludes with a discussion of the value of managing the extended relationships in and around the enterprise using extended CRM.

THE CASE FOR MORE EFFECTIVE INTERACTIONS BETWEEN STAKEHOLDERS, BUSINESS ASSETS, AND THE ENTERPRISE

While a broad set of enterprise processes are actively supported by enterprise software products such as financial reporting, enterprise resource planning (ERP), human capital management (HCM), and customer-relationship management (CRM), it has become apparent that there are other – often higher-value – processes that have yet to benefit from the same degree of automation and efficiency.

These processes, which often defy easy categorization and three-letter acronyms, tend not to be as transaction-focused as ERP, HCM, CRM, and other core functions, but their value to enterprises of all sizes can be as great or greater than the more traditional, transaction-focused processes.

CHART 1: NEW CLASSES OF INTERACTIONS DRIVE NEW SOFTWARE REQUIREMENTS

Internal Users interacting with:

- External Stakeholders
- Internal Assets
- External Assets
- Other Internal Users

External Stakeholders interacting with:

- Other External Users
- Internal Assets
- External Assets

The result is a many-to-many matrix of increasingly valuable interactions not managed in traditional ERP or CRM software.

These new interactions are characterized by the relationships that they enable, manage, improve, and support (see Chart 1, above). These relationships are often much more nuanced and complex than those defined by CRM's focus on the customer or HCM's focus on employees. While CRM functionality is often the starting point, extending the CRM model to support these additional interactions and relationships – in addition to customers and prospects – becomes an essential ingredient for success.

The complexity and nuances found in this new class of interaction come from five essential characteristics:

- The growing number of people who are important to a company that are not customers or prospects.
- The growing number of assets that are important to a company that are not found in traditional ERP or other enterprise systems.
- The growing number of people inside a given company who need to manage or interact with these new people and assets.
- The interactions between these people and assets do not fit neatly into established enterprise software systems.
- The value of managing the relationships between people and assets is growing, and in many ways these relationships and interactions are becoming more valuable than the traditional "back-office" transactions that are found in ERP, HCM, CRM, and other systems.

Extending CRM

From looking at these characteristics, it is evident that they can be readily supported by extending the functionality of traditional CRM software into the new domains. (See Chart 2.) CRM's ability to manage the lifecycle of customers' relationships and interactions with a company's sales processes translate nicely into supporting these new types of interactions. As we shall see in the section Solving the Relationship Problem: Extending CRM with the xRM Framework, Microsoft Dynamics CRM is particularly well-suited to play a foundational role for this task.

CHART 2: EXTENDING CRM

Classic CRM:
- Customer
- Supplier
- Employee
- Order
- Invoice
- Service Request

Extended CRM:
- People: Tourists, Contractors and Service Providers, Conference Attendees
- Physical Assets: Manufactured Products, Conference Submissions, Buildings, Trees
- Service Assets: Repair Equipment, Guide Dogs
- Virtual Assets: Permits, Contracts

The result is a many-to-many matrix of increasingly valuable interactions not managed in traditional ERP or CRM software

The unifying aspect of the touchpoints that fall under Extended CRM (and the above chart is hardly an exhaustive list) is that they can support processes in which the value lies in optimizing the interactions between these touchpoints. The customers interviewed by EAC for this report provided numerous examples of the role of Extended CRM. One Microsoft customer uses the xRM framework to extend its customer service functionality to meet the specialized service needs of its products and customers. Another used the xRM framework to create a specialized system for managing conferences, conference attendees, scientific papers, and other assets. Another customer extended Microsoft Dynamics CRM to support the particulars of their auction-based real estate business. (See the section Extended CRM/xRM Framework in Action: Customer Stories, below for a more in-depth discussion of these uses of the xRM framework.)

