

Driving Growth through Strategic Account Management - *Using the Tools of Business Strategy to Sell and Maintain Complex Accounts*

James W. Wilson

James W. Wilson, Founder and Managing Director of Claremont Strategy Center, helps businesses grow profitably by assisting them in the design and implementation of innovative business strategies and plans.

Here's a question that keeps many corporate Executive Vice Presidents (EVP) of Sales up at night: How can we improve our effectiveness with large, complex accounts?

The targets are huge, i.e., the Fortune 200 and Global 500 companies that account for a substantial share of total market potential. Most product and service vendors of any size count these very large accounts as customers or prospects and address the market segment as national, major, or enterprise accounts. Unfortunately for most vendors, the difficulties of doing business with these accounts largely offset the rewards.

Complex accounts present a litany of headaches as they:

- tend to be geographically dispersed
- have multiple-decision makers
- have complicated decision processes
- require pricing concessions owing to volume
- demand high levels of operational and customer service

Sales organizations face severe challenges in attempting to sell and manage complex accounts. Many firms have established a separate sales force to manage selected large accounts and have left the general field sales force in place to cover smaller accounts on a geographic basis. While this approach helps to focus sales representatives on the appropriate activities for their assigned accounts, it adds a layer of cost and still leaves open the question of how the major account representatives can be most effective. For example, in the typical situation, geographically-based representatives who call on local facilities and business units of major accounts have compensation heavily weighted to near-term revenue generation and have little visibility into account activities and relationships outside of their home territories. This can be very frustrating for the major account representative who is trying to orchestrate a team approach to a complex account. But despite these difficulties, which may drive account profitability into negative territory, many product and service vendors continue to play the game. The prestige, experience and volume to be gained by serving the world's leading companies are just too tempting to pass up.

So how can companies be more effective in selling and maintaining complex accounts? This article offers an approach to deriving more value from relationships with a firm's largest and most complex accounts that leverages the tools and thought-processes of business strategists.

Much has been written on the subject of complex accounts with Robert Miller and Stephen Heiman's Strategic Selling probably the most widely-recognized approach. Despite its success and popularity, the approach known as "strategic selling" is necessary but not sufficient for exceptional performance in complex accounts. The opportunity is to infuse strategy into the *content* of the account relationship as well as the *process* of the sale. And while making no claim to have found the magic bullet sales process for complex accounts, it is suggested here that many of the approaches and tools of the business strategist can be successfully re-

Driving Growth through Strategic Account Management - *Using the Tools of Business Strategy to Sell and Maintain Complex Accounts*

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

purposed to make strategic selling truly strategic.

The Role of Strategy in Sales

In the business literature, the terms “strategy” and “sales” often appear as part of the same concept. In Miller & Heiman’s strategic selling approach, which has been used successfully to train thousands of sales reps and sales managers, strategy is about a long-term, customer-centered view of success as opposed to an over-emphasis on near-term tactics which can set up a win-lose situation for seller and buyer. “Strategic selling” provides a disciplined approach to defining account objectives, understanding current positioning in the account, then undertaking a series of analytical steps to create an action plan for improving the account position. Much of the content focuses on battle-tested methods to identify and properly address the various influencers and decision makers in large, complex accounts. The primary analogy is a military campaign that requires elaborate planning and implementation to achieve success. To summarize, strategic selling as defined by Miller-Heiman is primarily a strategic approach to the sales process.

Others who have addressed sales for complex accounts take a more advanced view of strategy. In their book Rethinking the Sales Force, Neil Rackham and John Devincintis offer a redefinition of selling aimed at creating and capturing customer value. The authors present a segmentation model for complex accounts which differentiates “strategic value customers” as a target of opportunity. As the authors define it:

“Strategic value customers demand an extraordinary level of value creation. They want more than the supplier’s products or its advice. They also want to deeply leverage the supplier’s core competencies. They are prepared to make radical changes in their own organization and its strategies to get the best from their relationship with their chosen strategic supplier. It’s a relationship between business equals who are working together to create an extraordinary level of new value that neither could create alone.”

