How to Assess Your Company's Customer Success Maturity

Perspective by Waterstone Management Group

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A recurring revenue business model is an intrinsic component of every SaaS enterprise. Recurring revenue, as the name implies, requires that customers *continuously* derive sufficient value from your offering so that they are motivated to keep paying for it. Foundational to deriving continuous value is the requirement that customers are *successful* in using your technology offering. Companies that adopt a mindset that is centered on Customer Success—through retention, adoption, and usage—can achieve sustainable competitive advantage.

Customer Success requires companies to rethink how they engage with customers. It requires a corresponding redesign of operational processes, financial metrics, and even organizational structure. Customer Success must move beyond being positioned as a function within the organization to become an organizational mantra if recurring-revenue-based businesses are to achieve sustainable growth.

Waterstone's Customer Success Maturity Model measures four key competencies—customer lifecycle, operating model, economic model, and enablement & scale—along three maturity levels: adopting, performing, and optimizing.

Waterstone developed its Customer Success Maturity Model to aid companies in charting a course for and measuring progress towards becoming a Customer Success-centric enterprise. The model measures four key competencies—customer lifecycle, operating model, economic model, and enablement & scale—along three maturity levels: adopting, performing, and optimizing.

Each of the competencies has performance dimensions that allow an organization to assess its level of capability / maturity in the competence. The detailed model and performance definitions are provided as an appendix. Companies seeking to fortify their recurring revenue business model should evaluate their performance along each of the competencies, and use their assessment as a means of shaping and prioritizing improvement initiatives. A summary of the framework is depicted in figure 1 on the following page. It depicts the evolution of a company from engaging with its customers in a reactive "firefighting" mindset to a model that is proactive, strategic, and ultimately transformative.

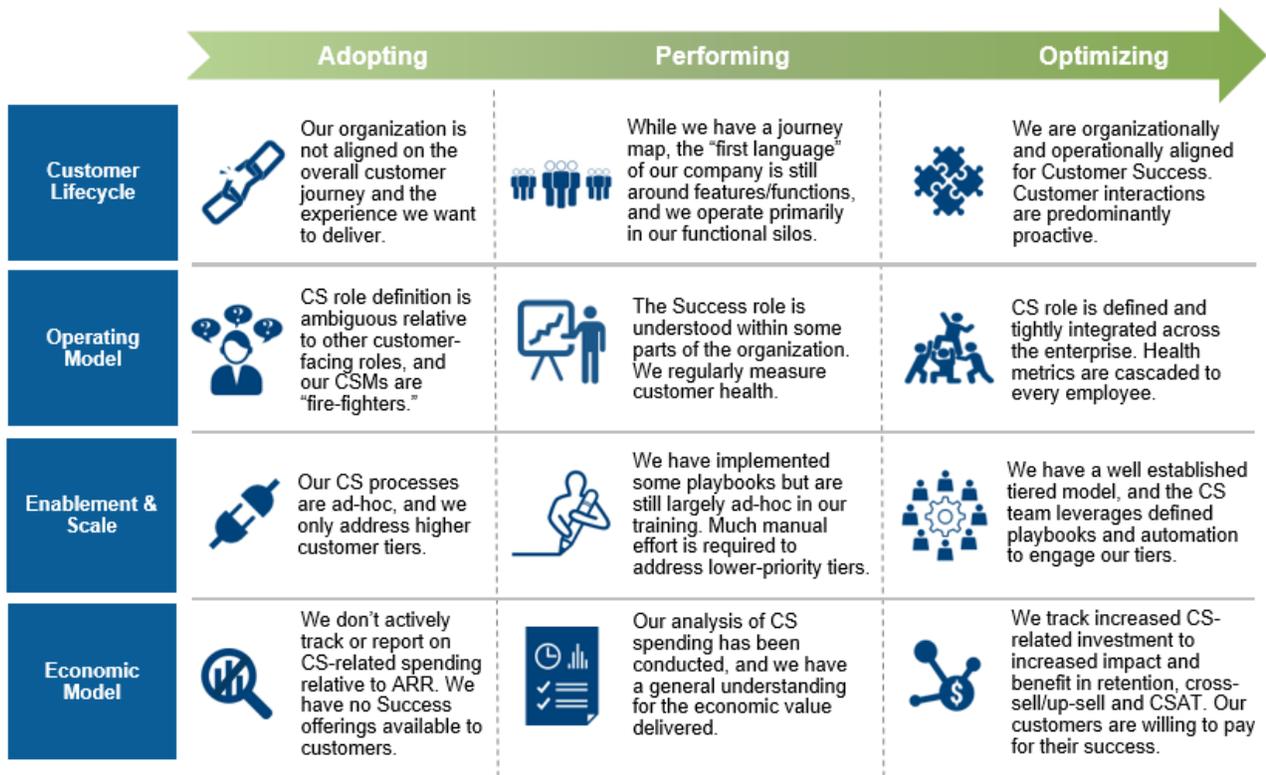|	Adopting	Performing	Optimizing
Customer Lifecycle	Our organization is not aligned on the overall customer journey and the experience we want to deliver.	While we have a journey map, the "first language" of our company is still around features/functions, and we operate primarily in our functional silos.	We are organizationally and operationally aligned for Customer Success. Customer interactions are predominantly proactive.
Operating Model	CS role definition is ambiguous relative to other customer-facing roles, and our CSMs are "fire-fighters."	The Success role is understood within some parts of the organization. We regularly measure customer health.	CS role is defined and tightly integrated across the enterprise. Health metrics are cascaded to every employee.
Enablement & Scale	Our CS processes are ad-hoc, and we only address higher customer tiers.	We have implemented some playbooks but are still largely ad-hoc in our training. Much manual effort is required to address lower-priority tiers.	We have a well established tiered model, and the CS team leverages defined playbooks and automation to engage our tiers.
Economic Model	We don't actively track or report on CS-related spending relative to ARR. We have no Success offerings available to customers.	Our analysis of CS spending has been conducted, and we have a general understanding for the economic value delivered.	We track increased CS-related investment to increased impact and benefit in retention, cross-sell/up-sell and CSAT. Our customers are willing to pay for their success.

