

Strategic Account Management Best Practices: Cisco Discovers All That's Possible

By Jay Parr

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What will it take to succeed in a world of business that is being revolutionized by the Internet? Why not ask someone who knows?

Imagine a company where:

- financial benefits add up to \$1.4 billion and growing,
- 90% of business is transacted over the Web,
- 70% of service calls are resolved online, and
- customer satisfaction is at an all-time high.

That company is Cisco Systems, Inc. and Jay Parr, Operations Director of Strategic Accounts and Sales Acquisition Integration, leads the Strategic Accounts Program that helps deliver the profitability behind these numbers.

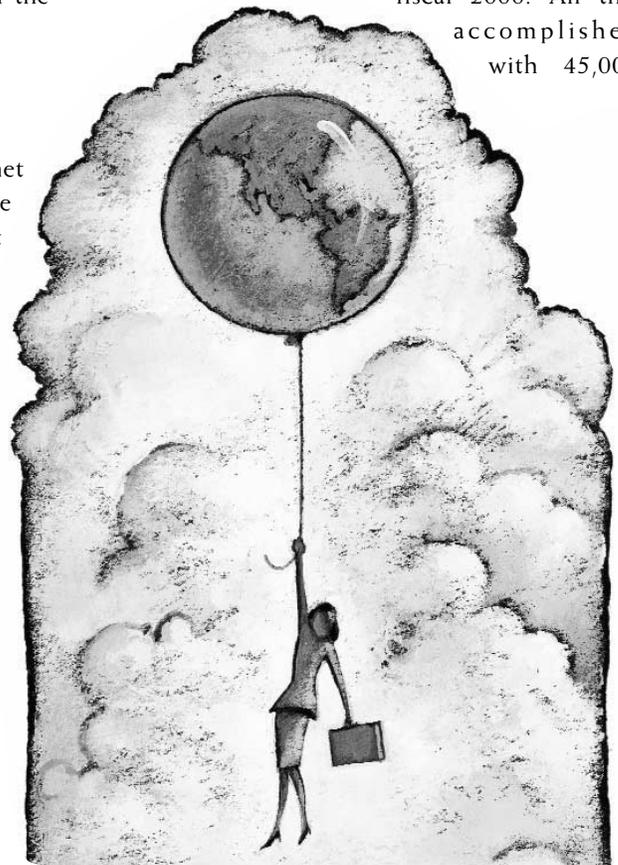
The Company Behind the Numbers

Cisco knows a lot about the Internet economy because they're helping shape it. The company not only provides solutions that make the Internet economy possible; it is also its own best testimonial for what the successful organization of the 21st century will look like.

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Cisco can diagnose and design solutions for every Internet business situation because they have road-tested everything they recommend to customers within their own company. From workforce optimization to supply chain to e-learning to customer care, Cisco's internal implementation of Internet business solutions has enabled the company to scale to unprecedented growth and increasing levels of customer satisfaction.

Since going public in 1990, company revenues have increased from \$69 million to \$18.9 billion in fiscal 2000. All this accomplished with 45,000



employees – a relatively small but mighty workforce made exponentially more effective because of the Internet infrastructure that empowers them.

Cisco's success is a result of understanding and executing on the new rules of engagement for conducting business in the Internet economy. Those rules require a focus on customer needs first, a robust infrastructure, speed, agility, ease of doing business and a culture committed to continuous innovation.

Four major changes set in motion by the Internet economy are now facing traditional businesses:

- global access to customers and to information,
- the creation of new and non-traditional competition,
- the ability to remove inefficiencies in business processes, and
- the opportunity to transform traditional business models to achieve or maintain competitive advantage.

This new business landscape creates great opportunity for those sales organizations positioned to help their customers succeed.

Cisco's Strategic Accounts Program

Cisco began its formal, enterprise-wide focus on key accounts just three years ago when Parr was named head of the newly created Strategic Accounts Program. He recruited an experienced staff and worked with them to create and implement a world-class approach to building partnerships with key Cisco customers. "Before our organization came into being, Cisco had local Account Teams that were concerned with local business on a very tactical level," Parr said. "We knew that in order to support our largest customers appropriately, we needed to design and implement a much more strategic and global approach."

