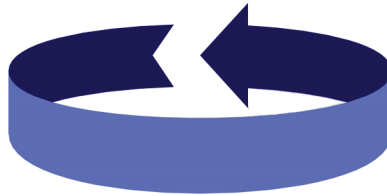

ACCLIVUS RESEARCH REPORT

Creating Value



Business-with-Business[®]

A Decade of Insight

ACCLIVUS **R3**
R³ SOLUTIONS[®]

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Creating Value: A Decade of Insight

Executive Summary

This research report is a compilation of Acclivus insights that have been validated in our work with the world's leading organizations in more than 80 countries across seven major industry groups.

Additionally, four distinct research efforts in the last decade confirmed and extended the thought leadership of Acclivus founder and chairman Randall K. Murphy. Today, his insights into building relationships and creating value are helping hundreds of companies gain a measurable advantage—even as trends in globalization and electronic commerce alter the landscape of business.



The Partners Project

The Partners Project brought together representatives from 45 leading organizations around the world. Randall Murphy introduced the Acclivus Decision Process as the basis for determining exactly *when* and *how* sales organizations could create the most significant value and develop the strongest long-term relationships with clients and customers (see pages 3-4).



Executive Focus Groups

In a series of executive focus groups, Acclivus introduced *The S3 Advantage*, an enterprise-wide approach to creating value. Executives from more than 50 organizations shared their views and experiences—confirming this approach to aligning sales, support, and service functions around a shared mission (see pages 2 and 6).



Service Research

In an intensive three-year research effort, Acclivus worked with senior managers, front-line service professionals, and their customers in more than 100 companies. This research effort pinpointed major gaps in the value currently realized by customers and identified seven critical areas of challenge and opportunity for service organizations (see page 5).



Results Measurement

A decade of success associated with the use of Acclivus principles, skills, and techniques created multiple opportunities to quantify business results. More than 200 studies directly linked the implementation of Acclivus principles to measurably improved relationships, results, and revenue. Additionally, these efforts demonstrated how a results-focused organization can strengthen executive-level relationships and influence future decisions (see page 7).

The Foundation: A Mission That Matters

Leading Indicators

What does an organization's revenue reveal? Past, present, or future success? Essentially, today's *revenue* is the product of customer *relationships* and *results* (R3). Revenue is an outcome and therefore a lagging indicator of the current health of any enterprise.

Numerous Acclivus *Studies in Performance* tell the story of how improved relationships preceded gains in volume, hit rate, and margin.

Achieving Balance

An R3 mission—in principle and in practice—requires a balanced emphasis on all three elements:

Relationships are more than rapport. Strong relationships must also include mutual trust, respect, and value extending beyond the current business transaction.

Results are more than deliverables. Optimal results must directly contribute to the success and growth of a customer's business.

Revenue is the outcome. Profitable revenue is sustained by strong relationships and optimal results.

Adopting an R3 mission provides the basis for true differentiation in a cluttered marketplace. Putting an R3 mission into action, however, takes a new kind of team.

The Necessity of S3 Teams

Sales, support, and service professionals often work in relative isolation and lack a clear and balanced R3 mission. Our focus groups of executives were asked to determine who is responsible for relationships, results, and revenue in their organizations. Their responses suggested ambiguity and lack of alignment (Figure 1).

	Relationships	Results	Revenue
Sales	often	?	always
Support	?	often	?
Service	rarely	always	?

In practice, sales, support, and service (S3) professionals—working with little or no direct supervision—hold the relationships, results, and revenue of every organization in their hands. Individually, they maintain each strand of the vast web of relationships with customers. Collectively S3 professionals influence customer loyalty, retention, and repeat business on a daily basis.

The Structure: Acclivus Decision Process

“Customers make a leap of faith—over the gap between possibility and certainty—each time they make a commitment.”

- Randall Murphy

The Acclivus Decision Process was researched and developed by Randall Murphy through direct observation of thousands of decisions. It clearly *defines* and *sequences* the stages followed by virtually all organizations when making major decisions. The process reveals not only how commitments are made, but also where S3 organizations can engage to create value.