This begins to sound a lot more interesting from the standpoint of strategy. What could be more “strategic” in a sales process than collaborating with a customer to combine capabilities to create new kinds of values for their customers? And what does one call a sales process that is designed to create these kinds of relationships and deliver these kinds of values? It certainly does not sound like “strategic selling”. We’re no longer talking about being strategic in the way you sell. Rather, this is about being strategic in the way you envision and create a customer relationship.

Defining Strategic Account Management

Strategic Account Management is defined here as the process of creating and implementing relationships

Driving Growth through Strategic Account Management - *Using the Tools of Business Strategy to Sell and Maintain Complex Accounts*

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

with selected customers based on a shared understanding of each customer's business strategy. Complex accounts can be "strategic" from two points of view. First, they are strategically important to the vendor if they define leading-edge values to be delivered. And second, the values delivered may be "strategic" to the customer in the sense described by Rackham and Devincentis, that is, they enable the customer to redefine the values delivered to their *own* customers.

Strategic Account Management begins with understanding the customer's *business* goals -- from the CEO's perspective -- then follows the translation of these goals into specific strategic initiatives and processes which then become the vendor's targets of opportunity. The more closely the vendor can tie its solution to an element of the customer's strategic architecture, the more important the potential bond between seller and customer. Consider the following example:

Infrastructure Software, Inc. had developed a portfolio of software solutions that enabled businesses to rapidly and cost-effectively develop and deploy Internet-based businesses and web-enabled business processes. The value added from these solutions was based largely on the volume of transactions or the number of users that would eventually use the applications – in other words, the name of the sales and marketing game was to penetrate massive applications in very large accounts. The targets of opportunity of course were truly complex accounts: geographically dispersed, multiple decision makers, complex decision processes.

From their early experience with the product line, executives at Infrastructure had learned that their products had strategic value to customers. Many of their large customers had made strategic commitments, either publicly or privately, to utilize new technologies to streamline business processes and to support new access channels for *their* customers. Accordingly, time was of the essence in designing and deploying these new applications, and Infrastructure Software was one of the vendors who could help accelerate the process. In designing the sales process, Infrastructure's sales executives focused on the key strategic interests of their customers, e.g., the business results customers were trying to achieve, the strategic initiatives that were most critical to their success, and the competency gaps they were trying to fill. Once Infrastructure's sales team understood the prospect's strategic interests and priorities, they went to work to identify the opportunities for which their products and their support services had the most dramatic impact on one or more of the customer's strategic initiatives.

Driving Growth through Strategic Account Management - *Using the Tools of Business Strategy to Sell and Maintain Complex Accounts*

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

When Infrastructure's sales team presented these opportunities back to customers, they did so in a way that clearly demonstrated the connection between Infrastructure's solutions and capabilities and the customer's probability of success in mission-critical applications. In many cases, Infrastructure's competency in the design, integration and implementation of large-scale applications changed the way that Infrastructure's customers conceptualized their approach and the values they were offering to *their* customers.

As the example suggests, Infrastructure was able to implement this approach with numerous clients over a period of time. In fact, the company developed a repeatable process for connecting their products, services and competencies with a set of complex target accounts. In the following sections we identify some of the key principles and practices that enable companies to use the tools of business strategy in their sales and account management processes as well as some implications for firms who desire to use this approach.

Making Sales Truly Strategic: Elements of the Approach

Getting started with strategic account management involves a blending of methods and tools from the world of major account sales with tools of business strategy. This can be a challenge since people skilled in strategy don't always have a well-defined location in the organization. Also, strategists often fail to survive downsizing efforts in hard times. Even when they're on-board, the strategy staff is unlikely to have sufficient critical mass to support an operational process like sales. So for most organizations, finding strategy talent and melding it into a sales process is a key challenge. However, as we will see, the payoff for bringing a strategic perspective to bear on sales opportunities is huge. Following are some elements of the approach to strategic accounts that will challenge most sales organizations.

Gaining an Understanding of the Customer's Business Strategy: An important step in developing a strategic approach to complex accounts is to understand each account's business strategy. Only by breaking down the elements of the customer's strategic architecture can the vendor identify opportunities where its solutions and competencies can help the customer advance most rapidly toward strategic objectives. In the best case, this will include an identification of specific capability gaps recognized by the customer or strategic initiatives and milestones that the customer has targeted.

