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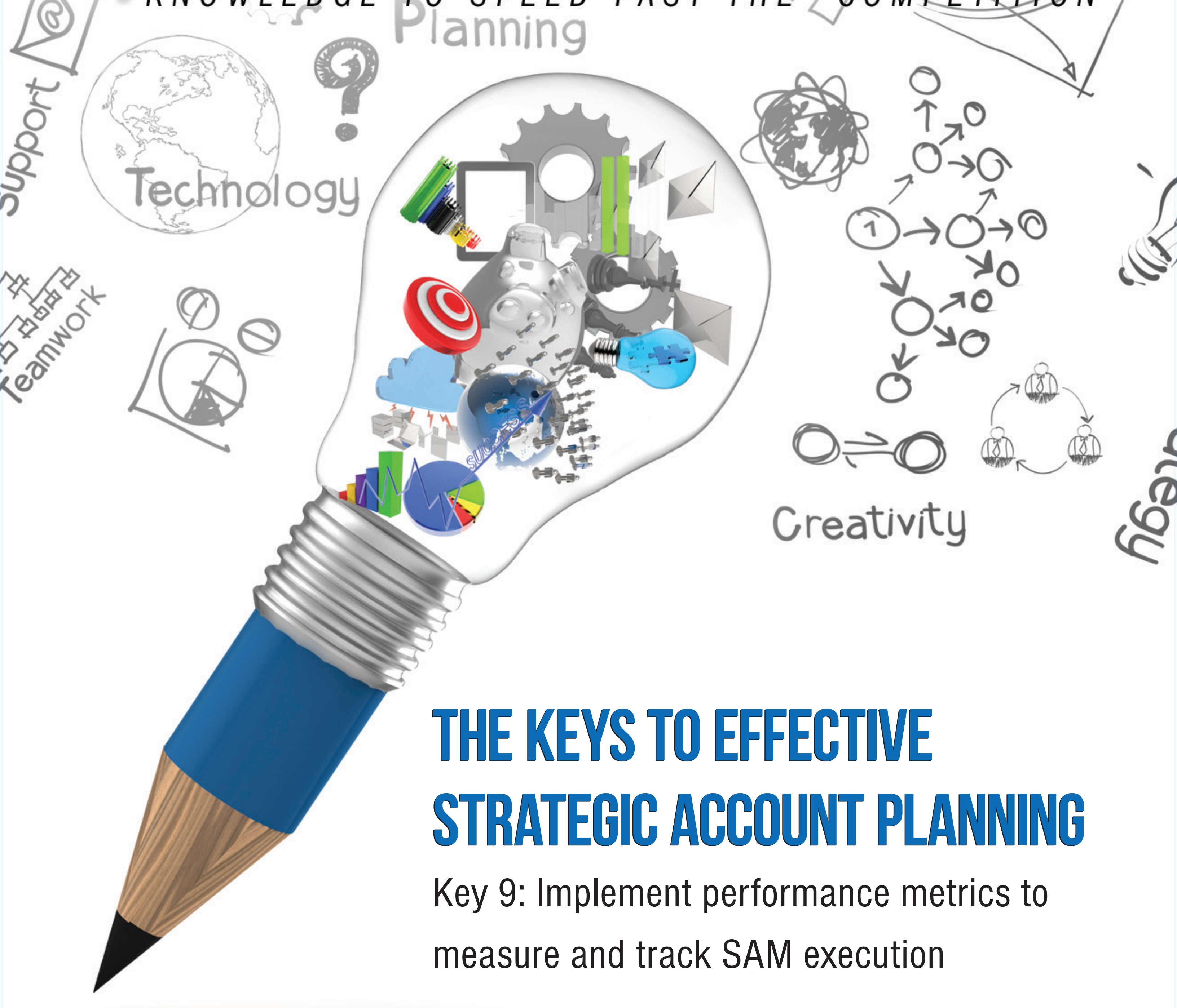

THE KEYS TO EFFECTIVE STRATEGIC ACCOUNT PLANNING

Key 9: Implement performance metrics to measure and track SAM execution

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By Steve Andersen
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"The Keys to Effective Strategic Account Planning" is a best-practice model Performance Methods Inc. has developed from our extensive client work in the strategic account management area as well as our affiliation with the Strategic Account Management Association. Chances are, if you've recently gone to a SAMA event, you may have attended a session bearing the same name. This model, based on 10 critical best-practice areas, establishes a SAM execution framework. In this article series, we "unpack" each key and provide insight into how global industry leaders achieve SAM excellence through effective implementation of best practices.