Figure 1. Summary Customer Success Maturity Model

Competency #1: Customer Lifecycle

The customer lifecycle competency is the cornerstone of a Customer Success system. It is centered on the customer journey and the associated operational processes and organizational culture that must align to deliver a remarkable customer experience. Following are the performance dimensions that define the customer lifecycle:

- Codified customer journey

- Customer-centric culture

- Proactive vs. reactive customer engagement

Assessment of the organization's lifecycle competency begins with looking at the degree to which an enterprise has codified the journey for its key segments. High-performing organizations will actively communicate the intended journey for their customers and collaborate both internally and externally to continually evolve it. Alignment of operational processes is the next dimension to evaluate. Here, we look for an enterprise to align all of its functional and cross-functional processes with the customer experience. Optimized organizations will have no difficulty expressing how the key "moments of truth" (distinct

milestones along the customer journey where there is an opportunity to make an impression) along each step of the customer journey are reflected in how they execute a business process.

This intertwining of operational process design and customer experience extends to dominate the very DNA of optimized enterprises. This customer-centric culture pervades the behavior of high-performing organizations, allowing them to anticipate customer needs and expectations and proactively make operating model changes to deliver the customer experience in a highly effective and efficient manner.

Competency #2: Operating Model

The operating model competency is all about day-to-day delivery of a remarkable customer experience. As with all robust operating models, a Customer Success-centric design is composed of key performance dimensions that look for alignment with business measures and a data-driven mindset:

- Data-driven customer insights

- Structure and efficacy of the Customer Success role

- Customer experience aligned with financial and operational metrics

Firms that have achieved the optimized maturity level for this competency are relentless in their pursuit and application of data. In the context of Customer Success, this translates to deep, analytically-based understanding of customers' emotions and behavior patterns around acquiring and using their services. They utilize their insights to support a Customer Success team that is tightly integrated across the organization. Acting well beyond firefighting of "code red" accounts, the Customer Success group operates as a high-performing group of individuals—and positions on the team are highly sought-after. Contributions made by the Customer Success team are well understood, as there is direct linkage of customer experience and customer health metrics to the financial and operating goals for the enterprise. Moreover, every employee has some form of Customer Success measure tied to their variable compensation.