SOLVING THE RELATIONSHIP PROBLEM: ENABLING EXTENDED CRM WITH THE XRM FRAMEWORK

The ability of xRM to support these new Extended CRM scenarios starts with a foundation in Microsoft Dynamics CRM 2011, a market-leading CRM solution that can be deployed in an on-demand, on-premise, or hybrid scenario. The ability of Microsoft Dynamics CRM 2011 to support a full range of CRM capabilities with a

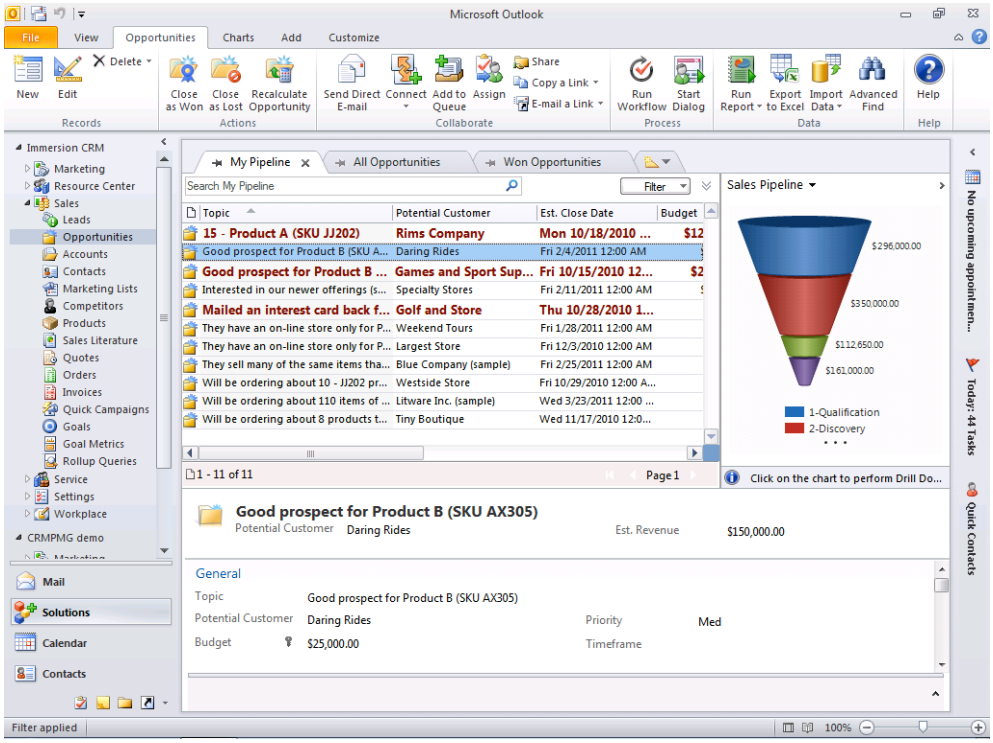
completely flexible deployment model is one of the key starting points for the xRM framework advantage. (See Figure 1, below.)

By basing its functionality in a full-featured CRM package (see Chart 3), the xRM framework is able to allow the development process to begin at a relatively high level of abstraction, thus significantly lowering the initial development time for a project, as well as facilitating an iterative, agile development method that makes it easy to test and deploy new functionality.

This high level of abstraction translates into a host of services and functions that are pre-built in CRM and therefore immediately accessible to the xRM framework developer. These include data and identity management, access and security, workflow, built-in analytics, and a user experience based on the ubiquitous Microsoft Office and Outlook applications.

This ability to leverage Microsoft Office is part of the second advantage of using the xRM framework for extending the CRM model. In addition to Microsoft Office, the xRM framework developers are able to leverage Microsoft's extensive technology stack, including Microsoft SharePoint, Windows, Microsoft SQL Server, Microsoft Exchange Server, Microsoft Lync and Microsoft Biztalk Server, among others. Customers already using Microsoft Dynamics AX, Dynamics GP, or Microsoft Dynamics NAV are also able to leverage the built-in connectivity between these products and Microsoft Dynamics CRM.

