

Strategy Implementation Insights

Chapter 16 / Version 1.0

August 2006

OUR CLIENTS HAVE INCLUDED:

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 AT&T
 Avaya
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 Boeing
 Capgemini
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 Ciena
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ORGANIZING TO MANAGE STRATEGIC CUSTOMERS

A cost-effective focus on strategic customers can be a competitive differentiator. As global business challenges evolve, we recommend strengthening multidimensional relationships with strategic customers in order to:

- protect and increase revenue, profitability, and market-share growth;
- ensure sustainable and scalable competitive superiority; and
- optimize customer partnering.

Our recommended approach involves the following nine important and interdependent components.

1. *A Strategic Customer*
2. *A Strategic Customer Corporate Officer*
3. *A Strategic Customer Managing Director*
4. *A Strategic Customer Team*
5. *A Plan – With Quantifiable Milestones*
6. *Team Member Competency*
7. *Information and Knowledge Management*
8. *Market Linkage*
9. *Technology and Tools*



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We believe that there are four keys to success with strategic customers:

- selection of the right customers and experienced team leaders,
- annual success reviews with customers and the accountable team, geography, and product line leaders,
- competency development and compensation management aligned with customer initiatives, and
- effective worldwide information and knowledge management tools.



Effective management of strategic customers is important because:

- Customers are increasingly global, with widely dispersed decision making. They are seeking economies through relationships with a smaller group of preferred partners and vendors worldwide.
- Executives focused only on local markets, or a specific product line, often ignore global opportunities to build relationships and cross-sell.
- Weak operations, even if only in one geography or product line, can increase the risk of losing strategic customers . . . worldwide.
- Strategic customers, effectively engaged, can make a significant contribution to organic growth by serving as thought leaders and, later, as alpha and beta test sites for new products and services.

In decentralized operations, companies can encounter initial opposition to the unique strategic customer management structure and resource requirements. Business unit and geography leaders may jealously guard their relationships with their strategic customers, and feel threatened by a different process to manage relationships, staffing, and service delivery.

However, support for a systematic and focused approach to strategic customer management can be promoted by demonstrating the superior performance value to the enterprise. Other ways to gain support include:

- Ensure strategic customer teams have the respect, authority, resources, and ability to rapidly direct product development and service delivery.
- Assign strategic customer leadership roles to the most respected executives and managers in the company worldwide.
- Promote team membership as a desirable career step and reward effective performance accordingly.

1. A Strategic Customer

The CEO, directors, and senior management should routinely reevaluate the strategic customers that contribute most to the enterprise's success. While seemingly obvious, too many major multinational corporations still lack global focus on customers that present the best opportunities for long-term, sustainable growth.

It is best to begin with only a few strategic customers when testing an approach to strengthening relationships. This affords the opportunity to better understand the challenges of finding and reassigning a critical mass of experienced strategic customer leaders and team talent, establishing a plan with quantifiable milestones, and building the information and technology support infrastructure.

Healthy debates occur when considering the merits of including or excluding specific customers. For example, the largest customer in France may only be moderate in size in comparison to customers in China. The most important strategic customers for a particular product line may be small when compared to those of another product line.

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Our exemplary clients identify and nurture their strategic customers.

They recognize there are likely to be a wide variety of approaches to success that need to be tailored for each customer situation.

We encourage clients to launch an organized approach with two or three of their most important customers, define and monitor success, then launch more strategic customer teams.



Strategic customers are typically identified based on a combination of factors, including:

- current revenue, margins, and profit contributions . . . important to a country, product line, or globally;
- potential revenue, margins, and profit contributions;
- emerging market . . . “must have” customers to establish a presence in new markets;
- potential alliance partner . . . in products, geography, or growth markets;
- prestige . . . while not large in terms of revenue, the customer is respected as a leader in its field; and
- potential competitor . . . customers may also be competitors in other products or countries.