Competency #3: Economic Model

Developing and maintaining Customer Success as an explicit competency requires investment. Executives should apply financial rigor and discipline in deploying their Customer Success system, and an economic model must be in place to support this. The key performance dimensions for the economic model competency include:

- Quantitative measurement and tracking of Customer Success economic value

- Executive team / board willingness to invest in Customer Success

- Customers are willing to pay for their success

Top-performing organizations have instant access to accurate, timely reporting on the economic value being delivered from their Customer Success investment. Executives in these organizations can cite direct benefits to profitable growth that have come as a result of extending and deepening relationships with

desired customers within target segments. These organizations have evolved to the point where their customers are also enrolled in the value proposition of Customer Success; and many of these customers are willingly paying to participate in several programs.

Competency #4: Enablement & Scale

Many firms fall short of achieving an institutionalized and wide-spread Customer Success system. Enablement & scale are essential to ensuring that the growth and accomplishments realized through pilots or focused implementations can be deployed across the enterprise. Robust process definition and skilled implementation—facilitated by tools—are key enablers. The performance dimensions for this competency include:

- Process enablement: existence of a CS Ops function that uses defined playbooks and collateral to manage the customer experience

- Leveraging of tools to engage across all customer tiers / segments

- Customer Success roles are cultivated, respected, and sought-after within the company

A key consideration for this competency is that the processes and tools have characteristics of consistency and cohesiveness. While it is to be expected that Customer Success systems will typically be built out over time, a key to achieving the optimizing level is to begin with a vision and architecture for the system that will provide the requisite enablement and scale to meet the requirements of both internal constituents and customers.

Becoming a Customer Success-Centric Enterprise

Companies can use this maturity model to assess their progress towards becoming a Customer Success-centric enterprise. This assessment should inform Customer Success initiatives and can form the basis for an improvement roadmap. A corresponding set of financial and operational metrics should also be defined and established as a scorecard to measure progress. Enterprises that embrace a systematic approach to improving these capabilities can realize sustained competitive advantage through subscription revenue growth.

Waterstone Management Group is a boutique management consulting firm that helps technology companies and their investors create measurable value by identifying and capitalizing on disruptive growth opportunities and driving excellence in Services, Cloud, and Customer Success performance. To learn more about strategies for improving your organization's Customer Success maturity, please contact:

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Appendix: Detailed Customer Success Maturity Model

Competency #1: Customer Lifecycle

Performance Dimension	CUSTOMER LIFECYCLE MATURITY LEVEL		
	Adopting	**Performing**	**Optimizing**
Codified customer journey	We have crafted a high-level customer journey map and have explicit phases of journey defined. Some degree of customer segmentation may be reflected.	We have a detailed customer journey map for most or all key segments / sub-segments. Unique requirements for personas have been identified and documented. We have identified key moments of truth that we view as opportunities for competitive differentiation.	Our company views the customer journey as a compelling and real differentiator in the way the value proposition is positioned and communicated to our customers. We actively use the journey map to inform decisions on touchpoints and resulting business decisions on CSM headcount and corresponding investments.
	While the high-level journey map is known, there is limited or no linkage between the journey map and the operating processes of our business.	The relationships between our primary operational processes and key moments of truth along the customer journey are known and actively considered as part of running / improving our business.	The entire customer journey is mapped and all functional and cross-functional processes are aligned to key moments of truth. Customer experience is a primary consideration as any process redesign is undertaken.
Customer-centric culture	Our organization is primarily defined by its functional silos—with some ad-hoc examples of cross-functional teams in support of the customer experience. Most processes are reactionary (e.g., addressing code red conditions).	While there are examples of cross-functional teams and processes that are in place to support the customer experience, the "first language" of our company is still the function.	Functional boundaries are secondary to cross-disciplinary teams that are in place across the enterprise and aligned for managing and delivering the customer experience.
Proactive vs. reactive customer engagement	Our interactions with customers are primarily a response to their inquiry or request (e.g., response to purchase inquiry, upcoming subscription renewal, product / support inquiry or issue).	Our interactions with customers are a mix of proactive and reactive.	Customer interactions are overwhelmingly proactive. Pre-sales discussions lead with best practices, CSMs regularly offer tips to promote more effective usage, and Support actively monitors and performs outreach to avoid unplanned downtimes.