The graphic below represents the eight stages of the Acclivus Decision Process in a linear fashion (Figure 2). There are always these eight stages, with various steps in each stage.



Figure 2

- Stage 1** In **Planning**, the organization establishes goals, translates these goals into measurable objectives, and formulates strategies.
- Stage 2** In **Recognizing**, the organization identifies obstacles and opportunities as well as needs that must be met to achieve the business goals.
- Stage 3** In **Searching**, the organization looks for ways to meet the identified needs and begins to compile a list of potential suppliers and solutions.
- Stage 4** In **Evaluating**, the organization compares potential solutions and tries to establish a short list of truly viable options.
- Stage 5** In **Selecting**, the organization systematically reduces options until a preferred supplier or partner is selected.
- Stage 6** In **Committing**, the organization reaches fundamental acceptance of the best solution and makes a commitment to purchase or partner.
- Stage 7** In **Implementing**, the organization works to connect the solution with the goals, problems, and needs identified in *planning* and *recognizing*.
- Stage 8** In **Tracking**, the organization assesses results in terms of the targeted goals and objectives, which leads back to the *planning* stage.

Lesson #1: Engage Early

Significant Challenges

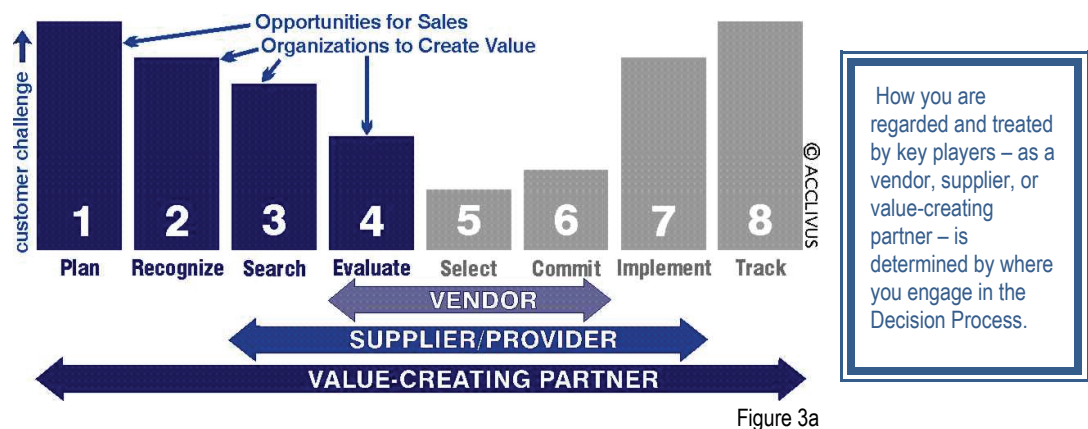
One of the major findings of the Partners Project research was that clients and customers experience significant challenges *early* in the decision process (Figure 3a, below). These challenges represent opportunities for sales professionals to create value. A range of factors was cited as contributing to the difficulties faced by customers in the first four stages:

In the **Planning** stage, customers may struggle to translate goals such as “grow the business” into measurable objectives and strategies.

In the **Recognizing** stage, customers must uncover the root causes of poor performance and/or barriers to success, often without the benefit of experience or precedent.

In the **Searching** stage, information overload can occur, as dozens of viable options must be considered.

In the **Evaluating** stage, customers can lose sight of the business goals, evaluating potential solutions solely on the basis of cost, rather than effectiveness.



Strategies for Creating Value

Because customers experience these and other challenges during the first four stages of the decision process, they present significant opportunities for selling organizations to create value with customers.

Strategy #1 The most important seller strategy during the early stages of the decision process is developing **collaborative relationships** with customers that are based upon high levels of trust, interdependent needs, and a motivation of maximum return for both parties.

Strategy #2 Taking a **consultative approach** with customers broadens the focus, beyond the immediate and obvious problem, to include the overall business plan. This provides new opportunities to help clarify the purpose and influence the specifications for products and services. Value is created by helping key players diagnose and prescribe early in the process.