Cisco's Strategic Accounts Program comprises four different types of accounts: Global, Europe Strategic, U.S. National and Asia Pacific Strategic.

What distinguishes each category is the primary geography across which the customer requires support.

"We had our work cut out for us for several reasons," Parr said. "First, Cisco had been very successful focusing on the local level so there was a mindset we needed to change. Second, our IT systems were set up to track and report on orders locally, not globally, so that was a very real, logistical disconnect.

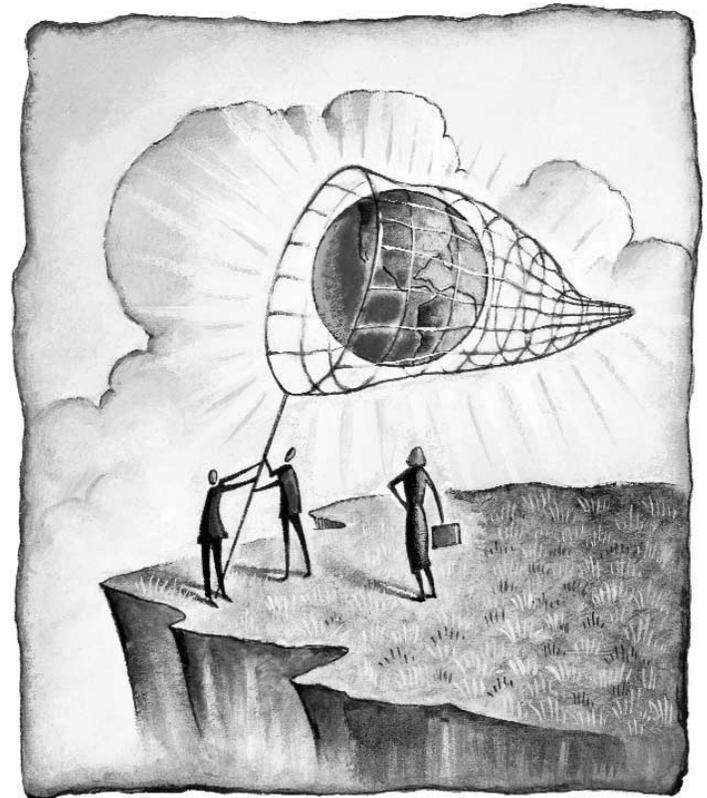
Third, our reward and compensation program was designed to incent local activity, not global teamwork."

Over time, Parr's team honed a six-step strategic account management process that's proven highly effective. There are now 250 accounts within the Strategic Accounts Program, and these are responsible for 30% of overall revenue. What's most important for success, according to Parr, is balancing efforts across the six steps.

Step One – Knowledge Management

Cisco considers information the foundation of its Strategic Accounts architecture. "We believe that the right information, consistently gathered and documented, becomes critical business intelligence. Put into action, that intelligence creates productive sales organizations and loyal customers," Parr

Account Team members can take a four-hour Web-based course on an industry, or get a five-minute overview.



said. "Doing research is one of the simple but profound fundamentals that salespeople don't want to invest time in because it seems to slow things down. But, done right, it creates a wealth of knowledge that allows teams around the world to serve customers better than any competitor."

Cisco documents an enormous amount of information by industry as well as by customer and makes this information available in various forms. Account Team members can take a four-hour Web-based course on an industry, or get a five-minute overview. Cisco's philosophy is that, to earn the privilege of becoming a strategic business partner, Account Managers must be able to discuss specific business issues and offer solutions in the customer's language.

Cisco documents its own activity within an account on an electronic platform called "Team Pages" (described

further in Step Three). This mine of knowledge allows a person joining Strategic Accounts to quickly learn everything there is to know about a customer and Cisco's involvement, speeding the transition to becoming a productive team member.

Step Two – Organizing for Comprehensive Customer Coverage and Support

In building the new organization, Parr and his staff started from the customer and worked backward. The goal was to ensure tight synchronicity among the various channels that touch key customers, including Channel Partners such as resellers and Cisco's own "Inside Sales" organization of call centers.

