GALLUP®

ANALYTICS AND ADVICE FOR B2B LEADERS

From the Chairman and CEO

The first purpose of customer-centricity is to hold and not shrink current accounts. It is why "agility" really does matter in this fast-changing, disrupted world.

The next purpose is to build-out current accounts — create authentic organic growth. Few CEOs are really good at this; they were hired for their acquisition skills.

The third purpose is to do business at a higher margin than competitors — that's the highest level of customer-centricity.

Authentic customer-centricity is accomplished only in the presence of advisory account relationships. Advisers on your customer teams establish relationships based on a higher purpose than price.

Regardless of industry, the new global rainmakers sell on helpfulness. They create value for both their organization and their customers. They make rain for their company and their clients.

These dual-value rainmakers are different from order takers — and they can be developed.

Their strategy is based upon information, knowledge and a deep understanding of the client's business — an order-taker's strategy hinges on low price and entertainment activities.

The biggest cultural transformation you can make in your career — and the right legacy for any CEO or group president — is to change your entire customer culture to one that leads with advice over price. Gallup analytics finds there is always a minimum of 2x your customer billings just sitting on the table within your current customer base.

Nothing would change your organization more than if, today, you made a command decision that every team meeting with the client starts with discoveries and news from the customer's industry — something the customer has to know to do his or her job well. Your command decision includes never selling or persuading for new business until important and helpful information has been introduced. Then sell.

Getting these first two steps right will transform your culture to one of customer centricity more than any other leadership decision you have made in this area.

Announcing the formation of a new advanced analytics center to support account teams is more likely to boom your stock price than any other big decision you make this year — including acquisitions.

Read this report and make changes of significance. You will change your company and you will change the world.

Please contact me personally to learn more about our global analytics findings and how we can help you win more.

Jim Clifton, Chairman and CEO
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Executive Summary: The Secret to Real Agility

B2B leaders across the globe share a common challenge in today's rapidly evolving marketplace: achieving authentic, sustainable company-wide agility. Customer demands can and often do change overnight. If B2B companies can't keep up, disruption is a certainty.

Isolated pockets of agility are not enough. The B2B companies that survive are those that can adapt with lightning speed to deliver perfect customer experiences at every stage of the customer journey. This requires near-perfect internal alignment, with employees who are empowered to accommodate relentless market change with uniform precision.

It's a tall order — which is why few B2B companies are truly agile. As a result, 69% of B2B companies' customers have one foot out the door. Gallup's analytics have identified that these low engagement levels are hurting your ability to grow organically and to successfully integrate newly acquired businesses.

This guide is designed to empower B2B leaders to achieve real agility. Based on Gallup's decades of research and countless hours of interviews with B2B customers and leaders, this report expands on the previous edition with fresh discoveries designed to help B2B companies evolve more quickly. With Gallup's latest analytics and practical solutions, B2B leaders can outperform the competition and maintain a nimble, customer-centric work culture.

No B2B company can become agile without the right data and analytics. This guide reveals how leaders can harness analytics to get ahead of the competition. Most B2B leaders recognize the power of using big data to derive insights and gain competitive advantages. However, many of them greatly undervalue predictive and prescriptive analytics — the kind of analytics that determine what's coming and enable B2B companies to adapt quickly.

In fact, only 3% of B2B companies use prescriptive analytics to stay nimble and continually align with shifting industry dynamics. As a result, B2B leaders don't fully understand changing market dynamics — and their companies are sluggish despite efforts to optimize agility. Worse, B2B companies cannot respond to customers' ever-evolving businesses, goals, markets and challenges.

Data are meaningless unless account teams can quickly activate on customer insights to generate customer impact. This guide provides a framework for transforming analytics into action. Becoming agile and customer-centric requires a culture that never stops supporting that goal — even in the face of challenges such as customer problems and mergers and acquisitions (M&A).

Leaders who read this report will also learn the power of customer impact and what thriving customer relationships look like in today's dynamic marketplace. When B2B companies deliver fresh ideas and solutions that help customers' businesses grow, they deepen relationships and foster brand loyalty.

One of Gallup's most important discoveries is the power of account managers. This guide unpacks Gallup's latest research about why account managers are the key to thriving customer relationships — and how leaders can develop and liberate account managers to make rain like never before.

Implement these strategies to get started:

1) **Name the right account managers and develop them to grow accounts.**

   Decades of Gallup's analytics show that great account managers approach everything they do with an unwavering, obsessive emphasis on customers. They possess innate talents that help them thrive as people managers and relationship builders. They cultivate advisory partnerships — and constantly align with the dynamic markets they serve.

