

Starting global account management at Parker

Pioneering the change from local tactical selling to global strategic relationships

By Edmund Bradford

director

Mosaic SRM Ltd.

and Anders Hagberg

global account executive

Parker Hannifin Corp.

Consider this: You have just been appointed the first global account manager for a large, decentralized business. Your account is a leading global brand. You have been appointed because of your ability to get things done without supervision and authority. You have no game plan to work with, and your success or failure will define the way all strategic account management is done in the future. You have been told to develop a more strategic relationship, but you quickly discover that part of the existing business is at risk! This could be either the making or breaking of your career. What would be your first move?

This is the situation Anders Hagberg faced in 2004 and the story of what he did to help turn the relationship around.

What is Parker?

Parker Hannifin Corp. is a world leader in motion and control technologies, with annual sales of \$9 billion, 57,000 employees and 417,000 customers in 1,200 markets worldwide. It is organized into eight global product groups (e.g., hydraulics and fluid connectors) and subdivided into 118 divisions that together manufacture about 900,000 products. A strong country-by-country bias exists toward the divisional structure.

Parker serves three key sectors: aerospace (aircraft and space equipment), industrial (machine tools, factory assembly lines, entertainment equipment, etc.) and mobile

(on- and off-road equipment). Within mobile, for example, Parker designs complete hydraulic systems and manufactures the components for all types of vehicles. It is often said that almost any manmade moving object has a Parker product on or near it.

The situation in 2003

Traditionally Parker's sales force had been organized around the product groups and countries it served.

"In 2003 we started work on synchronizing all our sales forces country by country to represent 'One Parker' in front of our customers," says Anders Hagberg. "This sales structure worked well for certain customers, but the increasing demand from our global customers meant we needed to change our approach to them. We realized we needed to improve our synchronization between *different* countries and build better global relationships."

So during its 2003-2004 financial year, Parker decided to create new key account roles for its top global accounts. In September 2004, Hagberg was appointed the first European-based global account executive for Parker and given



IT WAS NOT LONG BEFORE HE FOUND THAT THE RELATIONSHIP HAD SIGNIFICANT THREATS AS WELL AS OPPORTUNITIES.

‘IT WAS MORE COMPLICATED AND FRAGMENTED THAN I THOUGHT. FOR EXAMPLE, MANY MORE PEOPLE WERE INVOLVED ON BOTH SIDES AROUND THE WORLD THAN I FIRST ASSUMED.’



the Large Vehicle Manufacturer (LVM) account to look after. (Editor's note: Large Vehicle Manufacturer is a pseudonym for the actual account in question.)

"We knew that LVM was a \$25 million account for one of our product groups and a top account for the group," says Hagberg. "We also knew that LVM was an important account for other parts of Parker, but at that stage we didn't know the total Parker sales to LVM."

It was not long before he found that the relationship had significant threats as well as opportunities. As a result of an Internet auction led by LVM's procurement function, Hagberg was informed that an alternative lower-cost supplier had been identified. At the time Parker had a company policy of not participating in Internet auctions and so had not involved itself. However, because the scope of the auction was so significant, it had submitted its current prices.

"When LVM compared our current prices to the best auction prices, it told us it had decided to source our products elsewhere."

It was apparent that not only did Parker need to coordinate its sales efforts to grow its business, but it also needed a coordinated response to this threat just to keep its business.

Hagberg's GAM appointment had been made just in time.

Year 1: Audit the relationship and fix the problems

Before Hagberg could start building a long-term strategic plan, he had to address the immediate threat. Valuable time had been bought for him by being new to the relationship and through his appointment demonstrating the importance of LVM to Parker.

"At one of my early meetings with LVM we discussed this situation. I asked for and got a second chance to propose a solution, then I set out to understand who was involved in the Parker-LVM business. I tried to identify and visit the most important people from both sides. I mapped out the people involved, sales, products, activities, issues and a lot of other important matters."

Hagberg visited every LVM location worldwide and every Parker location significantly involved with LVM. This was a major exercise. LVM had manufacturing sites in Sweden, Germany, France, Poland, Canada, the United States, Brazil, Korea and China. Parker had about 25 different manufacturing and sales sites around the world serving LVM. As lengthy as this process was, it proved invaluable in helping him audit the relationship thoroughly, assess the potential and prioritize the work to be done. And he was surprised at what he found.

"It was more complicated and fragmented than I thought. For example, many more people were involved on both sides around the world than I first assumed."