For Global Accounts, a Global Account Manager (GAM) role was established to orchestrate relationships with Cisco's largest international customers. The GAM coordinates a worldwide team of Account Managers, Systems Engineers, Service Managers, other support personnel and sales management around customer needs.

Unique to Cisco's Global Accounts Program is the role of Gateway Global Account Manager (GGAM). The GGAM provides region-wide support for a Global Account customers' remote businesses. In locations where account coverage is insufficient to drive strategic business in a Global Account, the GGAM will take the lead to provide direct sales coverage. In areas where remote local account management is strong, the GGAM coordinates with and provides backup to the existing team to ensure the global account plan is well understood and implemented consistently.

Inside Sales is the other channel available to support those offices of Global Account customers that are away from mainstream coverage. "At first we were hesitant to use this approach because the idea of having someone contact a global account over the phone didn't seem right," Parr recalled. "But it's

turned out to be very powerful because, in countries where no one is calling on a key customer directly, Inside Sales provides a knowledgeable connection to Cisco."

Step Three – Technology Infrastructure

Information Management

Once the right information and the right organizational structure are in place, the next critical success factor is to manage information and knowledge globally to fuel collaboration across key stakeholders.

"It's impossible to transform behavior from local to global without aligning the supporting technology that enables the transformation," Parr said. "Our systems were set up to track locally, not globally. They were excellent systems, and had worked very well in the past, but they were not geared for global growth. We worked closely with our internal IT and finance teams to re-engineer the systems to enable tracking across an account, whether that was national or international."

With the network infrastructure and applications now in place, Cisco is able to track 250 accounts on a daily, weekly, monthly and quarterly basis by theater, region, country or city of order as well as by product and solution.

Parr acknowledged that there's a margin of error, due to the human factor more than the systems. What's important is to do everything possible to ensure the lowest percentage error rate and the highest order capture rate.

Knowledge Management

Internally, Cisco's Intranet provides a veritable arsenal of competitive leverage. "Team Pages" (mentioned in Step 1) is a real-time tool that creates the institutional memory for strategic accounts. Team members continuously update account information, which includes customer initiatives, organization charts, network designs, and a dynamic account plan. Each person can individualize information to

keep what is most relevant at his or her fingertips, whether that is industry and competitive information or technical details of the account.

Step Four – Compensation and Rewards

In the past, Cisco had a split policy, which caused people to compete rather than collaborate. To eliminate this obstacle, Cisco created new sales compensation plans around the world to motivate global teams to work together. Now, both the local sales teams and the Global Account Managers are fully credited for all of their global account's worldwide business.

"This is key, because otherwise information is power and people are not motivated to share that information," Parr said. "To break down those barriers, we created new sales compensation plans so that the global teams would work together. The critical success factor is implementing quota-based plans built on accurate goal setting at the headquarters, regional and local levels."

Managing this compensation plan effectively again ties back to having in place networked IT systems capable of tracking orders globally across the Account Team.

Step Five – Customer Satisfaction

Customer satisfaction is ingrained in Cisco's culture. CEO John Chambers describes it as a "personal passion" and a top priority for the company. Those words are reinforced with financial incentives – Cisco's bonus plan is directly driven by customer satisfaction ratings derived from a Web-based annual study.

Parr's team has designed a tool, the Strategic Customer Interview Phone Survey (SCIPS), to complement Cisco's yearly Customer Satisfaction Survey. SCIPS provides Cisco's strategic sales teams with greater detail and analysis on how well Cisco supports customers from a global or national perspective.

This survey helps gauge whether a Strategic Account is merely "satisfied" with how Cisco is supporting them today, which Cisco does not consider sufficient, and specifically identifies any issues that could be preventing the customer from being "extremely satisfied." To help evaluate longer term loyalty, results also disclose whether the customer is willing to recommend Cisco as a global or national vendor, and if the customer would repurchase from Cisco.

To ensure an appropriate sampling, interviews are conducted with individuals in key decision making roles such as CIO or equivalent technical or business decision-makers, those responsible for maintaining and supporting Cisco products and other key influencers within the account. To make the process easy for customers, interviews are conducted by telephone in 30 minutes or less.

