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Navigating The Journey Ahead



UNLOCKING NEW VALUE WITH THE “VALUE CREATION COMPASS”

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Nothing is as constant as change, and strategic account management is not exempt from constant evolution. But the last two and a half years of global pandemic and its aftermath have resulted in unprecedented, significant, and lasting change. Supply chain disruption, accelerated digitization, hybrid customer interactions, and a greater focus on economic value on both the seller and buyer sides are just a few of these developments. Strategic account managers, as guardians of high-value business relationships, have been busy reallocating resources to prove delivery reliability and true partnership in times of crisis. At the same time, many customers were forced (and also had the time) to rethink and adapt their business models and value chains in pursuit of sustainability and competitiveness in the emerging “new normal.”

With this in mind, how can strategic account managers continue to create value and growth, both for their company and for their customers? What value should be prioritized; what activities should be practiced? These are questions frequently asked today by executives looking to future-proof their sales organizations. Five

business-to-business companies joined forces in Spring 2021 to explore this shift and find answers to transform their strategic customer management practices. One result of the consortium's work is the Value Creation Compass.

The Value Creation Compass

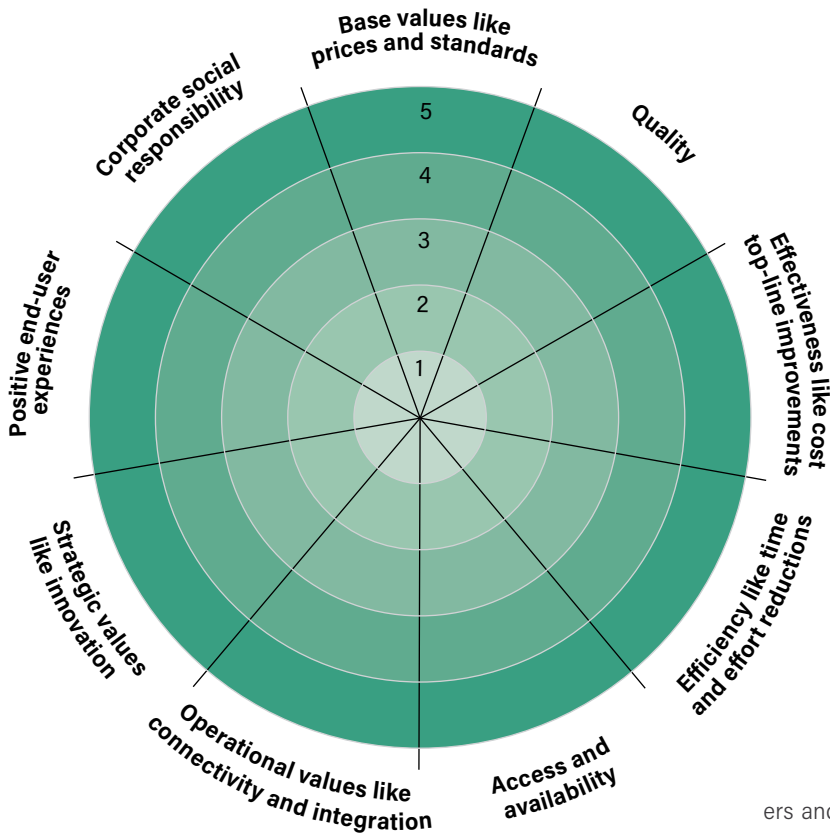
The “Transforming Sales for Value Creation” research consortium is made up of five Swiss sales organizations from the following companies: Elektro-Material (part of the Rexel Group), Lohmann & Rauscher, Mapei, Pistor, and Siga. The companies are active in production and/or sales and all offer customer solutions or product and service combinations that require intensive consulting. Participants include sales directors who lead between 30 and 250 B2B salespeople and strategic account managers.

Through workshops, case analysis, and expert panels, the consortium explored how participating companies should prepare their strategic account management practices and roles for future value creation. The group took an outside-in perspective of value creation. First, they examined potentially relevant value dimensions in business relationships. This resulted in a differentiated description of the value dimensions relevant to buying companies and their stakeholders in the decision-making process. Second, the consortium examined activities that promote the creation of such value. Looking at job titles today, many strategic account managers are “advisors” or “consultants.” But what



Value Creation Compass

Organizational Value Dimensions



does that mean from a value management perspective? What exactly should a strategic account manager do? Consortium discussions emphasized that value-creation activities go beyond the sales process and encompass the entire customer interaction. Value creation often occurs after the sale is closed, when something is developed, used, or consumed.