Strategy #3 The sales team can help **protect the purpose** during the decision process. As new players are introduced in later stages, the insight developed in the *planning*, *recognizing*, and *searching* stages can be used to help the customer maintain focus on optimal results.

Lesson #2: Remain Engaged

The Emerging Role of Service

Why is service a key differentiator? According to Randall Murphy, “the emerging role of the service professional includes advising, coaching, guiding, consulting, and leading—in addition to finding and fixing immediate product and service problems.” A three-year research effort focused on creating value through service confirmed that clients experience significant challenges during the *implementing* and *tracking* stages (see Figure 3b, below).

Looking for Results

From the client’s perspective, *optimal results* are much more than product performance or service fulfillment. *Optimal results* occur as clients are able to meet their needs, solve their problems, and achieve their business goals *through* the use of a product or service.

Significant Challenges

In the **Implementing** stage, products or services may fail to provide the expected results. Clients often need extensive help diagnosing problems to optimize the solution for the desired outcomes.

In the **Tracking** stage, clients are held accountable for the results produced. They must quantify and qualify the benefits of product and service solutions, linked to the goals and objectives established in the planning stage.



Critical Service Capabilities

The Acclivus research with service organizations identified seven communication skill gaps—and opportunities—for service professionals. In *implementing* and *tracking*, value is created by:

- establishing direction and focus in every service situation.
- involving the client in finding and fixing problems.
- managing expectations because “no news is definitely not good news.”
- advising and guiding to achieve optimal results from the product/service solution.
- resolving uncertainty and concern with clarification and assurance.
- managing demands in a way that truly meets the need behind the demand.
- communicating the value created through every service situation.

Service professionals *with these capabilities* have significant opportunity to create value through strong client relationships, optimal results from product and service solutions, and profitable revenue.

Lesson #3: Manage the Handoff

Aligning People

Technology has enabled sales, support, and service functions to freely communicate and share information. At the same time, most organizations have not fully aligned the *people* using the technology. Data collected by Acclivus in executive focus groups illustrates the sharp decline in sales involvement and sharp increase in service involvement once a customer has made a commitment to purchase (Figure 4).



Figure 4: The sales/service handoff

Creating an S3 Advantage

To manage the handoff, sales, support, and service teams must work seamlessly together. The Acclivus research validated the hallmarks of S3 teams that are most successful at delivering results and creating value.

“To realize the benefits of information technology, people must first be enabled and inspired to work together.”

- Randall Murphy

They have a shared mission. They focus on developing long-term relationships, optimal results, and profitable revenue. This shared mission provides the essential “why” for working together. Handoffs also improve when the mission is adopted by senior management and reflected in performance measurement and compensation.

They share insight. Frequent and purposeful communication takes place outside of their “functional foxholes.” Discussions focus on the customer’s business issues identified in the early stages of the decision process. Service teams cannot effectively meet customer expectations and produce results if they lack insight into why a solution was purchased in the first place.

They have a shared approach. A shared language and process for working with customers facilitate good handoffs. At the point of the handoff, a process must be established for ongoing communication to share insight in order to create value.

They have a shared relationship. A shared relationship provides sales, support, and service professionals the context for working together. The animosity that sometimes exists between sales and service professionals dissipates as teams develop rapport and trust, mutual respect, and a sense of how each other’s role contributes to the creation of value.

Lesson #4: Close the Loop

Gaining Access

Some sales organizations invest considerable energy in “calling high” and “getting in early.” However, the early stages of the decision process remain inaccessible to sales professionals who lack insight into the customer’s inner business issues.

Access to, and value creation in, the *planning* and *recognizing* stages are fueled by the legitimacy and the relationships that naturally flow from previous work. Often the shortest path to “calling high” and “getting in early” is through tracking results (Figure 5).

“We must move from transaction-based relationships to relationship-based transactions.”

- Randall Murphy



Figure 5: Closing the Loop

Tracking Progress

Tracking efforts should focus on gathering evidence of progress toward the realization of the customer’s goals and objectives. This puts the focus on the product or service as a *solution* and links it to business results.

