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Strategic Thinking for SAM Success

We invite you to read this complimentary article co-authored by **Jonathan Hughes** during his tenure with Vantage Partners. This article explores practical disciplines to ensure that SAMs, and SAM programs, retain their strategic focus and effectiveness. Now with BDO USA, Jonathan leads the firm's Management Consulting practice.

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Strategic Thinking for SAM Success

How to Put the "Strategic" Back Into Strategic Account Management

By Jonathan Hughes and David Chapnick

SAMs, because they sit at the nexus of two companies—their own and their key account—are constantly pulled in multiple, often conflicting directions. It's easy to be consumed by urgent opportunities and challenges—to the detriment of thinking and operating in a fully strategic way. So, what does it mean to put the "strategic" back into the management of our strategic accounts? In this article, we explore five practical disciplines to ensure that SAMs, and SAM programs, retain their strategic focus and effectiveness.

1. Think (further) from the outside in
2. Build strategic alignment
3. Cultivate a broad and deep network of relationships
4. Adopt a mindset of coopetition
5. Rock the boat—just don't capsize it

PRESSURES AND PITFALLS THAT CAN HAMPER THE SAM'S ABILITY TO THINK AND ACT STRATEGICALLY

The Short-Term-Thinking Trap: Strategic account management is fundamentally different from tactical, transactional sales. Nonetheless, SAMs cannot ignore the need to protect, and grow, sales from their accounts. Short-term revenue pressures (exacerbated during times of crisis) can easily undermine SAMs' ability to maintain their strategic focus. SAMs need to be ever vigilant and willing to escalate to senior management when this occurs.

The Over-Emphasis-on-Growth Trap: For many of us, uncovering a major new customer need, and shepherding the process of conversion to a major new sale, is the most exciting part of being a SAM. However, too much attention on the next big thing can lead to insufficient attention to ensuring ongoing excellence in delivery and client service—and without that foundation, our position with strategic accounts is precarious, built on sand.

The Keep-the-Customer-Happy Trap: Being a SAM means being a trusted advisor—which is the opposite of "order taking." SAMs need to bring an independent perspective to leadership at their key accounts; they need to challenge current thinking and perceived wisdom; and they need to speak truth to power. This not always easy, and not without some risk—but it is the job. Delivering a tough message or an unpopular perspective might well trigger a negative reaction in the moment. But if done with appropriate humility and with a demonstrated commitment to always do what's right for the customer, it will almost always be appreciated.

The Resting-on-Our-Laurels Trap: When our current plan has been successful and we're on cruise control, we may think both our internal and external clients are happy, and we're meeting our targets. This sort of complacency makes an account ripe for the picking by the competition, or at risk if the market changes. Sitting in place in a dynamic and ever-evolving market is not strategic.

1. Think (further) from the outside in

As SAMs, we all know the importance of building and maintaining an intimate understanding of our key accounts. But what does it look like to do that systematically, with a high degree of excellence? Below is a checklist of essential questions SAMs need to be able to answer about their customers.

1. Who are my customer's major competitors—currently, and potentially in the future?
2. How is my customer currently positioned vis-à-vis their competitors? What are their competitive advantages, and disadvantages?
3. Who are my customer's customers? How does my customer add value to their customers? How can my company help them do so more effectively?
4. What is my customer's strategy? Based on answers to the above questions, how can my company best help them advance their strategy? What threats and opportunities do I think my customer's strategy fails to fully address—and how might I advise them to do so?

One medical device company recognized that their SAMs were focusing too narrowly on the financial and clinical needs of their customers. This focus prevented them from understanding and addressing the full spectrum of key account needs; it contributed to commoditization of their products and services, and negotiations that were focused primarily on price.

In order to broaden and deepen engagement with customers, this medical device company's SAM leadership used outside-in thinking to create a more comprehensive picture of customer needs, and to expand thinking about how their company, and their SAMs, could deliver greater value to customers. They codified the approach in a framework (depicted in Figure 1) they called FOCIS.

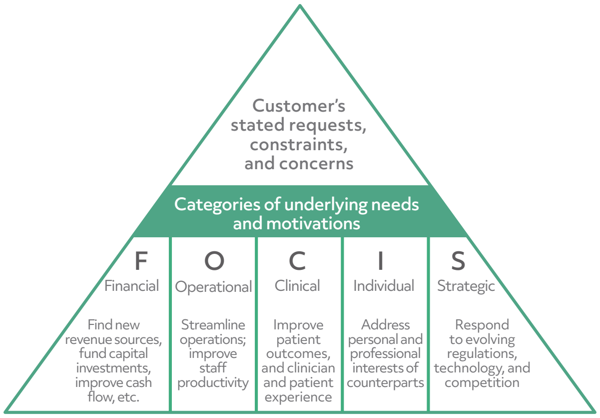

Figure 1. FOCIS framework

FOCIS ensured that SAMs knew their accounts inside and out and served as a means to prepare for and conduct discovery conversations and joint account reviews. Within months of roll out and training on FOCIS, every SAM had defined enhanced joint business plans with all of their key accounts. By adopting this framework—and relying on skilled SAMs to apply it to diverse account circumstances—the company was able to quickly and significantly accelerate revenue growth.