It frequently takes teams, across geography and product lines, many weeks to determine the pool of candidates and to finalize the selection of strategic customers.

Each company will weight decisions based on its unique business proposition. However, all companies will find themselves strengthened through these in-depth reviews.

2. A Strategic Customer Corporate Officer

Senior officers of the enterprise should assume leadership and oversight responsibility for one or a group of strategic customers. Their role is to serve as:

- liaison to the customer’s highest-level executives, to sell to and serve each strategic customer as a trusted colleague and alliance partner;
- advisor and mentor to strategic customer managing directors, ensuring that global milestones for competitive superiority are defined and achieved; and
- liaison to the CEO and board, for progress reporting and identifying potential new growth and revenue opportunities.

We urge caution in appointing strategic customer corporate officers. They need to be comfortable and effective in managing global customer relationships. They may need to be available 24/7.

3. A Strategic Customer Managing Director

The managing director is the most critical resource in strategic customer success. He or she assumes leadership of a worldwide team, where many team members will report directly to others in business units or critical functions, including finance, business development, product management, and customer service.

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The managing director is expected to lead by example, in terms of sales ability and strategic customer relationship management. He or she must have passion . . . about the industry and the strategic customer's role in the industry.

The managing director must have the authority to stop or refocus initiatives and allocate resources to get the right things done for the strategic customer.

The managing director's incentive pay is based on achieving or exceeding all milestones, including alliance goals.



Key competencies and skills required for the managing director include:

- understanding the strategic customer's industry, market share, competition, and global business challenges and growth strategy;
- understanding his or her company's diverse and fast-changing global capacity, products and services, and strategy; and
- understanding competitor's value proposition, sales resources and processes, product offerings and capabilities;

The managing director must be a respected and recognized leader responsible for day-to-day, global relationships with the strategic customer. The managing director:

- is accountable for the planning, delivery, and profitability of all products and services with the strategic customer worldwide, defining and achieving competitive superiority milestones;
- is recognized by the strategic customer's senior executives as a peer and colleague, and a preferred provider;
- defines and executes opportunities for strategic alliances involving the customer;
- stimulates relationships that produce R&D, and alpha and beta product development initiatives;
- collaborates with appropriate sales leadership to define team position requirements, partners in selecting individuals to serve on the team, and approves compensation, promotions, and transfers;
- manages the worldwide, multifaceted team serving the customer across geographies and product lines, ensuring consistently superior quality, profitability, effectiveness, and responsiveness;
- develops and nurtures team professionals to ensure a growing pool of talent capable of understanding, supporting, and eventually leading the worldwide effort toward strategic customer relationships and growth;
- collaborates regularly with the responsible corporate officer and the geography and product line leaders for progress reporting and identifying potential new growth and revenue opportunities; and
- contributes to the development of service and pricing strategies and product design.

4. A Strategic Customer Team

Assembling the right team to serve each strategic customer requires creativity and communication among senior executives and geography and product line leaders worldwide. Select rising-star leaders in the enterprise for team membership and ensure interdisciplinary representation across geographies, product lines, and functions.

Controlling team turnover is important in order to develop and maintain consistent relationships and a depth of strategic customer understanding. Team members should agree to serve for a minimum of three years, with a desired commitment of five years or more.

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A systematic review of strategic customers should be conducted every 12 to 18 months, to ensure that the appropriate deletions and additions are made to the list.

It is important to reassess periodically the costs of serving strategic customers and the return on investment.

ROI should be substantial. Otherwise, the choice of customers and strategies must be refocused.



5. A Plan – With Quantifiable Milestones

A dynamic strategic customer plan with quantifiable milestones can help leadership track progress and communicate with key stakeholders. The plan must have corporate-wide focus in order to align resources and priorities within the enterprise – both top-down and across silos.