Hagberg also discovered a lack of effective coordination across the company and basic unawareness of the total size of the LVM account. As a result, he immediately set to work to improve the communications mechanisms. The first ones he set up included a:

Breaking through the senior engagement barrier

Many strategic account managers have aspirations to put their senior leaders in front of the customer's directors and VPs. This is often difficult to set up, not least because the perceptions of strategic importance are typically very different depending on whether you are the customer or supplier. Nevertheless, bringing seniors executives together is a worthy ambition and one that should be pursued, as it can pave the way for breakthroughs in value for both sides in the relationship.

We believe that a number of fundamentals need to be in place to assure a successful outcome.

Rule 1: Recognize that you will make the customer interested only if there is a high level of interdependence between the companies—i.e., "You need us and we need you." Pushing joint sessions where the balance of power is not broadly in equilibrium simply will not work.

Rule 2: Do not be in a hurry to have senior execs involved. It is too easy to get caught up in the idea that they will sort out all your problems. They rarely do so on a sustained basis. Be direct about the task that requires their support.

Rule 3: Have a clear idea of what value will be gained from both parties' perspective. Focus on quantifying the results in real monetary terms.

Rule 4: Ensure that senior engagement is part of a systematic engagement plan, not a one- or two-off event. Schedule events three years out and secure commitment.

Rule 5: Sort out the mess before you meet. These sessions are no place to discuss detailed operational issues. Balance the agenda between high-level strategy and grounded, real activities that deliver results.

Rule 6: Brief the senior execs. Do not expect leaders to hit the ground running. They need to be properly briefed on the issues, attendees, desired outcomes and your expectations of their role.

Rule 7: Get some independent help. To really ensure that the ground is well-prepared beforehand, carry out perception and expectation interviews with participants a couple of weeks earlier. Then get an independent facilitator to feed back to you the good (and bad) news and help both sides reach the best way forward.

The top 10 tips for being a GAM pioneer

Although it is preferable to have a top-down GAM vision and a well-planned, well-resourced change program to deliver it, often pioneers of GAM have to work with almost no structure or authority. In the case of Parker, Hagberg had to work with a more pragmatic, simple agenda. In our experience the top 10 ingredients that make a GAM pioneer are:

- 1. Communicate the need for change.** Use the power of the customer, the competitor and your company targets to show that doing nothing is not an option. Create a presentation that builds a compelling case for change.
- 2. Plan the change.** Map out all the key stakeholders and issues involved (on both sides of the relationship) and build your own game plan for covering the bases.
- 3. Get the show on the road.** Global accounts are complex animals that require frequent travel and a lot of communication. Meeting on their territory shows that you take the trouble to understand their issues. Use these meetings to build a good network of contacts and a customer champion. Your network will be your greatest asset.
- 4. Co-invent the answer.** Truly listen and understand people's needs. Make sure they feel that their issues are being heard and that they have a stake in the solution.
- 5. Become a trusted adviser.** Be sensitive about using the knowledge gained. If you never compromise your integrity, trust will follow.
- 6. Use the total team.** Work with your whole relationship team. Though it requires strong leadership, SAM is not a one-man show. This aspect includes carefully planning when to deploy your most senior executives.
- 7. Get some tools.** Creating and using good business tools is key (e.g., an account selection framework, an account business plan, report templates and fixed agendas for meetings). If necessary, buy them in to give you a good head start.
- 8. Be patient.** Ask for time and expect results to take time. This is not a quick fix, but do look for quick wins along the way.
- 9. Share your successes.** Shout loudly about your wins and spread positive messages about your progress. If possible, get customer comments to support it and keep the message as factual as possible.
- 10. Keep the faith!** Serious SAM is seriously hard work but also seriously rewarding. When in doubt, step out and talk to other companies and SAMA.

- monthly LVM conference call between the key Parker sales representatives.
- monthly report distributed to all Parker staff (both sales and operations) showing key headlines about the relationship, including total sales by location and product group (for both Parker and LVM locations), business improvement activities, the market and competitive climate for LVM and competitive issues for Parker. This provided a single point of information for all of Parker's global activities with LVM.
- presentation about LVM and the current and potential position of Parker.

Hagberg carried this report on his travels for Parker and used the material to internally sell LVM's importance.

"Because all of Parker worked together and worked with our various LVM contacts, by May 2005 we had come up with a viable win-win solution. Through tying price adjustments and innovative product changes to long-term agreements, we were able to secure contracts between LVM and two of our product groups."

The hard work had begun to pay off. This was a major relationship milestone and substantial improvement from the early days.

Year 2: Build your transformation strategy

In September 2005, Trier, Germany, witnessed the first internal Parker-LVM team meeting, a significant event for Parker lasting three days. Participants included the vice president of global mobile sales, every sales representative and other key staff involved in the business. For the first time Parker had gathered all the right people from around the world focused purely on succeeding with one account. Everyone shared their activities with the other participants, and from this an initial three-year business strategy was developed. Later that month Hagberg organized the first executive partnership development meeting, which pulled together the key senior executives from *both* companies. This included the presidents, VPs and sales and marketing executives of the relevant Parker groups, plus the VPs and senior VPs of procurement and engineering from LVM.