"The most important element of any survey process is how quickly and decisively action is taken," Parr said. "Because everything is Internet-enabled, survey transcripts and analysis are provided immediately to the

Account Teams and their sales management. Account Teams then work together to create an action plan. Once done, the team communicates back to the customer as to how issues will be resolved. Cisco senior management and Executive Sponsors also have access to this key customer information."

Step Six – Executive Sponsorship

If actions speak louder than words, Cisco is shouting about the importance of executive involvement in strategic accounts. The company launched an Executive Sponsorship Program (ESP) in 1999 to match a Cisco officer with one or more customers in Cisco's Strategic Accounts Program. It is considered a crucial factor in building long term, profitable business relationships.

Since its inception, over 90% of all Strategic Accounts have been matched with an Executive Sponsor. The ESP maps a Vice President level Cisco executive to the Global or Strategic Accounts' executive management. The Sponsor then acts as the customer's primary executive contact from Cisco, outside of senior sales management.

The Global or Strategic Account Manager maintains overall responsibility for the account, keeping the Executive Sponsor informed of any account activities that would require the sponsor's input or involvement.

The Sponsor's focus is on developing key relationships to improve long-term customer satisfaction, and on building a "trusted advisor" or "strategic business partner" status.

To deliver the highest customer value, Executive Sponsors tackle a variety of tasks, including:

- providing input to the design of the Strategic Account Plan,
- participating in customer discussions of the Plan,
- making at least two visits annually to the customer, and
- hosting quarterly conference calls with their customer peer(s) to review the status of the account and discuss any management level issues.

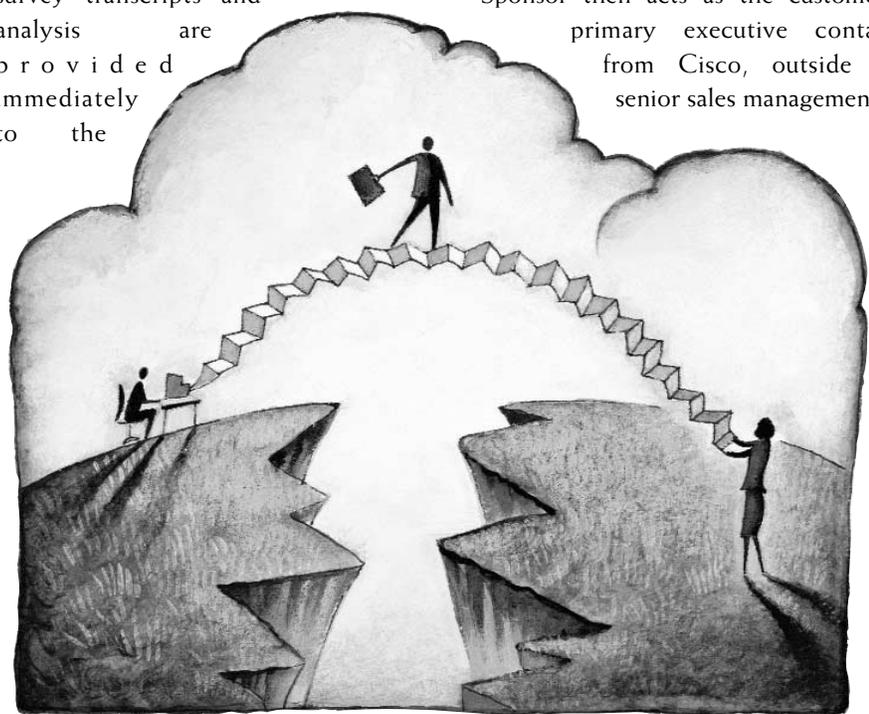
Executive Sponsors are Cisco's way of "walking the talk" of the importance of account management. They serve as role models to the Account Teams and demonstrate unequivocally to customers the value Cisco places on the business relationship.

A Holistic View

From Cisco's perspective, balancing these six fundamentals of account management with their emphasis on both internal and external factors is key to success; that, along with Cisco's golden rule – ensuring the entire approach begins and ends with the customer. 

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