Strategic Account Management: Move Upstream to Eliminate Competition

In order to make strategic account management strategies work, organizations need three things: a new breed of salesperson, a highly skilled account team, and organizationwide commitment to the strategy. In this reprise of previous research, The Forum Corporation provides fresh insight into the challenges and best practices of Strategic Account Management today.

Strategic Account Management (SAM) is more than a set of skills or tools or even a process for strategic selling. It is a companywide strategy to grow the business, based on developing strong partnerships with carefully selected clients. SAM yields a high payoff when pursued aggressively and effectively. The SAM strategy, however, is not for every company. Indeed, some companies that have implemented SAM have been disappointed with their results. As the saying goes, “If it were easy to do, everybody would be doing it.” When successfully executed, however, SAM strategies raise significant barriers to competition and realize dramatic gains in financial performance.

Cash Is King: The Value of a SAM Sales Strategy

Tremendous market uncertainty, coupled with heightened scrutiny on financial results, often leads to intense pressure to reduce vendor costs. This spells trouble for most vendor organizations. Buyers view vendors as largely indistinguishable from one another (contrary to the sellers’ view of themselves) and thus view them interchangeably. Price (or cash outflow) becomes the single most important selection criterion. If the seller cannot demonstrate distinctive value or an ability to help the buyer manage business risk, buyers horde their cash. Thus, suppliers’ ability to deeply understand their most important clients’ needs and risks is critical to the generation of higher-order volumes at target prices with greater predictability.

The Goal of SAM

The ultimate goal of SAM, from the supplier’s viewpoint, is to move farther “upstream” in the client organization’s own strategy and decision-making processes (see Figure 1). How far upstream the SAM team should move, or even can move, is a critical question to answer. But the benefits of moving upstream are many, including:

- Deeper insight into the risks to the client’s business and increased ability to develop solutions to manage those risks
- A reduction of competitive threats: to paraphrase Warren Buffett, SAM is a supplier’s way of building a “moat” around clients
- A reduction in the need for exhaustive analysis of decision makers, competitors, and comparison of the benefits of the supplier’s solutions
- An increase in revenue opportunities, with more deals flowing naturally out of the upstream position

Figure 1. Client Strategy and Decision Process

Supplier organizations aren’t the only ones that benefit from SAM. Clients also benefit from suppliers that understand and anticipate their needs and structure solutions that deliver targeted business results. Additionally, both the client and the supplier benefit from savings in time and effort and, ideally, more powerful and faster-acting solutions. Given these mutually beneficial outcomes, more and more clients engage with those suppliers that can add value as strategic partners. To take advantage of this trend, suppliers must rethink their whole approach to their clients and implement a complete plan to participate at the strategic account level.

About the Research

This research brief builds on Forum’s foundation of deep research on sales and management effectiveness and other industry studies. To bring fresh insights on the topic, we interviewed highly successful strategic account leaders with several years of experience managing large and complex accounts.

The strategic account leaders we interviewed are “heavyweights.” Their accounts, valued at $15 million annually, on average, are viewed as strategic since they represent the most important clients for their companies. The supplier organizations reflect a cross-section of industries, including consumer products, diversified technology, professional services, industrial equipment, pharmaceuticals, chemicals, and communications. The account leaders’ experiences include both global and domestic responsibility, public and privately held companies, and large (Fortune 50) and smaller companies.
Insights

1. SAM yields dramatic returns.

The results of successful strategic alliances can be breathtaking. 3M, for example, generated $50 million by applying SAM to seven accounts in an industry previously addressed through multiple divisions. With one account (IBM Storage), they generated over $10 million in incremental revenue as IBM expanded the business from domestic to global. While the revenue implications can be significant, it is risky to use near-term revenue as the only indicator of the value of a strategic relationship, since developing these partnerships requires time and investment. The payoffs, however, can be great—increased market share, greatly reduced competitive threats, reduced costs of sales, and development of profitable solutions—in addition to healthy revenue streams.

Some people are successful at one or the other (sales or SAM), but not both. The biggest single difference is the ability to work over long time periods.

The analogy is that SAM is in an environment more like a [sport] season. It’s really long, you have good days and bad days, and they are all in the same context. You don’t get to walk away from it. If it’s a crummy season, you don’t get to say, “I’ll stop at 70 games” and then go home.