This is a difficult task because companies rarely publish their business strategies and because putting together the pieces from the outside is just plain hard analytical work. The good news is that business analysts and strategists who are experienced in preparing competitor profiles should be aware of where to find source materials that will help. In addition, the only real requirement is a good framework and a good start. Once the customer understands the vendor's interest in having access to this information and non-disclosure agreements are in place, the vendor most likely will be able to see documents and conduct interviews as

Driving Growth through Strategic Account Management - *Using the Tools of Business Strategy to Sell and Maintain Complex Accounts*

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

needed to complete the picture.

Developing Points of View about the Customer's Industry and Business Issues: Vendors need to provide customers with good reasons to consider using their solutions and technologies and to jointly pursue initiatives that will add strategic value. Customer executives want to understand the vendor's vision of the future and how it matches up to their own vision. Companies who can provide a compelling discussion about how their solutions fit into an evolving future scenario stand a good chance of being asked to partner with customers to co-create that vision of the future. Returning to our earlier example, Infrastructure Software, Inc. was able to engage customers with well-reasoned points of view about the business values that are created when their Internet infrastructure solutions are fully implemented.

Developing and leading discussions that can sufficiently engage customer executives to re-think the future requires a combination of industry knowledge, product expertise, strategic thinking and creativity. Internal sources for this kind of help would typically be managers involved in business development or in business or marketing planning. External strategy consultants with proper expertise can help develop and articulate breakthrough ideas that are outside the box of current thinking. Again, the framework for the discussion is the first critical step, as the content will evolve through discussion internally and with customers.

Facilitating Executive-to-Executive Relationships and Commitments: A customer organization's choice to enter a relationship that will bring strategic value is an executive-level decision almost by definition. This means that customer executives will be decision-makers and that the vendor executives who match up will need to be closely involved in the selling process. Obviously, vendor executives need to be on board with the points of view as described above; ideally they will co-create these perspectives and help lead the discussion.

Major account reps have experience in the processes and tactics required to bring key executives to the table. What's different is that the conversation is not just about products and services to be delivered. It's about developing a relationship that involves a new kind of promise to the customer. Only an executive with a broad understanding of not only the organization's capabilities but also the existing commitments of resources supporting those capabilities can responsibly offer this kind of help.

Exploring the Potential for Sharing Various Aspects of Organizational Competency: For vendors to gain insight into how their strategic capabilities could complement the capabilities of their customers, they must spend time walking in their customers' shoes. The starting point for this discussion is a sharing of business strategies on both sides of the table and then continuing with an exploration of how the customer is approaching key objectives and initiatives. This requires a level of communication that goes far beyond the typical sales conversation.

Driving Growth through Strategic Account Management - *Using the Tools of Business Strategy to Sell and Maintain Complex Accounts*

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

Proven methods involve “day in the life” working sessions that explore the customer’s experience in trying to deliver more value to their own customers in product development, customer service, logistics, and other touch points. Francis Guillard and Frederick Sturdevant bring this approach to life in their best-selling HBR article “Spend a Day in the Life of Your Customer”. The magic happens when individuals from the vendor organization hear first-hand the situation and aspirations of the customer as well as the frustrations inherent in the current approach. A free exchange of ideas based on these kinds of deep insights will frequently lead to fruitful themes for collaboration. Again, many of these methods are familiar to business and market strategists with experience in qualitative techniques for developing breakthrough customer insights.

Implications for the Organization

The idea of targeting a segment of complex customers for delivery of strategic value broadens the context of “sales” from the sales organization to include executives responsible for strategy and business development. Designing and implementing a truly strategic account management process requires changes in selling resources, processes, territories, and performance measures and expectations. Some specific implications include:

Access to Business Strategy Capability: Sales organizations involved in complex sales require the skills of business strategists to be successful. Many organizations are thin in experienced business strategy development talent and will have to make qualified strategists available either from internal or external sources.

Structuring the Strategic Account Sales Process for Success: For many companies, the structure of sales territories, compensation plans, knowledge sharing, and sales process stage-gate definitions are not suited for selling strategic value in complex accounts. For example, the significant up-front investment and longer sales-cycles for these kinds of accounts require that compensation be biased toward base pay rather than toward commissions based on short-term performance.