The result of the work of this consortium is the "Value Creation Compass," which consists of three elements. The first two elements of the compass distinguish potentially relevant value dimensions at both the organizational and individual levels. Simply put: these are the dimensions that should be explored for new value creation in each business relationship. The third element dissects the value creator's activities in a comprehensive way beyond the point of "closing the deal" in business interactions. It's a comprehensive description of the activities that have proven essential to creating new value. In this way, the Value Creation Compass serves as a pragmatic tool for businesses and strategic account managers alike to unlock new value in a consistent and repeated manner.

Organizational value dimensions

The questions "What value is important to a particular customer?" and "How can we be more business relevant and make the customer more competitive than any other supplier?" are the starting point for new value creation. The questions are simple and difficult to answer at the same time, and more than one strategic account manager skips over them — subconsciously or consciously — because they supposedly "know what the customer wants and needs." Therefore, the consortium spent a great deal of time researching and synthesizing all the potentially relevant dimensions of value, drawing on existing research and analyzing a variety of business relationships.

The example of a medical products company that produces, trades, distributes, and supplies hospitals is emblematic of the shift toward comprehensive value creation. In the past, success was based on a broad product range with high availability and corresponding logistical services to increase efficiency (e.g., digital order connection, goods inspection), naturally at prices in line with the market. This is value-adding, but not substantial and sustainable, as other companies are doing the same. Similarly, key opinion leaders are no longer the decision makers and, thus, are the sought-after contacts for strategic account managers. Today, strategic account managers are creating new value by, for example, advising multidisciplinary teams on how to optimize their resource management in specific departments such as intensive care units, and by providing digital tools to help identify and claim lost reimbursements due to errors in cost allocation at the time of patient care.

In total, nine organizational value dimensions were found to be relevant and pronounced at the same time. These include "hygiene" factors such as prices, standards, and quality. More far-reaching value dimensions relate to effectiveness (e.g., optimizing the customer's cost base or improving revenues) and efficiency with, for example, time and effort reduction on the customer side. Access and availability will continue to play a central role as there is no end in sight to supply chain disruptions due to ongoing health and political crises. In the context of digitalization and complex, intertwined production and supply processes, operational values such as connectivity and integration are gaining importance. Collaborative innovation is undoubtedly a strategic value for customers who focus on their core competencies and expect their suppliers to fill the gap. The last two dimensions of value reflect the importance placed on end-user experience, because if the customer's customers are satisfied and stay satisfied, the

business relationship benefits as well. Corporate social responsibility has been promoted through ESG, which is considered in the decision-making of buyers, end users, and investors alike.

Should strategic account managers track all dimensions of value for a given business relationship? The answer based on the work of the consortium is no, because not every dimension may be relevant to the customer or desirable from the supplier's perspective. However, the consortium's findings suggest that at least three relevant dimensions — ideally higher-level dimensions — should be identified and explored in any high-value business relationship. The higher-level value dimensions form the basis for significant relevance and competitive differentiation.