2. Build strategic alignment

By building a deep understanding of our customer's business and their strategy, we create a foundation on which to build meaningful and durable alignment between our strategy and theirs. This in turn enables us to maximize the value we deliver to our customers, which is the key objective of strategic account management, and at the heart of any successful business.

By building strategic alignment with key customers, SAMs position their company to be engaged in genuine solution-selling, to identify challenges and opportunities for a customer even before that customer fully recognizes them, and to develop and deliver unique solutions. SAMs need to spend time identifying what businesses a strategic account plans to enter or exit (to invest in or sunset) over coming years, then bring that information to their own executive management as a critical input to their own company's strategic plans and investments. Similarly, SAMs need to be at the center of determining how best to align their own company's R&D priorities and product development roadmaps with those of their strategic customers.

Returning to the example of the medical device company, understanding trends across the customer's marketplace enabled SAMs to help their customers by:

- Improving their patient flow and office processes
- Providing industry data about the most beneficial treatment options, and the most profitable product assortments
- Enabling their customers to achieve market growth targets and acquisition of new patients through customized marketing and promotion dollars
- Helping to ensure that their clinicians were up to speed on the latest techniques and practices, through in-office and regional training
- Offering strategic insights into the future evolution of the healthcare and medical device market—for example, offering customers access to the device maker's labs, scientists and technical roadmaps

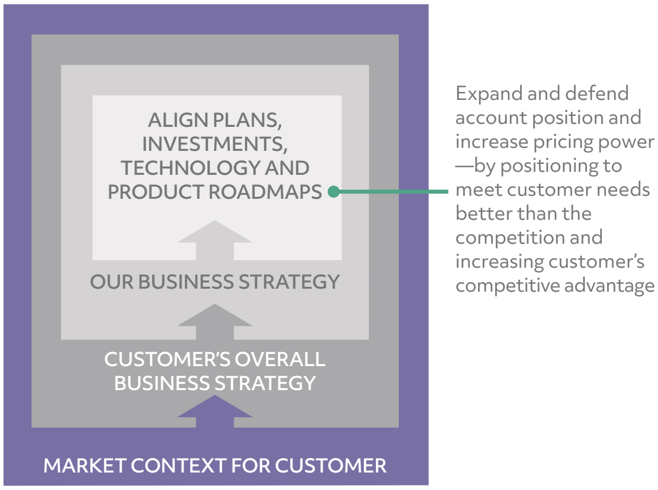

Figure 2.

This deeper understanding allowed the company's SAMs to deliver differentiated solutions, unique insights and unmatched value; it ensured that their customers in turn could provide better care for their patients and positioned their customers as leaders in their own markets. This also created a protective moat around accounts that prevented losses in a highly competitive market due to desperate competitors "buying business" by offering cut rates and unsustainable prices. The result was increased revenue and higher profit margins—both reflecting increased customer value.

3. Cultivate a broad and deep network of relationships

The linguistic convenience of talking about a "strategic account"—singular—often leads to insufficient focus on something every SAM knows: companies are not monolithic entities. Large, and even medium-sized companies, typically comprise multiple business units and/or geographic operating regions, as well as multiple production sites. And both large and small companies have multiple and largely independent functional groups or centers of excellence (COEs)—R&D, Finance, Marketing, Supply Chain, etc.

Depending on the company, such groups operate with different degrees of autonomy, and their needs and objectives are very different—even if they (hopefully) are ultimately aligned by a coherent enterprise strategy. They have their own budgets—and these business units and sites often operate on the basis of independent P&Ls.

For SAMs there are a few, critical strategic implications of the organizational structure of strategic accounts.

- First, understanding a customer's business and strategy, and building strategic alignment with them, usually needs to happen not only at an enterprise level but also one or more levels down, focused on the business units and/or business functions that a SAM's company serves.
- Second, SAMs can play a uniquely valuable role for their key accounts by helping to connect the dots on issues and opportunities that are hard for the people within those accounts to see for themselves. Division of labor and associated specialization of responsibilities and goals are necessary and inevitable inside any company—and along with this reality comes some degree of "siloization." Companies vary widely in their effectiveness managing across their own organizational boundaries, but SAMs can and should play a key role in doing so. Specifically, they should highlight common needs, opportunities and challenges across different parts of their accounts and escalate this to the right level to ensure they are addressed systemically, in a coordinated and efficient fashion.
- Third, SAMs need to recognize that the good work and value that they and their companies provide to one part of a company will not automatically, or even easily, be communicated and understood by the rest of the company. Too many of us are one key executive departure or reorganization away from losing influence and/or revenue in a strategic account. SAMs need to continually broaden and deepen their network of relationships within customer accounts and ensure awareness of the value their company has delivered and is delivering. But doing so in connection to sales activity, or even implicitly guided by a sales mentality, will undermine effectiveness. Instead, this needs to be done in connection with delivery and as part of an ongoing process of soliciting and reviewing customer feedback, with a commitment to, and guiding focus on, continuously improving value delivery.