2) **Use analytics to stay in-step with customers' evolving needs.**

   Great account managers have what it takes to fuel organic growth — but they have one hand tied behind their back if their leaders don't equip them with ongoing qualitative and quantitative customer analytics. Data-driven account teams can readily identify, predict and respond to customers' changing business challenges.

   The best B2B companies don't stop there. They use qualitative analytics to maintain a comprehensive understanding of customers' perspectives and needs. Customers want a voice — and they feel empowered to share honest feedback when they have the ear of an objective third party. With candid customer feedback, B2B account teams can deliver world-class customer service.

3) **Infuse customer-centricity in every aspect of your culture and your business.**

   All B2B companies claim to put customers first. The ones who follow through and deliver customer-centric service and offerings are the ones who consistently win in today's dynamic marketplace.

   These B2B organizations infuse customer-centricity in every layer of their culture — from big-picture organizational processes (such as onboarding and performance incentives) to employees' day-to-day experiences (such as how team meetings are structured). As a result, these B2B organizations position account teams to meet customers' ever-changing expectations. That is, they authentically prioritize customers' needs above their own — and become trusted partners in their customers' eyes.

Through updating this report, Gallup found that B2B leaders across the globe are using these insights as a blueprint to transform their work cultures. That is, your competition is doing whatever it takes to predict customers' needs and win customers' business. B2B companies that don't achieve real customer-centricity are leaving serious money on the table — money that the competition is all too happy to snatch up.

Fortunately, B2B companies of any size and industry can enact simple solutions to start identifying and responding to shifting marketplace demands. Becoming agile and customer-centric is no small feat — but it's within reach for B2B leaders who are up to the challenge.

TABLE OF CONTENTS

THREE ELEMENTS OF SUCCESSFUL DATA ANALYTICS PROGRAMS

69%

OF B2B CUSTOMERS

are ready to take their business elsewhere.

47%

OF B2B CUSTOMERS

strongly believe that their vendor delivers on its promises.

You have vast quantities of customer satisfaction data. You have a cutting-edge dashboard and seamless reporting capabilities. This means you know where you stand with your customers, right?

Not quite.

In fact, many B2B companies have an *inaccurate perception* of their customer relationships. Forty-seven percent of B2B customers strongly believe that their vendor delivers on its promises, and 69% are ready to take their business elsewhere[1].

The problem isn't a lack of data. Many companies continually strive to collect more and better data. Many leaders are making sizable investments in data programs and technology.

However, most leaders are only learning *what* happened, not *why* it happened or what will happen *next.* It's the difference between understanding customers' business economics and acquiring in-depth insights about end consumers that help leaders predict the likelihood of future outcomes. To generate meaningful insights, leaders need analytics that generate discoveries, not bigger data.

With only descriptive insights, leaders cannot use data to optimize their business strategies. To keep up in a competitive market, leaders need predictive, forward-looking insights that inform business goals. Analytics *only* offer a competitive advantage when organizations use data to describe, diagnose and predict performance.

Consider, for example, a manufacturing company that is struggling to forecast its production levels. Leaders can use analytics to gauge how much to produce, but this information by itself does not help the supplier sell more products. Data alone cannot improve performance. To leverage data for greater return on investment (ROI), leaders need a data-driven *plan*, not just facts and figures.

B2B companies that seek to deliver exceptional customer service need to expand their knowledge of their customers and their customers' customers. They need to deliver outcome-driving ideas that garner customer loyalty. They need to adopt an analytics-based sales approach, with reliable customer intelligence, data-driven market research activities and well-aligned account teams that provide analytics-based solutions to customers' business challenges[2].

That is, to increase customer impact, B2B leaders need to know their customers' businesses as well as or better than their customers do. They need to bring customers new ideas that help them do their jobs better.

Gallup has been collecting and evaluating data for more than 80 years on just about every topic imaginable. We've discovered that successful analytics programs share a common framework. Our approach focuses on being "data ready" and creating a culture that supports data-driven decision-making.

1 http://www.gallup.com/analytics/225458/b2b-analytics.aspx

2 http://news.gallup.com/businessjournal/195746/b2b-sales-growth-anemic.aspx

HAVE THE RIGHT CONVERSATIONS [THE RIGHT DATA]

Identify the problem that the company needs to solve.

Even the most advanced analytics interventions are ineffective without an understanding of the problems leaders want to solve and a plan for what to do with the data and insights.