Success would be measured, preferably quarterly, by quantitative and qualitative variables including:

- worldwide growth and expansion of **market share** vs. plan for each, and all, business units,
- **revenue and profit contribution** vs. plan for each business unit,
- **strategic customer satisfaction,**
- **team member satisfaction,**
- **expenses** vs. plan,
- level of business involving **strategic alliances** or resource sharing with the strategic customer,
- quality and execution of a multiyear **customer plan** developed as a collaborative effort with the strategic customer, and
- **cost of sales** vs. plan.

To ensure a comprehensive understanding of the metrics, it is important to present quantitative goals in the context of the past three to five years of actual performance and projections for the next three to five years.

Clear quantitative goals can also help support compensation frameworks that tie to the achievement of strategic initiatives.

Company-wide plans for competitive superiority need to be cascaded down to each team and team member. Team members will have specific accountabilities for meeting success milestones. Each team member will understand his or her role in achieving the quarterly quantitative and qualitative goals.

6. Team Member Competency

Strategic customer managing directors and their teams have an extraordinary challenge in keeping current and competent in at least the following areas:

- their strategic customer's industry, business, economics, competition, and strategic vision;
- their company's priorities, economics, organization, alliances, and global management process, including products, global regulatory issues, strategy, and competition;
- their company's global philosophy related to leadership and accountability for success through collaboration; and
- their existing and potential competitors.

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We urge that our clients establish customer-driven education, on the customer's site, for strategic customer team members.



The knowledge center could also assist strategic customers by conducting anonymous surveys to respond to their questions on best practices across a variety of topics – regulatory, governance, competitive environment, processes, products, or services.

The teams' managing directors, sales managers, and business unit leaders should be involved in education and professional development planning. They should collaborate to define the education media, focus, priorities, timing, and economics that will work best for each individual's development. The education plan should ensure that strategic customer team members maintain accountability and control their own development – anytime and anywhere.

Following the education and development planning work with the teams, launch pilots and experiment with distance, just-in-time learning. Professional development programs should be:

- effective, with measurable goals,
- sustainable,
- practical,
- affordable,
- competitively superior,
- designed for the extraordinary needs of strategic customer managing directors and their teams, and
- deliverable wherever team members may be deployed worldwide.

7. Information and Knowledge Management

Create a small team of individuals skilled in electronic research, intranet and web portal development, and project management to provide information reporting and knowledge management functions. This "knowledge center" enables 24/7 access to strategic customer team members and to information essential to serve the fast-changing global needs of the strategic customers.

The information and knowledge management center would have a number of responsibilities to ensure the success of the strategic customer team, including:

- gathering and reporting timely information regarding success measures and progress or problems for each strategic customer;
- ensuring the right information gets to the right strategic customer team members at the right time, supporting collaboration through information sharing, teamwork, and cross-selling across units at the lowest possible organization level;
- developing intranets, blogs, and web portals to enable communities of interest, and applying social network analysis for voice and e-mail traffic and data mapping;
- enabling controlled access by pre-approved customers into segments of the knowledge center;
- maintaining information related to strategic customer team members and candidates for leader and member roles, a personnel skills matrix of languages and other expertise, and a list of available mentors, coaches, and subject matter experts;

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We look forward to sharing our lessons learned in more detail.

We welcome your suggestions, thoughts, agreement, or disagreement. Please contact our *Insights* editor, Sharon Carrigan, at 203.801.5000, or sec@implementstrategy.com

- enabling alpha and beta pilot testing of new products and services involving strategic customers; and
- coordinating customer-focused virtual meetings where specialists review their perspectives on what is new in their field that might apply to strategic customers' competitive superiority, growth, and profitability.

8. Market Linkage

One objective with each strategic customer is to dominate the competition and achieve sustainable increases in market share and profitability. The multidisciplinary teams enable strong market linkage, to:

- understand, anticipate, and influence strategic customer needs;
- understand and anticipate competitors' efforts to meet those needs;
- ensure that product development and R&D initiatives are focused on the needs of strategic customers; and
- engage strategic customers in collaborating to develop the next generation of products or services.