Figure 1. The keys to effective strategic account planning

1. Define "What is a strategic account?" and assess the ongoing fit.
2. Discover what the customer values most and validate it.
3. Assess and strengthen the account's most strategic relationships.
4. Position and differentiate the supplier's unique value with the customer.
5. Integrate and balance the account and opportunity planning processes.
6: Align the supplier's objectives with the customer's.
7. Develop and implement a proactive strategy to grow the account.
8. Engage the customer in the account-planning process.
9. **Implement performance metrics to measure and track SAM execution.**
10. Provide coaching and sponsorship to account teams as needed.

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Readers of this article are likely far beyond the need to hear the reasons why implementing performance metrics is a key component of effective strategic account planning. Sustainability should be a top objective of every SAM program, and without metrics to provide gauges of SAM performance and execution, there's simply no way to know whether or not there is traction, adoption and "stickiness" of account management best practices. The top SAM programs we have observed all apply metrics and measures to drive sustainability, and most of their account plans include a customized metrics scorecard that focuses on critical SAM performance "pressure points."

But when we extend the discussion of SAM performance metrics and consider what top SAM programs actually measure, and *how* they define, establish and implement performance metrics, the picture begins to blur. It's fair to say that no two organizations that we have worked with measure SAM performance the same way. Even organizations operating in the same markets and with many of the same offerings differ dramatically in the performance metrics they use.

In effective implementations of SAM performance metrics, not only are participating account team members (core and extended) going to be held accountable for how they are doing, but everyone else is going to know.

The reasons for this tend to be highly correlated with the drivers, pressures, objectives and challenges of each organization. And to some extent, metrics are somewhat "personal" to a company, reflecting the organization's culture and values. The contemporary view of SAM performance measurement has evolved to include both short- and long-term dynamics of successful account management, as well as the quantitative and qualitative dimensions of SAM effectiveness. But look closely, and you'll probably find a high degree of correlation between the successful deployment and sustainability of SAM best practices and the implementation of performance metrics to measure and track SAM execution.

In our assessment of SAM best practice execution, a review of most account plans reveals the absence of embedded SAM performance metrics. And often when a client explains that they do, in fact, measure and track performance, it is difficult for them to produce the metrics in a picture or format that is clear and understandable. Why? Because implementing SAM performance metrics is easier said than done, and even with the best of intentions, it takes an organizational commitment to get this right and maintain it over time.

But isn't the same true of implementing strategic account planning within an organization? Certainly it is, and perhaps it's the discipline and rigor required of both that leads to an organization's success at one correlating highly with success in the other.

Our observation is that if you can't make SAM performance metrics stick, you probably won't make account planning stick, either. This article will unpack a proven approach to measure SAM performance and execution, and will give examples of how some of the "best of the best" define, establish and implement performance metrics to help them sustain SAM performance, execution and effectiveness.

Measuring the right things vs. measuring things right

Few topics in the realm of strategic account planning and management evoke the emotion and fervor that SAM performance metrics and measures do, as evidenced by the number of groups in an organization that feel the need to "weigh in" on what will be measured and how. That's understandable. As SAM execution moves horizontally across the business units and departments of an organization, it's only natural that different groups with different success criteria will want to ensure that their interests are being considered when it comes to assessing the performance of their most important customers.

But when the discussion turns to the consideration of specifics – what will be measured (metric definitions), how measurement will be conducted (objective vs. subjective, quantitative vs. qualitative), where the data resides that will constitute the basis for the measurement (data integrity) and when measurement will occur (frequency) – it makes for a noisy conference room. It's normal and natural for there to be a variety of opinions on these specific areas of consideration because there are so many potential variations on each and every one of them.

Additionally, the concept of measurement implies *accountability*, which most people in and around the SAMA community expect. But there is another concept that is perhaps a bit more unsettling, and that is the concept of *visibility*. In other words, in effective implementations of SAM performance metrics, not only are participating account team members (core and extended) going to be held accountable for how they are doing, but everyone else is going to know. And to make matters more interesting, if the organization has implemented enabling technology, like customer relationship management, then these "magnifying glasses" may preserve your performance measurement in perpetuity.