—Strategic account leader

2. Strategic account leaders weave their products and services deeply into the client’s value stream.

The terms “alliance” and “partner” are often used loosely to describe client-supplier relationships. Our experience is that suppliers are more likely than clients to define their relationship as a partnership, and in practice their behavior often looks like conventional selling and buying. That is, the client presents an opportunity, the salesperson presents a solution, they negotiate price and terms, and, if the client agrees, then the salesperson places an order and the company delivers what was sold.

The account leaders we interviewed made it clear that building strategic alliances is radically different from conventional selling. In fact, while strategic account leaders typically have strong selling skills and have had a successful career in sales, our interviewees often said that they don’t “sell” at all, at least in the conventional sense. Rather, they view themselves as business managers who seek opportunities to link their company and their client organizations together in ways that achieve significant mutual results.
Getting Travelers Connected at Marriott

At the turn of the new millennium, Marriott, a leading worldwide hospitality company, planned to install high-speed Internet access in its full-service hotel rooms to provide greater value to its business clients. Marriott began the installation process in the U.S. with a technology vendor, of which it was part owner. The vendor’s limited European presence, however, inhibited plans for expansion.

Meanwhile, a global electronics company intended to pursue a strategic relationship with Marriott, and had the resources to serve its communications needs worldwide. Concurrently, Marriott had been working to partner with the electronics company in the travel management arena.

Each of the two companies appointed a dedicated strategic account manager to forge relationships between them. Thinking “outside the box,” the account leaders proposed a joint venture, where both companies would invest in the technology vendor. The idea worked, and it enabled Marriott to begin a global rollout of Internet access in its hotel rooms.

Among the financial benefits of this strategic partnership have been millions of dollars in increased travel business for Marriott, and millions of dollars in reduced travel costs for the electronics company. Although Internet access is the standard now in all business-oriented hotels, at the time it took the creativity of strategic account managers to see the future business opportunities and create a compelling case to act.

3. **Companies are scattered across the SAM “maturity spectrum.”**

   In spite of the potential benefits of SAM, our experience and research indicate that companies vary widely in their levels of investment and organizational commitment to a strategic account management strategy. Some companies, such as SunGard Availability Services, have invested in defining the roles and processes of SAM as well as helping salespeople develop critical SAM skills. The results have included higher-value deals, increased profitability, and greater customer satisfaction. Other companies are not as far down the path of executing a robust SAM strategy, and may gain useful advice from this report.

4. **SAM requires the intentional, long-term effort of a skilled account team and an organization that supports the team.**

   The strategic account leaders we interviewed made it clear that SAM is a team sport. The team plays a critical role not only in bringing the mix of talent needed to deliver a solution, but also in reducing risk of losing the account by building multiple relationships between companies. They take great care to select and recruit the right mix of people to serve on the account team and to keep the team tightly focused on delivering results. But they also made it clear that their teams often run into organizational obstacles that hinder their success, including weak processes for selecting accounts, lack of management support, loss of team members to other initiatives, and inconsistent incentive compensation systems. No matter how skilled or persistent the team, companies have found that their best efforts backfire without organizational alignment and support of the SAM strategy.

> Internal selling is always the biggest obstacle to success. The salesperson needs to sell the idea up, down, and sideways in the organization, and there is often skepticism and resistance at first.

—Michelle Lapierre, Marriott
5. Strategic account leaders play multiple roles.

Strategic account leaders are critical in forging the relationship between the supplier and client organizations. They view themselves as general managers of these complex business relationships, which require them to be highly proficient in playing four interrelated roles:

- **Strategic business advisor**: The most effective strategic account leaders become business advisors to their clients, which involves understanding and anticipating business needs and developing compelling solutions. Sometimes these solutions are highly customized and stretch the company’s ability to deliver, or they may even require bringing in third parties to deliver services as part of the solution. Essential to this role is being able to earn trust and confidence, particularly at the executive level, by bringing fresh insight to the client’s business issues.

- **Business manager**: The strategic account leader acts much like a division manager, often running the account like an independent business, with profit and loss responsibility, and ownership of all account goals and projects. The strategic account leader identifies opportunities, allocates resources, and tracks results as if running his or her own business—he or she also relies heavily on the resources of the larger organization to be successful.