9. Technology and Tools

Strategic customer teams, operating 24/7, on a worldwide basis, will depend upon seamless and fail-safe technology and communication tools. Competitive advantage can be enhanced by ensuring that value-added tools are available to support the teams' unique needs.

During the development of an organized approach to strategic client management, it is important to mitigate inadequacies in technology and tools. Legacy systems, inflexible data architecture, incompatible system platforms, or a poor communication infrastructure may need to be mitigated to enable team effectiveness and productivity.

Summary

Partnering with strategic customers makes economic sense.

- It forces the analysis and identification of the 80/20 customers – the few global customers that matter the most.
- It provides collaborative linkage with your best customers worldwide, to explore and refine new products, services, pricing, and go-to-market processes.
- It improves revenue and profitability, because, as a partner, you are not simply a vendor. Ongoing collaboration is much more effective than simply responding to Requests for Proposals.
- It creates a partnership between your senior executives and your customer's senior executives, to learn from one another. Vendors compete; partners actualize a shared vision and mutual gain.

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INSIGHTS

We publish *Strategy Implementation Insights* periodically to encourage dialogue on strategy implementation effectiveness.

We invest in developing and publishing *Insights* chapters to share the lessons we learn during consulting engagements, supplemented by our ongoing research.

Our readers are encouraged to pass this *Insights* chapter along to others, or contact us for additional copies.

Please visit our Web site at www.implementstrategy.com for other chapters of *Strategy Implementation Insights*, and the sites for our sister firms: www.bepartners.com and www.ciogroup.net.



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Our Firms

McCreight & Company, Inc. partners with clients worldwide, helping to ensure their competitive superiority, designing and guiding the implementation of sound and sustainable strategy. Our unique consulting and operating experience evolved while partnering with many of the world’s most respected leaders and most dynamic organizations. Our capabilities are further enhanced by our two sister firms – Board Effectiveness Partners and the CIO Group.

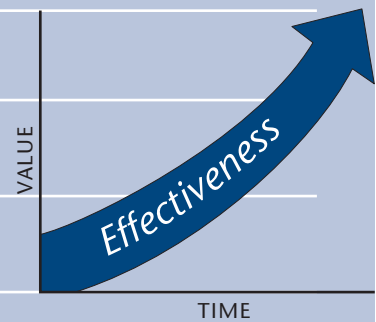
How We Add Value

Analyze and refine strategy

Define implementation initiatives with timelines and milestones

Define implementation roles, accountability, and resources

Monitor implementation progress and identify and help mitigate roadblocks



Our Goal

Our goal is to ensure strategy is sound, sustainable, scalable, and successfully implemented, on-time, on-target, and on-budget. We partner with clients in designing and implementing strategic change, including: global growth, leadership transitions, board and director effectiveness, business restructurings, new business launches, mergers, acquisitions, joint ventures, and alliance partnerships.

Industry Competencies

- Aerospace
- Foundations
- Life Sciences & Health Care
- Communications
- Information & Technology
- Media
- Defense
- Intelligence
- Professional Services

Our Chairman

JOHN MCCREIGHT has devoted over 35 years to consulting and partnering with CEOs, senior management, boards, and investors, defining and implementing large-scale strategic change. Mr. McCreight leads every engagement and is professionally involved on site.

Alliance Partners

Each strategy implementation engagement is unique in terms of our client’s needs, our response, and the consulting competencies and professionals involved. McCreight & Company nurtures relationships with over 100 alliance partners worldwide. They strengthen our capacity to ensure our clients’ success. Our alliance partners exemplify preeminence in their fields and complement our core competencies.

Research & Operations Center (ROC)

Our ROC professionals are linked globally to our clients, alliance partners, industry experts, and the academic community. We focus daily on monitoring facts, opinions, successes, disappointments, lessons learned, and emerging best practices in many areas, including board and director effectiveness, information and technology, and the issues and challenges that impact strategy development and implementation.