When an organization sets out to define and establish SAM performance metrics, there is a window of opportunity to bring the account team together and, through collaboration and teamwork, to reach agreement on what the "right" things to measure are, as well as how to go about measuring them. As much as any non-customer-facing activity in account planning, internal alignment around performance metrics is essential to SAM success. And when it's done properly and collaboratively, fantastic synergies emerge.

DEFINING THE PERFORMANCE ZONES

Every account plan should include a customized metrics scorecard developed in accordance with corporate SAM program objectives, global SAM strategy, regional/local SAM execution and customer input regarding how to measure the relationship's effectiveness. And if this sounds like a lot to consider, that's because it is. Even when there are required corporate metrics and measures in place, there should always be an opportunity for account team members to influence the definition of their metrics, particularly when the team includes members from across the business and the globe.

Sometimes it's easier to arrive upon the right metrics when you start with the right categories. Ask 10 different people within the SAMA community how to define performance metrics, and you will probably get 10 different answers, each with its own merits. But the performance zones defined here have proven to be special to organizations that have implemented them, and this is for two reasons.

First, they are universal in terms of application. We have presented and discussed these measurement categories with clients and SAMA audiences for years now and have never had someone say that these five categories fail to cover the SAM-specific landscape of what needs to be measured. Second, the categories are clear and – for the most part – discrete, meaning that people "get" them and that the level of overlap between categories is minimal. Let's define and unpack each category, with real examples to illustrate how other organizations have used these performance zones by "baking" them into their metrics scorecards.

Zone 1: Financial performance

Financial performance metrics are among the most scrutinized in strategic account management, so we might as well begin there. But first, let's start with one significant caveat. By the time you measure the most typical types of financial performance, it's too late to do much to impact short-term performance. This means that the information that you receive from these types of metrics is more about data than about insight and actionable intelligence. This is why it can be a huge mistake to only measure the numbers related to account management. Don't believe me? Read ahead to the next four performance categories, and you will find examples in each that provide clear and compelling insights that can allow the account manager and team to make course corrections that impact the future. But enough about that…Let's focus on financial performance and suggest a few examples for you to consider.

It certainly won't come as a surprise to anyone that perhaps the most scrutinized of all financial performance metrics is *achievement of annual revenue target*. No problem! The most successful account managers know that this is coming and prepare themselves to meet and exceed their annual targets through their excellent execution of "The Keys to Effective Strategic Account Planning."

But this metric tells a very limited story. Among the financial performance metrics that we see supporting achievement of the annual revenue target, the best include:

- Account profitability/gross margin
- Market share or percent of customer spend

It's one thing to hit your top-line target, but it's quite another to do so profitably and with the margins expected by your organization. And top-line accounting only provides insight into what you are doing today. It doesn't provide many clues about what is happening overall in the account from a competitive-landscape perspective. There are certainly many other possibilities, but when it comes to *deciphering the numbers*, these are some of the most vital areas of measurement to be found in financial performance.

Zone 2: Operational performance

Let's be clear: What we're referring to here is the degree to which our operational execution meets and exceeds customer expectations and creates an environment in which they are *more than* satisfied. Even transactional vendors are able to satisfy their customers. We expect SAMs in *preferred supplier*, *planning partner* and *trusted advisor*

Growing and nurturing their network of sponsors and supporters on the customer's team is among the most critical core responsibilities of today's account managers.

relationships to aim higher than that with strategic accounts. Anything less than customer delight is likely to group you with providers that do just enough to check the customer satisfaction box. (Note: The reader may want to refer to Article 3 in this series on assessing and strengthening the account's most strategic relationships.)

Sure, we're fine with tracking customer loyalty and satisfaction scores as a first line of awareness of how the customer views SAM performance, but this data tends to be high level and not particularly actionable – unless, that is, we go deeper and probe key areas of operational performance.

Operational performance | **Delighting the customer**

Consider the following examples of metrics that provide more granular insight into what might be impacting your customer's loyalty to your organization:

- Reporting and invoicing/accurate and on time
- Projects completed/on time and on budget

Think this sounds rather basic? That's because it is. But we have heard innumerable customers say that when they can't get the reports they need from their suppliers – as well as invoices that are not just accurate but in a format that allows them to log them per their internal processes – it places stress and burden on their business. The same goes for projects that are not completed on time and on budget. Cost overruns and missed commitment dates are taken seriously by all customers. We certainly can't expect an account manager to monitor every report, every invoice and every customer project, but for large strategic accounts, there should be some sort of "early warning indicator" built into a supplier's system that sounds an internal alarm when it appears that customer expectations are not going to be met.