Figure 1: Native Outlook Client for Microsoft Dynamics CRM



Extending the CRM user experience using Microsoft Dynamics CRM

Source; Microsoft

The ability to seamlessly weave in Microsoft's enterprise-class technology has a two-fold benefit: in addition to being able to leverage these key elements of the .NET framework, organizations that leverage the xRM framework are also able to tap into a considerable body of development talent already steeped in the Microsoft technology stack, talent that is often available inside the company. For companies with existing Microsoft technology expertise, this further enhances the ROI of the xRM framework.

This ability to leverage the Microsoft stack and its talent pool has helped reduce development costs and timeframes for a wide range of xRM framework customers. In many cases, development times have been reduced by orders of magnitude, with time and budget savings of over 50 percent relatively common, versus traditional development approaches.

Finally, the reliance on Microsoft Dynamics CRM and Microsoft Office as the starting points for the user experience in extended CRM applications helps customers rapidly deploy these solutions with a high level of user acceptance and without significant levels of training. In addition, the use of SharePoint to extend the user experience to external constituents via a portal further enriches the usability of extended CRM solutions while, providing a high degree of flexibility in user experience design.

CHART 3: KEY MICROSOFT DYNAMICS CRM CAPABILITIES

- Case Management
- Service Requests
- Queuing
- Routing and Workflow
- Searchable Knowledge Base
- Contract Management
- Email Management (Including auto response email)
- Product Catalogue
- Reporting
- Integration with Microsoft Dynamics ERP products (AX, GP, NAV) and other ERP products
- Multi-language Support: Support for 41 languages

EXTENDED CRM AND THE XRM FRAMEWORK IN ACTION: CUSTOMER STORIES

The advantages of the xRM framework are manifold across the broad base of Microsoft customers interviewed by EAC for this report. In each case, the Microsoft Dynamics CRM, knowledge of Microsoft technology, and the Microsoft Office user experience were put to use to support new ways of interacting between key stakeholders and assets.

In many cases the ROI came from automating an existing process. In other cases the xRM framework was brought on to help create a solution to automate an entirely new process or business opportunity. In all cases the combination of rapid development and deployment, high degrees of usability, and the comprehensiveness of the solutions developed proved that the xRM framework is uniquely positioned to solve a new class of business problem with a very cost-effective, functional, and easy to deploy solution.

Extending CRM to Support a Specialized Customer Service Model

Many of the xRM framework customers EAC spoke with came to the solution by way of a legacy replacement project. At Xiotech, a manufacturer of storage systems based in Eden Prairie, MN, the value of the xRM framework started with the need to rapidly create a specialized customer service system to replace an aging system that, according to CRM Program Manager and IT architect Mike Schultz, was "turning into a house of cards."

The search for a replacement led the company to Microsoft Dynamics CRM, though it was clear that the product would need to be customized in order to account for the specific requirements of the customer service group. "We're pretty unique: I don't think off-the-shelf would fit," said Schultz.

The ability of the xRM framework to facilitate customization for issues like case management helped make it an obvious choice to replace the company's legacy system. "I have always looked at xRM as kind of a development tool," Schultz added.

In addition, the ability of the xRM framework to leverage the company's investment in other Microsoft technologies, such as SharePoint or Dynamics GP, was a major plus, said Schultz. "IT is a .NET shop. The Microsoft tech stack helped drive that decision." In addition to SharePoint and Dynamics GP, the Xiotech CRM system also makes use of SQL Server, Biztalk, Office, SQL Server reporting services, and Workflow foundation.

"The xRM framework has allowed Xiotech's Microsoft Dynamics CRM system to "become ERP-lite."

"It's become a necessary part of the company."

—Mike Schultz, CRM Program Manager and IT Architect, Xiotech

Also driving the business value of the xRM framework was its ability to support the dynamically changing business of Xiotech. "Our service application is a very organic application," Schultz explained. "It grows and changes with the business."

The use of the xRM framework has allowed Xiotech to use Microsoft Dynamics CRM to leverage the basic data model and entities and then extend the functionality in order to support the integration of contract and warranty data from Dynamics GP, as well as support a return merchandise authorization function that is "owned" by Dynamics GP.

This sets the stage for further process improvements down the road. "We do the quoting in CRM, order and invoices in GP today," says Schultz. "We will move to create the quote and order in CRM, and let the order be finished in GP. The invoice will then go back to CRM.