Competency #2: Operating Model

Performance Dimension	OPERATING MODEL MATURITY LEVEL		
	Adopting	**Performing**	**Optimizing**
Data-driven customer insights	Our company has very limited insight into customer health. Efforts to understand customer health are a result of one-off initiatives.	Customer health is measured in a defined and predictable manner.	We understand our customers' emotions and behavior patterns. What they buy, how they use it (as a stand-alone and relative to their peer group), and what value they derive.
Structure and efficacy of the Customer Success role	Role definition and staffing is ambiguous / ad-hoc relative to other customer-facing roles. Primarily aligned with firefighting issues of at-risk accounts.	The CS role is defined and understood across pockets of the organization. Cross-functional leadership understands and at times will leverage the role. Lower levels of the organization are unclear about the CS role relative to other customer-facing roles.	The CS role is defined and understood relative to other customer-facing roles and is highly integrated across the organization. These roles are considered career growth opportunities and are sought after by high-performing employees.
Customer experience aligned with financial and operational metrics	Our company has mostly ad-hoc linking of customer health metrics to corporate metrics. No or very few measures exist to track Customer Success or customer health—and they are not tied to other financial or operational measures.	Selective functions (e.g., Sales, CSM, Exec team) have cascaded customer experience metrics into their team. Ad-hoc customer health (e.g., NPS) is conducted—typically as a reaction to an issue.	Customer experience and customer health metrics are directly integrated with financial and operational metrics and are reported on quarterly. Every employee has some form of Customer Success metric cascaded to their compensation (component of bonus), and they understand how to influence it.

Competency #3: Economic Model

Performance Dimension	ECONOMIC MODEL MATURITY LEVEL		
	Adopting	**Performing**	**Optimizing**
Quantitative measurement and tracking of Customer Success economic value	Our company does not actively track or report on CS-related spending relative to annual recurring revenue (ARR).	Ad-hoc analysis of spending has been conducted, and we have a general sense for the economic value delivered.	Our company has accurate, timely tracking of how our CS-related investment is performing and delivering from an ROI perspective.
Executive team / board willingness to invest in Customer Success in support of customer lifecycle total value (CLTV)	No formal measure or tracking exists: We rely on proxies such as revenue growth to justify increases in CSM investment.	We sometimes conduct ad-hoc analysis to support CS-related investment.	We are able to show a direct linkage from increased CS-related investment to the increased impact and benefit the company is seeing in retention, cross-sell / up-sell, and CSAT. We prioritize CLTV as an explicit element of our portfolio and are modularizing our product to take advantage of our Customer Success investment as an effective "land and expand" organization.
Customers are willing to pay for their success	Our company does not currently have any Customer Success offerings available.	Our company has created a Customer Success offering, but the offering is not integrated into other offerings (premium Support, Services).	We maintain a Customer Success offerings portfolio that fully integrates into other post-sales offerings. At least half of the cost is recovered through customer funding.

Competency #4: Enablement & Scale

Performance Dimension	ENABLEMENT & SCALE MATURITY LEVEL		
	Adopting	**Performing**	**Optimizing**
Process enablement: existence of a CS Ops function that utilizes defined playbooks and collateral to manage the customer experience	We practice ad-hoc use of playbooks—mostly designed to address at-risk / code red conditions. There is no formally defined / staffed CS Ops role.	There is some consistency in application of playbooks across our company—but only for selected segments / tiers within the customer base. CS Ops role is ad-hoc / informal or only supporting selected segments.	A fully staffed and high-performing CS Ops function is in place—leveraging defined playbooks for customers across all tiers / segments along the journey (predicting engagement, upsell, at-risk, etc.). Collateral is well-defined and consistently applied (e.g., quarterly business review templates, discussion guides).
Leveraging of tools to engage across all customer tiers / segments	Our company has no tools in place—lower tiers are de-prioritized or only addressed in a reactive manner.	Lower tiers are studied, but it requires manual processes and is done infrequently in an ad-hoc manner.	Tools are in place and leveraged to allow proactive engagement across all tiers of customers in an efficient way.
Customer Success roles are cultivated, respected, and sought-after within the company	We have no formal training program in place.	Some CSM training has been developed but applied in an ad-hoc fashion with no formal badging or modules defined.	We maintain a formal CSM training program with badging and pre-defined modules based on CSM tier and seniority.