Integrating Executives into the Sales Process: There’s really no way around it. And since the time of executives is severely limited, the key to success is careful qualification and orchestration of executive-to-executive interactions so that the time is used in a productive way. Again, this has implications for the sales process for complex accounts.

Clearly Defining and Articulating Business Strategy: Sales reps and executives will need to have a clear understanding of their own company’s business strategy in order to envision realistic assistance to customers. Some companies have good strategies that are

Driving Growth through Strategic Account Management - *Using the Tools of Business Strategy to Sell and Maintain Complex Accounts*

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

not widely shared in the organization. Others lack strategies that are universally understood and supported by the management team running the business.

Joint Solution Development and Risk Sharing: When vendors make commitments to support their customers' strategic initiatives, the risk changes from the threat of a lost sale to the possibility that the customer's strategic initiative will not achieve the intended business results. In evaluating these risks the vendor must apply a new level of business analysis and judgment to the traditional sales funnel.

Involving a Broader Set of Resources in the Sales Process: The stepped-up investment in strategic accounts is in part driven by the diverse set of resources required to understand the potential fit of vendor capabilities into the customer's strategic vision. Organizations must be willing to commit internal resources from functions like engineering, research, IT, and HR that are not traditionally involved in sales. It sounds expensive and risky but it's a fact of life in the world of complex products.

Getting Started: Requirements for Sales Representatives

To support a robust, strategic approach to complex accounts, organizations need to evolve in the ways described above. But in the near term there are clear drivers of success that are largely within the control of the sales organization. Some of the requirements for success based on the experience of other companies in strategic account management are:

An Outside-In Perspective within the Sales Organization: Understanding the world from a customer point of view can be difficult for individuals who are highly skilled at finding ways to position pre-existing solutions by screening customers for certain kinds of needs. In most cases, sales organizations need to adopt tools from business or market strategy development in order to develop the deep customer insights that lead to totally new kinds of solutions.

Sales Reps Who Understand Business Strategy: Sales representatives need to understand the strategic competencies of their own organizations, not just the products and services. In order for this to happen, there must be a deliberate process to gain consensus on what those competencies are and to develop communications around them to support development of account relationships based on sharing those competencies.

Sales Reps Conversant in Customer Business Issues: Sales representatives need to be

Driving Growth through Strategic Account Management - *Using the Tools of Business Strategy to Sell and Maintain Complex Accounts*

A JOURNAL OF STRATEGY & BUSINESS TRANSFORMATION

able to speak to the business issues of their customers, not just to product/service features and benefits and applications. This will take some effort as well, since individuals skilled in business strategy and management tend to gravitate to management and executive positions where these skills are more highly valued.

Sales Reps Conversant in Diverse Functional Topics: Sales reps need to be able to communicate with the diverse array of managers and individuals who could logically be involved in designing and delivering solutions based on organizational competencies. This means having credibility and comfort in conversing with professionals from the vendor as well as the customer organization in engineering, research and development, IT, HR, supply chain, customer service, etc.

Adopting approaches and methods from business strategy to sell and manage complex, strategic accounts isn't a simple task and will undoubtedly create a few headaches along the way. But it does have the potential to connect businesses to customers and growth opportunities in exciting new ways. If executives lose sleep over this prospect rather than fretting over the status quo, so be it.

Additional Resources - Articles

"Spend a Day in the Life of Your Customers"

Francis J. Gouillart; Frederick D. Sturdivant, Harvard Business Review, January 01, 1994

"Strategic Sales Management: A Boardroom Issue"

Adrian J. Slywotzky; Benson P. Shapiro; Stephen X. Doyle, Harvard Business Review, November 29, 1994

"Value Innovation: The Strategic Logic of High Growth", Renee A. Mauborgne; W. Chan Kim, Harvard Business Review, January 01, 1997

Books

Rethinking the Sales Force: Redefining Selling to Create and Capture Customer Value

by Neil Rackham, John R. Devincentis , 1999

Solution Selling: Creating Buyers in Difficult Selling Markets

by Michael T. Bosworth, 1994

The New Strategic Selling : The Unique Sales System Proven Successful by the World's Best Companies

by Stephen E. Heiman, Diane Sanchez, Tad Tuleja, Robert B. Miller, 1998