The bottom line for Xiotech is that the xRM framework has allowed its Microsoft Dynamics CRM system to "become ERP-lite," says Schultz. "It's become a necessary part of the company. What was perfect six months ago may not be now, and the tool lets us change it to make it perfect."

Extending CRM to Support a Complex Non-Profit Business Model

SPIE is a non-profit based in Bellingham, WA, focused on exchanging, collecting, and disseminating knowledge about optics, photonics, and imaging. The use of the xRM framework also started with a legacy replacement project: The organization's almost ten-year old system for managing its diverse activities – organizing events, publishing research, managing and delivering courses, and supporting a 20,000-strong user base that it hoped would grow to 90,000 – was coming to the end of its lifecycle.

While SPIE knew that CRM could function as the core application for much of its needs, the complexities of managing the submission of almost 20,000 technical papers, an annual cycle of conferences and other events, each of which can include 900 talks delivered over five days, and the delivery of over one thousand courses a year

required something beyond what typical CRM software could offer, according to Scott Richey, the director of Information Technology at SPIE.

"We needed to redevelop what is at the heart of our business," said Richey. "That is where the xRM framework came in."

One of the key design goals for all the functionality required by SPIE was a system that would support a strong culture of service and support to members, researchers, submitters of manuscripts, and any of the other various stakeholders who make use of SPIE's services. "Getting to a place where tens of thousands of people can submit their manuscripts or thousands of people can be involved in an event without leaving anyone unhappy requires a very well-designed system," said Richey. "The expectation culturally at SPIE is that we always present a human face."

> "You immediately have a framework for security, user interface, integration, an API that you call to interact with the objects. It's an infrastructure layer that is quite mature,"
>
> — Scott Richey, Director of IT, SPIE

According to Richey, the xRM framework proved particularly adept at translating that cultural imperative to the complex interactions and set of stakeholders that SPIE works with on a regular basis. This meant adapting the basics of the Microsoft Dynamics CRM data model to account for the needs of four main stakeholders or assets, all of which can potentially be interacting with each other depending on the particular task at hand:

Conferences. This includes managing the flow of events, the different talks, and even the lunch and coffee breaks. "We organize some 42,000 breaks each year at our conferences," Richey points out.

Researchers. This includes managing their relationship with SPIE, their submissions, and any other activities.

Courses. SPIE offers over 1000 courses at its conferences, online, or in different locations. Enrollment, scheduling, and other activities all have to be managed in the system.

Volunteers. Each conference has a cadre of volunteers who must be recruited, assigned tasks, and otherwise managed by SPIE's staff.

Faced with this level of complexity – and these non-traditional CRM functions – the xRM framework proved to be precisely the tool for the job. "When you look at the data model we are implementing, it's substantial," said Richey. "The xRM framework has tremendous flexibility in designing new entities."

And while the xRM framework allowed an exceptional level of customization, the work was able to start at a relatively high level of abstraction, as opposed to starting "from scratch." "You immediately have a framework for security, user interface, integration, an API that you call to interact with the objects. It's an infrastructure layer that is quite mature," Richey pointed out. "That was a huge part of the attraction."

While SPIE's use of the xRM framework is on-going, the fact that the xRM framework starts with this built-in infrastructure layer assures Richey that there is a measurable ROI from its use. "I'm positive that we have gained substantial efficiencies already." Richey cites the speed with which his team can iterate through a development

cycle as "amazing," which in turn boosts his internal stakeholders' acceptance of the changes. "And it helps in terms of the customers' perceptions as well," Richey adds.

Extending CRM to the Real Estate and Auction Market

The requirements that lead to the use of Microsoft Dynamics CRM and the xRM framework at Hudson & Marshall started with the need to make existing processes – many of them paper-based – much more efficient for the 45-year old real estate auction company based in Dallas, Texas. Exceptional growth in the customer base and the number of employees also meant that it was time to look at "something to improve our efficiency," said Jeff Abernathy, COO of Hudson & Marshall.