4. Adopt a mindset of coopetition

Competition is the basis of our free-market system. It drives constant improvement in efficiency as well as breakthrough innovation which, while creating dislocation and local losses (often very painful for those directly affected), nonetheless also creates substantial long-term benefits for society overall. As SAMs, we play a key role in leading efforts by our companies to beat the competition when it comes to influence and share of wallet within strategic accounts. As noted above, we do so by working harder to understand customer needs, and by delivering better solutions and service—which in turn enable our customers to better compete with their own competitors.

At the same time, we should ensure that such inevitable and productive competitive dynamics do not blind us to opportunities to collaborate with our competitors when doing so might enable us to jointly deliver more value to a common account. The term coopetition is often used to describe dynamics whereby two companies not only compete, they also cooperate or collaborate. Typical salespeople are focused on "the deal"—and thus on beating out the competition. But SAMs need to take a broader and longer-term view, while also guarding against naïveté about competition for account share of wallet and influence in the account.

If we're not disruptive, we're not leading. And if we're not leading, then we're following. And if we're following, we're not strategic.

Consider the example of Equifax and FICO. They are close partners, and simultaneously compete at multiple different levels. FICO and Equifax will often bid against each other with competing solutions one day, but partner on a joint solution (combining respective data, analytics, and technology) the next day. As Equifax United States Information Solutions (USIS) Chief Revenue Officer Joy Wilder Lybeer says, "Our North Star is always 'What's best for the customer and the shareholder?'—and that requires strong coopetition capabilities."

5. Rock the boat—just don't capsize it

What company is not confronting disruptive competition (hello Amazon!) or rightly concerned that it is right around the corner? As SAMs, if we are to be strategic advisors and partners to the accounts we serve, we need to help them identify and respond to such threats. Here is a simple but acid test: Are you a truly disruptive force within your strategic accounts? If not, then you are almost certainly not helping them respond to the disruptive competitive threats they face, much less helping them become a disruptive competitive threat to others. As SAMs, if we're not disruptive, we're not leading. If we're not leading, then we're following. And if we're following, we're not strategic.

Of course, this is not without some risk. But the risk of being a disruptive force within a strategic account is far lower than the risk of not being a disruptive force. Moreover, most of that risk can be mitigated by how this is done. The key is to combine assertiveness with humility and respect. SAMs need to develop, and be willing to share, an informed view of the marketplace that their account operates in—now and in the next two, three, five, seven years and beyond. They need the confidence to assert their own perspective, and the humility to acknowledge that there are things the customer knows better than they

WHAT CAN GO WRONG WHEN WE DON'T ROCK THE BOAT?

Recently, a global equipment manufacturer's five-year contract (worth tens of millions of dollars per year) with a large pharmaceutical customer was approaching renewal. The customer was fairly satisfied with the pricing, service and value they were receiving. Moreover, they believed there was probably no other global supplier who could meet all their needs, and even if there were, the disruption of switching would be prohibitive—beliefs which, in various ways, had been communicated to their equipment supplier.

Meanwhile, the pharmaceutical company embarked on a major R&D transformation and appointed a new category manager responsible for the products and services provided by the equipment supplier. The new category manager was smart and ambitious, and she saw an opportunity to make her mark. Given the large spend with the incumbent supplier and a changed context (where the drive for long-term innovation increased willingness to incur short-term dislocation), she embarked on an intensive effort to explore marketplace alternatives, consulting with internal stakeholders and end-users to build support for a switch of suppliers.

Six months later, the customer did in fact decide to switch to a new supplier. How could such a long-standing relationship unravel so swiftly? Focused on day-to-day delivery, the equipment supplier's SAM and his team paid insufficient attention to the customer's changing business context and missed the opportunity to play an active role helping the customer chart their future direction.

do. As SAMs, we also need to remember (easy to forget when we're deeply embedded in a strategic account) that the customer is running their business, not us. Our job is to help them make good decisions, seize opportunities and avoid risks, but as SAMs, we are trusted advisors and partners; we don't own the decisions, and we don't live with the full set of consequences the way our customers do.

That's a recipe for a productive partnership: the recognition that there are things you know that I don't, things I know that you don't, and things neither of us know—which we need to explore together. We all know we're not omniscient. Unfortunately, many of us, at least occasionally, act as if we were. Divergence of viewpoints, disagreement, even conflict—that's the zone where real learning and innovation occurs, as long as we skillfully navigate that tricky terrain together.

Conclusion: Balance Strategic Discipline with Opportunism

At the heart of strategy is the discipline to continually look to the future, to act now to prevent or prepare for future challenges and to position for future opportunities. But strategies, once defined, naturally exert a strong inertial force. The best strategists remain on guard against this risk, acutely alert to changing circumstances. They are willing to quickly pivot and revise strategies as needed—while avoiding the pitfall of simply reacting to immediate challenges or opportunities without consideration of long-term consequences.

The sales function is always challenged by the temptation to focus only on quarterly and annual revenue. SAMs are a bulwark against this tendency. In turbulent times, it's increasingly difficult, and all the more important, for SAMs to retain their strategic focus.

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