Keep in mind that customer "satisfaction" is considered table stakes for any strategic customer, and that top-performing account managers are aiming to *delight* their customers every chance they get. If someone can sound an early warning that problems are on the horizon, then the account manager can take steps to mitigate credibility damage in these areas. Early apologies are typically much easier to deliver than late ones.

Zone 3: Account-growth performance

One might think with confidence that if he gets the first two categories right, then the next one should be automatic. Not so. Not only is the supposition wrong, but the account manager who thinks this way could be putting himself in a dangerous position. Think of it this way: Is it possible that you can hit your numbers and please your customer but fail to grow the relationship strategically? It certainly is, and we see this frequently. Just because things are going well financially and operationally doesn't guarantee that a competitor isn't making inroads into a part of the customer's organization where you aren't doing business.

One of the most important indicators to monitor is the degree to which you are penetrating the account across the customer's subsidiaries and business units. This is the type of metric that provides insight into your potential to meet and exceed your revenue targets *in the future*. Why? Because far too many account managers find themselves in the precarious position of having too many of their revenue "eggs" in too few of the customer's "baskets."

By making it a point to continue to identify customer subsidiaries and business units that are potential sources of new opportunities, the account

Account growth performance | **Driving business growth**

manager reduces the risk of being vulnerable in the event that a division of the customer's business is sold, divested or becomes unprofitable. And it certainly helps to have more places to look for new opportunities for customer value creation and co-creation.

But beyond extending the account into new and untapped customer subsidiaries and business units, there are many other potential areas of growth performance to consider, and two that seem to be consistently deployed in high-revenue accounts are:

- Strength of opportunity pipeline
- Competitive win rate vs. competition

You certainly can't win business that hasn't been identified or developed, and so the strength of your pipeline across the customer organization can be a harbinger of hitting your numbers down the line. Further, it won't do you much good to identify and develop new opportunities if your win rate is low. Account managers that are most successful in driving business growth at their most strategic accounts are continuously looking for new areas of the customer's business to explore and are always on the alert for new opportunities and competitive strategies to win them.

Zone 4: Customer-facing performance

Peel back the onion on one of your most recent wins or losses, and it's likely that sponsorship either worked for you (if you won) or for your competitor (if you lost). We have observed time and again that when competitive opportunities are won and lost, the existence of strong sponsorship is almost always a factor. Many organizations began to pay more attention to customer-facing performance after the recent economic dip because there simply weren't enough opportunities to go around, and they felt pressure to win every time.

This area of measurement has much to do with customer relationships and value creation, arguably the two greatest predictors of long-term SAM success. Growing and nurturing their network of sponsors and supporters

on the customer's team is among the most critical core responsibilities of today's account managers, an ongoing effort that requires an investment of time and organizational/account team resources.

But the return on investment for customer-facing activities that develop relationships and create and co-create value is significant, and so more and more organizations include growing this network as part of their metrics scorecard.

Look closely at how the most successful account managers support and leverage customer sponsors and supporters, and you'll find a variety of measurables, including (but certainly not limited to):

- Customer's acknowledgement of supplier's unique value
- Customer's willingness to provide supplier references

Any supplier should be able to provide value to a strategic customer. Otherwise, there is no basis for a strategic relationship between the parties. But when the question turns to unique and differentiable value, the missing piece becomes the customer's willingness to *acknowledge and communicate this with others*. Taken a step further, when the customer shares with other organizations the unique value that the account manager, her account team and her company have provided to them, it is something quite special indeed. Behind both of these areas of measurement, you will always observe a supplier that is deploying the resources needed to grow its customer relationships and create measurable customer value.

Zone 5: Account planning performance

One of the least-measured attributes of contemporary account planning is whether or not the account manager and his team are actually engaged in account planning. We recently heard a senior executive exclaim, "We have account plans, but we don't do account planning!" This was her way of saying that the mere existence of a document called an account plan doesn't guarantee that the organization is actually executing on the plan or deploying account planning best practices, much less driving account planning collaboratively and synergistically across their business units and divisions.