"We were doing a lot of manual work, a lot of physical printing of contracts and then relying on the physical file from position to position through the process, " Abernathy added.

The problem for Hudson & Marshall was that it became obvious that their specialized business processes for auctions and real estate made it unlikely they could find a packaged solution to fit their needs. "We knew we couldn't buy a system that was already built. So we explored building something custom or starting with a platform."

"The xRM framework "has allowed us to be more responsive to our clients' needs. It has allowed us to offer new services to our clients and helped us compete."

— Jeff Abernathy, COO, Hudson & Marshall

When Hudson & Marshall's Microsoft partner, Pariveda Solutions, recommended that Abernathy look at Microsoft Dynamics CRM, he was skeptical. "It didn't make sense," said Abernathy. "I was worried that everyone would have to think of our business in terms of sales force automation."

What became obvious was that, by using Microsoft Dynamics CRM as a starting point, Pariveda was able to rapidly design and deliver an initial system in three months that largely replicated the old system H&M had been using, and immediately provided improved functionality. Then, with that baseline established, Pariveda was able to deliver new functionality on a regular three-week cycle. "It meant we weren't starting from ground zero, and it had the CRM capabilities we needed for our marketing as well," added Abernathy.

That rapid development process is still in place at H&M. "It's great to have a client ask us to do something for them and then be able to do it in a short amount of time," said Abernathy. "It was a great selling tool for us."

The ability to base its new system on Microsoft Dynamics CRM meant that the system had a high-degree of built-in usability, which simplified user uptake and training significantly, said Abernathy. "We've had to train on the process, not the software. It's been a beautiful thing."

The effect of using the xRM framework to create a system to make H&M's auction business more efficient has paid off well for the company in terms of the time savings to be had from automating their systems. "We feel that

these systems have given us upwards of a 35 to 45 percent increase in the number of properties that we can process and auction with existing staff," Abernathy said.

The ability to improve customer service and rapidly launch new service offerings has also had a significant payback for H&M, according to Abernathy. "It has allowed us to be more responsive to our clients' needs," said Abernathy. "It has allowed us to offer new services to our clients and helped us compete."

CONCLUSION: EXTENDING ENTERPRISE RELATIONSHIPS WITH EXTENDED CRM

The examples above show the xRM framework's ability to tackle the growing requirements of organizations to provide better levels of service to outside stakeholders by improving how key interactions are facilitated and managed. The fact that these interactions are specific to the special needs of companies or non-profits, and to their particular kinds of stakeholders and assets, makes it almost impossible to imagine how these needs could be met without a high degree of customization, that has traditionally been costly to build and costly to maintain.

The xRM framework's unique ability to support this high degree of customization by starting at a relatively high level of abstraction, and by utilizing a broad, plug-and-play set of technology assets, shows a level of value unseen in most development environments. This high value in turn helps guarantee a set of solutions that are not only well-suited to solving the problem at hand, but can do so with a low total cost of ownership and a high return on investment. The fact that Microsoft Dynamics CRM 2011 can allow a company to start by improving traditional CRM functionality and then move on to solving its specific business requirements by extending the CRM model makes a compelling argument for the unique value of Microsoft Dynamics CRM 2011.

Enterprise Applications Consulting believes that companies should consider the xRM framework as an ideal environment for ensuring that the value of the expanding relationships inside the enterprise and between enterprises is fully realized. The critical path to success will entail a careful understanding of the business processes that underlie these relationships, and the ability to translate those processes to an environment like the xRM framework, both of which are likely to require outside expertise, at least in a project's early phases.

Also required is the ability to think outside the traditional roles and responsibilities that have often been historically defined more by the limits of the available software than anything else. Companies and other entities that can use tools like the xRM framework to apply innovative thinking to an extended CRM model will find their service levels improving at rates far in excess of the cost of developing these solutions. That translates to high levels of efficiency for the enterprise, and a high return on investment. The bottom line efficiency that the xRM framework can lend to this next generation of process improvements should be attractive to any company looking to improve its effectiveness in the years to come.