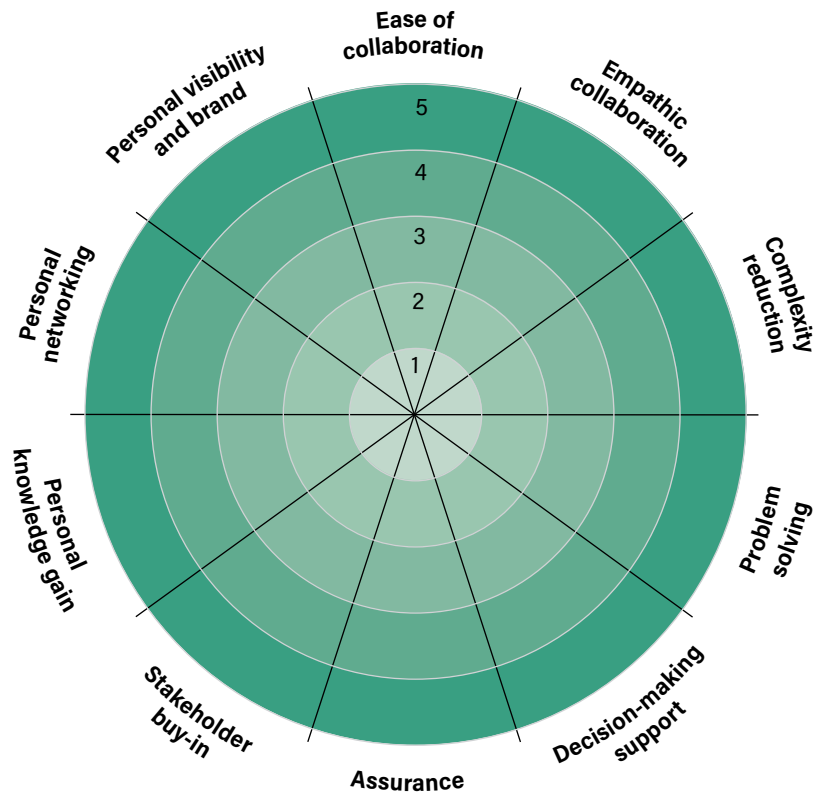
Individual value dimensions

It is widely known and accepted that people buy, not organizations. Concepts such as decision-making units and stakeholder management are applied by strategic account managers to better understand and influence decision-making and buying processes. Interestingly, the tactics derived from these are about personal relationships and relationship management. The consortium wanted to dig deeper to explore potentially relevant individual value drivers. Implicitly or explicitly, individuals ask the question, "What's in it for me?" Business relationships and consortium member cases were analyzed to understand the motivations and individual value dimensions that influence decision making. The results are both intuitive and surprising. They are surprising because strategic account managers were not aware of the many dimensions they can use in face-to-face interactions, not to charm or persuade, but to create relevant individual value in addition to business value. This applies not only to stakeholders on the buy side, but also to individuals within their own company, as the following example shows. In one company, the strategic account managers had been trying to build bridges to their research and development department for some time. They lacked priority lab resources and timely access to commercially relevant expertise. The turning point came when the chief technology officer was invited to strategic account advisory boards, which proved to be important personal networking and branding opportunities for him.

People tend to work with people they like and enjoy working with. Therefore, empathic collaboration is one of the individual value dimensions, and most strategic account managers use this dimension. Ease of collaboration, complexity reduction, and problem solving reflect today's work environment. Stakeholders

Value Creation Compass

Individual Value Dimensions



on the procurement side face increasing complexity and time pressure. Accordingly, they prefer business partners who not only help avoid or at least solve problems, but also support decision-making and provide certainty. The larger the buying organization, the more difficult it can be to build consensus and push through the desired decision. Therefore, another individual value that has emerged is helping to create acceptance among stakeholders within the buying organization. The remaining three value dimensions are personal knowledge gain, personal networking, and personal visibility and brand. Social networks such as LinkedIn are a vivid example of how people cherish their personal brand as part of their career management.

Organizational or individual value dimensions — which are more relevant? The consortium further elaborated on this question. Some members argued for a much stronger focus on individual value dimensions. Others countered that compliance regulations and rotating purchasing personnel would stand in the way of such an approach. Overall, they argued that there is greater potential for better understanding and leveraging individual value dimensions, which in turn will strengthen business relationships and outcomes.

Value Creation Compass

SAM Activities



Value exploration

- A Framing and analyzing the respective ecosystem.
- B Revealing value perceptions to build common understanding.
- C Defining relevant value at organizational and individual levels.
- D Challenging and reframing current thinking and approach.
- E Surfacing new value creation opportunities.

Value specification

- F Defining the value creation scope.
- G Developing the value proposition jointly.
- H Quantifying and pricing the value proposition.
- I Communicating and validating the value proposition.
- J Negotiating and freezing the value proposition.

Value realization

- K Identifying and connecting network-wide.
- L Creating alignment and commitment.
- M Establishing co-leadership and governance.
- N Marshalling and interfacing resources.
- O Facilitating and moderating stakeholder interactions.
- P Coaching to maximize value-in-use.
- Q Shaping positive value-in-use experiences.

Value distribution

- R Measuring and documenting value created.
- S Demonstrating and communicating value created.
- T Sharing value created fairly (perception!).
- U Celebrating value achievements together.

Value destruction (avoid!)

- V Resolving value conflicts.
- W Limiting opportunism.
- X Fostering collaborative learning.

Value creation activities

A comprehensive view of organizational and individual value dimensions is one step toward creating new value. The other relates to specific activities that strategic account managers undertake to achieve that value. Some of the companies in the consortium organize tasks along their sales funnel, which focuses on closing the deal. Others have established a more customer-centric buying journey. But even such buyer journeys often culminate around conversion, with loyalty and repeat purchases as the final loop. The consortium's work began with a blank sheet, focusing on recurring, collaborative value creation. They identified five distinct areas of activity, which are captured in the Value Creation Compass.