The Business Review

More than 200 results studies conducted with Acclivus clients provided numerous opportunities to close the loop in a formal business review with key players and decision makers. The most effective business reviews always have two components:

A results focus. Customer value and strong differentiation are created by assessing progress toward the realization of the business goals identified in the *planning* and *recognizing* stages.

A future focus. Customer value is also created when the discussion includes customer feedback and lessons learned during the implementation. The insight gained can be used in recommendations for achieving additional results and for guiding future decisions.

Reflections from Randall Murphy

- Acclivus Founder -

I would like share a few personal thoughts and ideas about what we discovered through our research and how you might put it to good use. If you want to play a more robust role in stages one and two of the decision process, then make sure your client knows that you want to help create more value, and that your client sees how you can help create that value. One good way, of course, is to bring insight from stages seven and eight.



If you want to create more value at stages seven and eight, make sure that your service colleagues knows the customer's goals, objectives, and strategies from stage one, and problems and needs from stage two. Don't just leave your colleague with the specifications and requirements from stages four, five, and six. If you do, it makes it more difficult for your service colleague to create value through strong relationships and optimal results. And if it feels to your colleague in service that you are just "throwing it over the transom" then you are not communicating high expectation for the creation of value.

If you are the service professional, communicate high expectations to your colleagues in sales. Ask about stages one and two of the decision process. Tell sales that you want to create value, that you need this information, and that you can help not only in stages seven and eight, but also to leverage future sales involvement and success in stages one and two.

Our research indicates that most sales professionals and most sales organizations focus their efforts in stages four, five, and six of the decision process. These are the *evaluating*, *selecting*, and *committing* stages so they are the part of the decision process where supplier selection decisions are made—or at least where they appear to be made. Paradoxically, though, where supplier selection decisions are made (or announced) is where everyone else is gathered, where the least influence can be developed, and where the smallest value can be actually created working with clients and customers.

When you enter the decision process downstream from stages one and two—and maybe even three – goals, objectives, and strategies have likely been translated into specifications and requirements. You will have a tough time even selling on value much less creating value. And if you are not able to differentiate on value, you will likely feel pressure to differentiate on price.

If you enter the decision process at stage four, *evaluating*, via an RFP or RFQ, use your skill and your courage to find out what happened in stages one, two, and three. Recommend the solution that not only meets the specifications, but also meets the needs and achieves the goals. When you win the business, collaborate with your service colleagues to ensure that you are implementing a solution and not just installing a product or service.

I want to thank the more than 200 companies from around the world that participated with us as research partners. I especially want to thank those sales, support, and service professionals who allowed us to directly observe their work and talk with their clients and customers.

A handwritten signature in blue ink, likely belonging to Randall Murphy, the founder of Acclivus. The signature is stylized and fluid, written in a cursive-like script.

Acclivus R³ Solutions[®]

Acclivus R3 Solutions works with leading organizations in 80 countries around the world, providing learning experiences that inspire people and enable their performance. Specifically, we help sales, support, and service professionals develop proficiency in



communication, negotiation, problem-solving, and strategic planning. And we help managers and executives coach and

develop high-performance teams.

For three decades, Acclivus has helped its clients achieve their **R³**[®] mission: to build strong, lasting customer **Relationships**; to ensure optimal **Results** from their products and services; and to develop a reliable stream of profitable **Revenue**. Our clients know that relationships and results drive profitable revenue.

During the *decade of insight* leading to this report, Acclivus conducted rigorous field research and focus groups to identify how companies can create maximum value working together. Through our research we identified the principles of *working with* rather than *working for*. And we translated these principles into an approach we call **business-with-business[®]**.

This new approach dramatically alters the way companies view and value working together. The Acclivus business-with- business[®] approach enables our client companies to bridge the gap that exists between the rhetoric and the reality of collaboration.

By adopting and implementing the Acclivus business-with-business approach, the process of working together is greatly enhanced, and the value created through working together is significantly increased.

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