### It’s Not Conventional Selling

The strategic account leaders we interviewed perceive their role to be different from that of conventional selling. They:

- Select client accounts based on long-term value to the organization and willingness to be a partner
- Are typically responsible for one or two accounts, over several years
- Don’t think of their role as selling; they view themselves as linchpins between two companies with complementary objectives
- Avoid competitive threats by becoming valued partners “upstream” in the client’s strategy and decision process
- Build a higher level of trust, candor, and information sharing than found in most sales relationships
- Are highly dependent on an account team, not just to deliver, but also to build relationships and generate insight
- Need skills beyond conventional selling, including business management, project management, leadership, and influence
- Require deep knowledge of the client’s organization and industry in order to serve as advisors to management
- Often have their office on a client site and serve as the central point of contact for the relationship
- Involve the client in creating a business plan and work with the client to ensure mutual success
- **Relationship architect**: Strategic account leaders build firm-to-firm relationships. While they may not have direct involvement in all the individual relationships between the firms, they develop the blueprint that guides these relationships, literally deciding who will work with whom. They then nurture and monitor these relationships, as well as build many of their own. While strategic account leaders must be particularly effective at the executive level, a theme from our interviews is that they must be able to relate to people at any level, and within any function of the client organization in a way that builds trust, confidence, and insight.

- **Team leader**: Strategic account leaders must draw together and lead cross-functional account teams that are able to anticipate and deliver solutions to meet the client’s needs, often tapping the full strength of the organization. They must often recruit and manage team members within their own organization over whom they have little or no direct authority. In this role, the leaders often spoke of the challenges of orienting and motivating new members, maintaining regular communication, and balancing time spent with the internal team versus inside the client organization.

### Core Elements of a Successful SAM Strategy

To enable a SAM strategy to work, direction and support in key areas from within the supplier organization must be present. The Four Pillars model in Figure 2 illustrates how these elements come together to support a SAM initiative.

**Figure 2. Four Pillars Model**
1. Robust account planning process and tools to support SAM

Forum’s research shows that companies often implement account planning processes with the best of intentions, but the processes fail because they evolve into meaningless paperwork drills, which account leaders naturally resist.

The strategic account leaders we interviewed frequently referred to the importance of account planning—not as a bureaucratic exercise, but as a dynamic process for driving their business. They keep the planning process as simple as possible, involve the team and the client in building the plan, and update the plan as the relationship advances and the team learns more about the client’s business.

You have to capture the customer’s thoughts and objectives over the next few years and, quite frankly, write them into the plan you present. We walked in with a six-page deck and presented our assessment of the industry, 3-year objectives, and barriers. Then we listened to their objectives. In 2 weeks we had created a contractual agreement for meeting these objectives mutually.

—Strategic account leader

2. Executive selling skills

Strategic account team leaders require special skills beyond those taught in typical sales training programs. Two core skills are systems thinking and generating insight, which they apply in building relationships, especially with senior executives.

I think that in order to deal with the complexity, successful account leaders require a mastery-level understanding of systems thinking, based on understanding the system you work in—organization, customers, industry, and the creativity to identify the big ideas within the systems.

—Strategic account leader

Among the most important client-facing skills is a strategic account leader’s ability to bring business insights to his or her senior-level clients. This ability is both analytical and interpersonal. The account leader must do extensive homework to analyze and understand the client’s business issues in depth. Through their network of relationships, strategic account leaders often have access to rich data, which they and their team “mine” to develop creative solutions. They may even sponsor a research project to better understand the account, and then brainstorm solutions with their team.

Strategic account leaders then use this information throughout the client organization to discuss the high-priority needs, to develop solutions, and to ensure there is a solid business case. Strategic account leaders present insights within an executive framework—using financial and strategic language, offering innovative ideas, characterizing risk, and above all avoiding product pitches. In this way they make the transition, in the client’s eyes, from salesperson to trusted business advisor.

Both sets of skills are critical: the business acumen needed to develop the solutions, and the interpersonal skills needed to present the ideas in a compelling way. However, a study by Forum and Wharton found that only a minority of sales executives have honed them to a high degree.³
3. **Account team leadership skills**

Strategic account leaders must also be highly effective inside their own organizations. Since the strategic account leader manages the account as if it were a business, he or she needs a solid grounding in business management skills, such as identifying opportunities, allocating resources, tracking performance, and taking action to improve the financial health of the overall account. In addition, the strategic account leader must be skilled in aligning and mobilizing the team. This means ensuring that the team includes the right mix of expertise, communicating how the team adds value for the client, setting high standards and ground rules for working together, promoting learning, rewarding high performance, and managing core processes (such as team account planning, project management, account updates and review meetings, and orientation of new members).