Value exploration is the first area of activity. As mentioned earlier, the question of "value" is central. Before bringing new value opportunities to the table, a thorough understanding of the context-specific ecosystem and value perceptions needs to be established. Often, value is not discussed in a vacuum. Existing approaches, solutions, and the logic behind them must be challenged and positively reshaped. This is an activity that goes beyond understanding an existing set of value attributes and smartly pitching them to potential buyers.

The **value specification** is the subsequent scope of activity. A mutually agreed upon framework for value creation ensures that both parties have the same goal. Strategic account managers have the internal mandate and authority to create new value, but customers must be willing to make the same level of commitment. Consortium discussions revealed that quantifying and pricing customer-specific value propositions is a task that not all strategic account managers do sufficiently well. For example, strategic account managers in one company were accustomed to including services such as electronic data interface programming in their offerings at no additional cost and focused on product-based costing.

Strategic account managers often play a central role in **value realization**. Agreeing on a common value idea is one thing; implementing it is another. Creating the necessary alignment, providing resources, and facilitating interactions with stakeholders are some of the tasks at the forefront. Because value propositions often involve customized products and services, value is often realized not in the exchange of those goods and services, but in their actual use. Strategic account managers help customers maximize value-in-use and design positive experiences.

The next two areas, **value distribution** and **value destruction**, may sound unfamiliar or even counterintuitive. If strategic account managers are charged with attracting, retaining, and growing high-value business relationships, they should strive for repeated value creation. Both parties will strive for repeated value creation together only if they perceive the business relationship to be trustworthy and fair. Therefore, the value created as a result of each value creation opportunity should be measured, documented, demonstrated, and fairly shared. In business relationships, not only is value created, but value may be withheld from a partner or value may actually be destroyed. This can happen because of value conflicts, opportunistic behavior, or simply inadequacies in value creation. Strategic account managers may not be able to resolve or de-escalate such situations on their own, but they can identify such cases and initiate remedial action.

Benefits of applying the Value Creation Compass

As the name implies, the Value Creation Compass helps navigate. Still, a case-by-case decision is required. It is not a blueprint, because there is no one perfect path to value creation in a particular business context. So, what are the ways to use it? Let us look at three examples from the consortium.

One application of the Value Creation Compass relates to existing business relationships. Drawing on the compass, several members of the consortium interviewed key stakeholders on the buy side, as well as colleagues within their own organization who are relevant to value creation. The result is a thorough outside-in and inside-out comparison of value perceptions and correspondingly important value creation activities. Similarly, nuances between the various sales, marketing, and business development roles can be uncovered. The results have been used proactively to strengthen and improve strategic business relationships. For example, a significant difference in "strategic value" was used to define an exploratory workshop to better understand the two companies' strategic thrusts, initiatives, and potential synergies.

One consortium member also applied the Value Creation Compass to potential customers that have been lost that or are on the target list without any previous collaboration. The

organizational and individual value dimensions were used in standardized interviews to uncover reasons for not buying and to better understand how competitors' value is perceived compared to the company's own value. The intent was not to gain insights to attract as many non-customers as possible, but to know where resources should and should not be invested based on whether they fit or not. Similarly, marketing gained important insights to sharpen value communications, which often face the challenge of communicating too many potential value attributes.

The third use case relates to training and development. Some consortium members use the Value Creation Compass to create a personal "moment of truth" for their strategic account managers. The intent: to clarify what the value creation mission means for future success and where one personally stands today. The first step is to create the right mindset and readiness to improve one's value creation capabilities. Other companies use the Value Creation Compass to classify sales roles and plan appropriate development measures. In many sales organizations, new, additional roles are emerging, such as customer success manager. For a seamless customer experience, and efficient and effective value-creation management, these roles need to be aligned. The Value Creation Compass can help identify who does what in business relationships and interactions.

It's high time – for value creators

Most sales leaders will claim that value creation is at the top of their agenda and that their strategic account managers are charged with creating value with customers. But for how many is value creation still a "black box," and selling value to customers rather than creating new value with customers the routine? A recent quote from a chief commercial officer is a case in point: "Customer centricity means providing customers with what they need, not what they want. This requires a thorough understanding of their value drivers. Sales does not provide these insights." Who, if not strategic account managers, should be at the forefront as value creators?

The transformation accelerated by the pandemic has changed all sales roles, and the role of the strategic account manager must also reflect and recalibrate. If not, the oft-cited article "The Death of a (B2B) Salesman" (Forrester, 2017) could be followed by "The Death of the Strategic Account Manager." The Value Creation Compass helps to establish a fair view of the current state of value creation and to unlock new value creation opportunities. ■

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