The account plan is not the most important component in account planning, and we would suggest that if it is not surrounded by an account planning process, account planning best practices and account team collaboration, then it probably won't be successful. Through first-hand experience with some of the most successful implementations of account planning in practice today, we've learned that the most sustainable SAM deployments always consider effective account team collaboration through regular team meetings a critical component of their success.

Most will agree on the importance of this type of activity. We can't function as a customer-facing team if we don't behave like one, which is impossible to do if we don't have opportunities to plan and get our act together internally.

But when account planning is at its best, performance is optimized on a number of observable levels, two of which are:

- Account plan is updated and socialized with account team.
- Customer is engaged in account planning process.

When the customer begins to feel that it's getting too difficult to navigate the supplier's organization, you've already gotten yourself into a condition of misalignment. How can you prevent this from happening? How about through the account manager's ongoing efforts to keep the account plan updated, complete and in front of the account team members that the customer depends on most? Also, isn't it a bit strange that in so many account planning efforts today, the most important people aren't involved in building the plans that bear their names? When we get the customer engaged in the account planning process, we're *actually doing account planning*, rather than building documents in a vacuum. Successful account managers find ways to drive effective collaboration, both internally and externally, and their account plans are more effective because their colleagues and customers are invested in them. (Note: The reader may want to refer to Article 8 in this series on engaging the customer in the account planning process.)

Conclusions and recommendations

In the "Keys to Effective Strategic Account Planning" series, we have discussed SAM best practices ranging from strategic account fit to value discovery, and from strengthening strategic relationships to differentiation of unique value. We've discussed the importance of balancing and harmonizing short- and long-term priorities and the power of aligning objectives with the customer. We've examined the development of account growth strategies and the vast upside of engaging the customer in the account planning process.

One of the least measured attributes of contemporary account planning is whether or not the account manager and his team are actually engaged in account planning.

What do all these subjects have in common? Each provides opportunities for measurement, and all will require some level of measurement to ensure adoption and sustainability. If strategic account management and planning were easy, then everyone would be good at it. But it isn't, and they aren't. But today's most effective account managers realize that by implementing SAM performance metrics, they place themselves in exclusive company. They have entered into a covenant with their team members, their customers and also with themselves to be accountable, transparent and willing to be measured. In other words, they have agreed that they will "put themselves out there" by subjecting their SAM efforts to scrutiny and critique – a courageous move for sure.

Think all salespeople do the same? Better think again…or try looking for a metrics scorecard in an opportunity plan. Very few will have anything comparable at the opportunity level to what we've described in this article. Are the account managers who have chosen to strive for performance levels that will be gauged against defined metrics naïve? Hardly. But they have come to a realization that is pervasive throughout effective strategic account management: that the customer will ultimately determine our success, and if we can align our metrics with theirs, then the likelihood of being successful together will grow exponentially.

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About Performance Methods, Inc. Based in Atlanta, PMI provides consulting and training services to assist clients in the design, development and deployment of customer engagement best practices. PMI's unique approach provides clients with customized and integrated solutions consisting of sales processes, best practices and consultative selling skills. PMI has been selected by many of the world's leading corporations as their sales/account management best practices partner and has been widely recognized for the innovation, effectiveness and the strength of its contemporary suite of customized sales performance solutions. PMI is an active participant and sponsor in the Strategic Account Management Association (SAMA), the world's largest non-profit community of strategic account management and sales best practices, and will be featured in the ten-part article series ***The Keys to Effective Strategic Account Planning***. PMI has been cited by Effectiveness Solutions Research (ESR) for leadership in the areas of depth and breadth of the PMI sales best practices solution suite, strength of methodology, value-selling orientation, advanced selling skills, solutions effectiveness, ability to customize, change management, global implementation, sales performance and sales training measurement, return-on-training and innovation. PMI has been acknowledged by Training Industry as one of the top sales training and methodology providers for 2008, 2009, 2010, 2011, 2012, 2013 and 2014 and was featured in ***The Best Practices of High Performing Sales Teams*** article series. Training Industry recently published PMI's ***Raising the Bar for Customer Engagement*** article and recognized it as one of its top ten articles of 2014. PMI creates worldwide client value and coverage through its global partnership with Mercuri International, the world's largest sales training and development consultancy.

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