
**Critical Success Factors and Interdependencies for the
Successful Implementation of two key Business
Strategies:**

**Services & Solutions Business Model &
Strategic Global Account Management**

*A Collaboration between the Arizona State University's Center for Services
Leadership, the Xerox Corporation and The INSIGHT Group*

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Introduction

As today's companies look towards the future and evaluate growth opportunities, many are increasingly pursuing revenue streams in services and solutions offerings instead of focusing solely on new product development & product differentiation. At the same time, customers are demanding more and choosing suppliers based on their capacity to deliver customized business solutions that directly add value to their bottom line. With a wave of competitors following the same path, many executives find themselves wondering: how can we reposition our company to develop and differentiate ourselves with a successful services strategy and, more importantly, how can we create and sustain new high value revenue streams in an ever-changing globally-competitive environment? And is redesigning and aligning their coverage and Strategic Account Management an area for leverage?

Working with the Xerox Corporation, the Center for Services Leadership from the W. P. Carey School of Business at Arizona State University (represented by four MBA students and two faculty advisors) and The INSIGHT Group - a consulting firm that specializes in the development and implementation of profitable, high-growth services strategies and best-in-class global strategic accounts management programs - conducted a study which researched companies that have successfully embarked on a journey of transitioning from being solely product-focused to being centered on services and business solutions.

The primary objective of the study was to identify the critical success factors related to a transition towards a services and solutions organization, and to determine whether or not there was a strong correlation between a successful solutions-based approach and the implementation of a structured strategic account management program. The study also examined whether the combination and effective execution of both results in a competitive advantage for companies.

The team conducted 12 interviews with senior-level executives at Xerox, asking targeted questions regarding the firm's approach towards implementing their document services and strategic account management strategies. To verify the findings and similarities among critical success factors across different industries, interviews were also conducted with 11 executives at other companies, including IBM, Cisco, Oracle, DuPont and Avnet. Finally, academics were consulted, as well as published research on the topics. For all interviews, a standardized question guide was used to probe executives and academics on company approaches to (1) services and solutions, (2) strategic account management, and (3) the extent to which there are related interdependencies between the two issues. These interviews form the core of the findings.

General Findings

Each company interviewed positioned itself at a different stage of the process of including services in their customer offering portfolio. Regardless of a company's industry or scope, the transition to offering services and solutions was not necessarily due to services innovation or the emphasis on services as an increasing percent of GDP (in the U.S.); their transitions were triggered by common key factors, including the commoditization of their product technology offerings, increased competition, a shift towards global market expansion or procurement practices, and customers demanding services and solutions to meet their increasingly complex business needs. Interestingly,

most companies had at least one business unit offering services, but not all thought it necessary to shift the entire corporation to be services-led.

However, each company interviewed seemed to have blazed its own path on this journey, not having followed any business model guidelines or set of best practices. Multiple approaches led to measurable success, especially in the area of strategic account management. Interestingly though, while approximately 70% of executives interviewed rated the interdependency between the services offerings and strategic account management as high, **100% identified a potential significant competitive advantage for their firm if both strategies are executed well. In fact, the more a company was focused on services, the greater the need for, and impact of, a strategic account management program.** Tom Dolan, of Xerox, commented that “these two stand alone programs, coming together, are essential to the maximization of the market opportunity.”

Challenges

Each company interviewed provided a unique perspective and revealed significant challenges companies face during the implementation of a services strategy and a strategic account management program, such as:

- Repositioning the firm as a services and solutions organization in the minds of both customers and employees
- Convincing the executive team to move toward services when the gross margins for services, in most cases, are not as high as those for a firm's products
- Resistance to change within companies that have a strong culture and tradition of manufacturing and product marketing
- Developing or hiring a sales team with the right skills and experience to deliver value to the customer. The services business model and business processes, especially selling services globally, is fundamentally different than selling and developing products. A different set of business processes and skill set are required for success. Important skills and attributes include long-term relationship building, selling intangible good, negotiating contracts, industry expertise, consultative sales skills and established social networks to gain access to and provide continuous value to the customer.
- Consistently delivering services and solutions on a global basis that are in-line with a customer's expectations and the service level agreement
- Developing appropriate criteria to select accounts with the highest level potential
- Overcoming the focus on short-term profitability. Companies echo each other's sentiments that the journey towards services is a long one. Consequently, it requires a long-term approach that designs compensation structures to incentivize employees to make smart deals, set up strategic pricing, assess risk, and manage P&L.