Forum’s research on strategy execution⁴ found three factors that distinguish between strategic initiatives that are executed with speed and success versus those that flounder: **clarity**, **unity**, and **agility**. Clarity refers to the degree to which team members understand the goal and how they contribute to achieving it; unity refers to the extent to which they are committed to a common objective; and agility is their ability to respond quickly to changes in the environment as they implement their plans. SAM leaders must be skilled in influencing all three drivers of strategic speed.

4. **Using business intelligence and analytics**

Once successful account managers and teams earn the coveted position at the client planning table, they cannot come to the party empty-handed. Executives expect all who attend their planning sessions to contribute valuable insight toward advancing the business. To prepare well for these meetings account managers increasingly rely on the cascade of data flowing into their computer systems (everything from clicks on their web site to detailed customer order information), increasingly rich industry analyst reports, and the growing amount of publicly available data immediately accessible through powerful search engines.

SAM teams mine this data to uncover emerging trends, relevant patterns, potential risks and opportunities, innovative practices, and so forth in order to help their client increase or accelerate value creation. Some suppliers provide their SAM teams with business analyst support to boost their ability to generate insight, advice, and solutions for the client.

5. **Organizational commitment and performance support**

- **Performance coaching**: Leading a strategic account team requires a complex set of skills. Strategic account leaders learn these skills through their former roles as salespeople, through formal training programs, and, in large part, through on-the-job experience. Professionals in leadership roles often take advantage of personal performance coaches to help them focus on developing and refining these skills. Forum’s research shows that performance coaching increases the speed at which salespeople apply new skills to the job, and helps them achieve results faster than those without coaches.⁵
Executive and sales manager champions: Companies that are successful in implementing SAM programs do not leave it to the account teams alone, however skilled they are, to develop strategic accounts. Rather, they adopt SAM as an intentional, long-term strategy whose success depends on the whole organization. The most common obstacles to success can only be addressed at the executive level. These include drawing resources across the company to serve a common client (even though units may have competing objectives), providing a robust process for selecting accounts (such as making sure accounts are chosen based on long-term potential as true partners, versus capitalizing on short-term revenue opportunities), adjusting incentive compensation systems to support strategic account team performance, addressing global issues in selling and servicing the account, and other issues that the team brings to the executives’ attention but cannot resolve themselves. Above all, management must serve as champions for SAM, reinforcing enthusiasm for the partnership with clients and within the organization.

Advancing Your SAM Initiative

As market uncertainty and globalization continue, the pace of competition intensifies, and expectations for organic growth from the sales organization increases, companies search for a sustainable competitive advantage. Those that learn how to execute an effective SAM strategy will gain the advantage over late adopters.

However, SAM does not happen by accident. For SAM to succeed, companies must be intentional, focused, and persistent in implementing the SAM strategy, which involves understanding and developing its key components. On the next page is a series of questions to help you identify where to focus your efforts in deploying a SAM strategy.
### Take the SAM Audit: How Effective Is Your SAM Program in These Areas?

**Rating Scale:** 1 = significant vulnerability; 5 = significant competitive advantage

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<td>Are robust account planning processes and tools in place to help teams develop and advance an account strategy?</td>
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<td>Are those account planning processes flexible and simple to use?</td>
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<td>Are strategic account leaders skilled in adding insight at the executive level?</td>
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<td>Are strategic account leaders effective in forming, developing, and leading cross-functional teams to serve client needs and uncover opportunities?</td>
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<td>Is there a technology-based system in place that is designed to help strategic account teams collaborate, plan, and share information?</td>
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<td>Do account teams take maximum advantage of that technology in managing client relationships?</td>
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<td>Do senior managers serve as SAM champions by providing resources, rewarding high performance, and removing barriers?</td>
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Endnotes

1 Lore Research, as reported by The Strategic Account Management Association, 2001.


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Forum is a global professional services firm that mobilizes people to embrace the critical strategies of their organization and accelerate results. We help senior leaders with urgent strategic agendas equip their organizations to perform, change, and grow. Our expertise is built on decades of original research; our business insight keeps companies out ahead of their markets, competitors, and customers. Harvard Business Press published Forum’s latest book Strategic Speed in 2010.

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