"This meeting was very useful in building relations across the senior management of both companies. We were able to update everyone on current and future projects; advise Parker of LVM's various business areas, objectives and organizations; and advise LVM of the global capabilities of Parker."

The meeting also helped explore opportunities for closer cooperation, including Parker being involved earlier in the product development process. There were also discussions about possibilities for joint technology teams, and LVM had an opportunity to explain its strategy for framework agreements, warranty charters, performance scorecards, etc. The meeting turned out to be crucial in changing the relationship.

"Up to this point I had just been working at our day-to-day operational contacts. Here I managed to get contact with the corporate people and begin developing a more strategic relationship."

Another key outcome from the meeting was the setting up of quarterly reviews with LVM's VP of purchasing



and supply management, the purchasing commodities director and the two VPs of corporate engineering. Progress in the relationship and contracts was such that by December 2005, Parker realized that it was at last considered a key partner to LVM with great potential for the future. Of the many reasons for this, the main ones were that Parker now had a speaking partner (the global account executive); the company had developed and was communicating one mission and one strategy globally; and the company had good mechanisms in place for joint resolution of important issues. The outlook appeared bright enough for Parker then to appoint a second global account executive to look after business units of LVM. The momentum established caused the account to be redefined as not simply LVM but the LVM corporation itself.

A big step was taken toward a formal global relationship in August 2006 when Parker worked with a specific internal product group to create one of its first globally coordinated solutions.

"We worked with all the divisions of the product group around the world that serve all the global LVM locations to create an innovative solution that combined our global reach with local service capabilities wrapped up in one Parker contract. Although we had to put in a lot of effort internally to get there, this made the relationship a lot easier to manage from both sides."

Year 3: Leverage the relationship

Parker held its second executive partnership development meeting in October. It included Parker's chairman and chief executive officer as well as other members of the CEO's office, plus – from LVM's side – the VP of purchasing and supply management, the purchasing commodities director and the two VPs of corporate engineering. Both companies thought the meeting was extremely useful and agreed that they should meet annually, alternating between Europe and North America.

Now Hagberg is concentrating on developing the talent of local sales managers and has begun to train and mentor them in SAM. He has also made account management a more routine activity by establishing regular account review meetings. The European account

PARKER NOW HAS A FOUNDATION FOR GROWING ITS RELATIONSHIPS WITH OTHER STRATEGIC ACCOUNTS.

team meets at least once a year, and there is a global account team meeting every 18 months (at different product group locations).

He plans to develop both a common central database for LVM and account-level profit and loss statements. He also intends to create a specific budget for account management and to better link account plans to the Parker-LVM business planning process.

Conclusion

There have been meaningful achievements in the relationship during the past two years. Progress includes:

- stabilizing the relationship;
- significantly growing the business;
- significantly growing the future potential;
- much better cross-selling;

- much better teamwork from all angles;
- increasing the importance of the relationship to both Parker and LVM;
- the relationship has become more strategically based on long-term contracts, joint future technology projects and global leverage of total capabilities; and
- establishing a good foundation for further growth.

Introducing SAM at Parker has been a real eye-opener.

"In the past LVM knew more about Parker than we did. Our salespeople only knew their piece of the action. Today, because we work globally, sometimes we see more of the whole picture than our LVM contacts do, and we can help them achieve their goals better."

Parker now has a foundation for growing its relationships with other strategic accounts. It has learned that when you start GAM, piloting with a single account can be more effective than simultaneously nurturing many accounts. The rewards may be less at first but so are the risks. In SAM, as in life, it may be better to focus on rearing one winner than spreading much mediocrity. 

Edmund Bradford is a director at the consultancy Mosaic SRM Ltd. (www.mosaicsrm.com), which focuses on strategic relationship management. He can be reached at e.bradford@mosaiccrm.com or +44 (0)1527 542530.

Anders Hagberg is a global account executive at Parker Hannifin Corp. (www.parker.com), a diversified manufacturer of motion and control technologies and systems.

Additional reading

For more information on this subject in SAMAs library, the editors recommend: Justin S. Borntraeger, "Global customer focus at Cisco Systems Inc.," *Velocity*[®], Vol. 8, No. 3, Summer 2006, www.strategicaccounts.org; and Bridget Plank, "Effectively leveraging local resources for global coordination of large, complex GAM programs," *Velocity*[®], Vol. 7, No. 3, Summer 2005, www.strategicaccounts.org.