Critical Success Factors in Developing a Services-Focused Business and a Strategic Account Management Strategy

In order to overcome these challenges and other issues pertaining to specific industries and firms, the team sought to identify the critical factors most commonly identified by these firms to achieve a successful implementation of both the services and strategic account management strategies. The following five factors were identified as being critical to the success of firms seeking to transition from a product only business model to a services and solutions-based business model:

1. **Committed Executive Leadership:** The CEO must be committed not only to the idea, but also to the execution of a clear strategy and vision. The CEO must also clearly communicate the vision, aligning attitudes and structures throughout the organization, and be committed to celebrating early wins in order to generate enthusiasm for the long run. Furthermore, buy-in must be secured across the executive team, particularly in the product or geographically-focused business units. Without depth of support, initiatives can be left unfunded and de-prioritized by the product and geographic executives who retain P&L ownership.
2. **Customer Focus:** As customers move towards global procurement and global solutions, they are more receptive to partnerships with vendors that offer innovative, global solutions to improve their capabilities in reducing costs and increasing revenue. The capability to obtain in-depth understanding of a customer's high value needs allows a firm to increase its understanding of customer requirements which it can utilize for the development of new innovative solutions, capitalize on new opportunities and increase its share of wallet in services and solutions at each of the top tier accounts. Further, customers expect consistent execution and implementation of services and solutions that meet or exceed their expectations, no matter their geographic orientation.
3. **Account Managers with Appropriate Skills and Capabilities:** A strategic account manager today must be heavily relationship-oriented in order to gain access to, and maintain influence with C-level executives. By doing so, the account manager can best determine how to add value in terms of the service offering within the context of the customer's relevant business environment. In addition, an effective account manager must exert the same level of influence internally to make sure the company can achieve high quality service delivery in line with customer expectations and needs. Best practices by companies interviewed to address this issue included recognizing that selling solutions requires a very different set of skills than selling products. Companies are hiring internal and external-sourced senior managers with capabilities to provide in-depth industry expertise and high level consulting skills to lead their strategic accounts.
4. **Criteria for Strategic Account Selection:** Customers demanding business solutions tend to be complex and geographically diverse. A generic approach cannot, and should not, be used for all. A best practice identified was to establish globally-applied rule-based criteria that look at the customer's potential and receptivity as well their own strategic capabilities.

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5. **Broad Range of Metrics:** While typical metrics such as revenue growth, increased market share, margins, and profitability can be helpful in measuring long-term success, best practices for companies included considering additional metrics such as increased customer satisfaction, loyalty, pipeline of opportunity, share of wallet, gross profit and measurement against industry benchmarks. Additionally, if done right, companies should not only see an impact in revenue, but also in new product development due to the increased customer intimacy, customer driven innovation, and strengthened insight into real business problems. Compensation is another important consideration, and needs to be crafted with the desired service sales outcomes in mind. A final consideration is a company's ability to develop account management processes and replicate them on a global basis.

Interdependencies

Interdependency between the strategy to offer services and solutions and the implementation of a strategic account management program was rated high by 70% of the executives interviewed. Therefore, the strategy a firm chooses to implement should not be focused only on selling services and products, but should also push towards creating synergies between service solutions and a strategic account management program. The general view from the executives interviewed is that these two strategies are, as one executive noted, “mutually-reinforcing, and you need one piece in order for the other to succeed.” As companies find the need to replicate these solutions across geographies, customer loyalty increases as they seek trusted advisers to help them achieve the same level of service, no matter their location. Efficient implementation of a targeted strategic account management program, led by high-level company executives with access to C-level customer executives, and internal coordination to deliver services based on real customer needs, is the key to successfully transitioning from a product focused corporation to services and solutions focused organization.

The Next Frontier

Looking forward, companies can expect to see significant progress in the area of services and solutions innovation. Services will continue to be a key component of long-term corporate strategies, and the transition from products to services and solutions offerings is a journey that is far from over. Each company, no matter how far along they are in their journey, is taking the opportunity to evolve their processes and learn from past experiences. Having a clear understanding of the services business model, business processes and best practices is crucial to success. Leadership is seeking to optimize their organizational capabilities, global teaming, development of services and solutions, strategic account selection, global account management and the ongoing reinforcement of executive leadership to support this journey as they continue moving along their path toward success in a services and solutions environment.

About the authors:

The **Center for Services Leadership (CSL)** is a research center within the W. P. Carey School of Business at Arizona State University (ASU) and an outreach arm from ASU to the business community and the global academic community. The CSL was founded in 1985 to pioneer the study of services when business schools were focusing primarily on products and manufacturing enterprises. Since then, the CSL has established itself as a globally recognized authority on how to compete strategically through the profitable use of services.

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The **INSIGHT Group** is a best practices consulting and services firm specializing in two areas - one is building and renovating fee-based consulting and services businesses with focus on developing operational services & business solutions strategies and plans that help clients rapidly move to a high growth services & solutions business. The second focus area is designing and helping to implement best-in-class global strategic accounts management programs targeted on optimizing services, business solutions and product success. www.insight-group.com