Organizations should start by identifying specific problems that they are trying to solve. Many B2B company leaders have a huge amount of data but lack the tools to best use the data. They focus on dashboards, scorecards and reports without giving more serious consideration to addressing the problems and how they will use the insights they gather from the data.

> Identifying specific problems *first* allows leaders to reverse-engineer analytics programs to obtain the most relevant, actionable information.

To understand how customers really feel, B2B companies must also embark on qualitative journeys, which means having *actual conversations* with customers. For B2B companies, quantitative metrics can help identify customers' needs, but that's not enough[3].

Key account reviews provide the surest path to understanding the nuances of customer relationships. A key account review consists of a series of interviews with stakeholders in a company's most important accounts. Ideally, an impartial and trusted third party conducts the interviews to ensure complete candor.

Through key account reviews, B2B leaders discover how customers feel about their company and its approach with them in ways that numbers alone can't express. Key account reviews tell leaders what is and isn't working in customer relationships. These reviews also uncover red flags that require immediate action, along with more deeply rooted problems that require comprehensive solutions.

Start small when implementing an analytics program.

Starting small can help companies find their analytical footing and learn what resources are needed to support positive business outcomes — from technology to management to talent resources. Further, a scaled-down analytics intervention for a specific problem can help leaders determine the ROI of an analytics approach before graduating to a larger program.

3 http://news.gallup.com/businessjournal/191072/b2b-companies-customer-surveys-aren-enough.aspx

FOCUS ON THE RIGHT DATA AND INSIGHTS [THE RIGHT ANALYSIS]

Use the right metrics.

The most powerful metrics support change by providing comprehensive, explanatory insights about customers and employees. These metrics are also the most predictive, reliable and actionable. While many companies spend most of their time on descriptive analytics (what happened), true insight comes from diagnostic (why and how it happened) and predictive analytics (what will happen next).

Descriptive analytics: Descriptive analytics fall in the domain of reporting and summarizing information. This method focuses on what is happening or what has happened — such as identifying the top salespeople in a particular region at a specific time. Descriptive analytics are very useful, especially for companies that are just starting to understand all of the different data being generated internally.

Diagnostic analytics: Diagnostic analytics focus less on what happened and more on *why* it happened. This method highlights processes and causes rather than outcomes. For example, diagnostic analytics might reveal that a decline in prospect volume, attrition of top salespeople and a new market competitor are decreasing sales in a particular region. Diagnostic analytics often provide answers to questions such as "How do we fix this?" and "How can we improve?"

Predictive analytics: Predictive analytics take the lessons learned about why events have occurred and build models to predict what will happen in the future. These predictions can be in the form of macro-level forecasts such as "Sales in the Western region will grow by 5% to 8% over the next 12 months." Or, the predictions can focus on micro-level matters: "There is a 75% likelihood that the largest customer in the Western region will leave for another vendor in the next 12 months." Forecasting is extremely helpful in making business operations more efficient by trimming costs. The process also ensures that companies retain the resources necessary to mitigate potential problems and take advantage of future opportunities.

Companies can use more granular predictions, such as customer-level forecasts of intent to repurchase, to prioritize internal resources and inform strategies from a sales and customer support perspective. For example, Gallup works with many clients in the franchising industry whose growth largely depends on independent franchisees. Gallup and these clients have developed models that predict which franchisees intend to build with the brand again. The franchisors can use this information to better allocate their resources to the most valuable franchisees and those with the greatest potential for growth.

Companies get the most out of their data by intentionally moving from one level of analytics to the next and understanding how to best apply each method in day-to-day scenarios. However, most companies rely predominantly on descriptive analytics, with few using diagnostic analytics and even *fewer* leveraging predictive methods. As a result, they lose the competitive advantages of using analytics appropriately and strategically.

To optimize their data capabilities, B2B companies need to combine multiple sources of information — including internal operational data, third-party data, web and social media data, labor data and global economic data — to fully understand customer relationships. Relying on a single metric doesn't explain *why* customers feel the way they do or what B2B leaders can do to improve. A single metric doesn't provide leaders with action-oriented insights that allow them to strengthen customer loyalty.

B2B companies need advanced data metrics that can predict important business outcomes and inform leaders' strategies. They need to collect qualitative *and* quantitative data that guide the development of account-specific strategies for each customer.

Organize the right data with the right systems.

Leaders must take the information gained from analytics and use it as the basis for their business decisions. This requires the internal expertise to know if they have the right data to solve their problems and provide optimal analysis.

To fully apply data-driven insights, companies must have the right systems and infrastructure in place. Companies need usable, accurate and timely data that they can easily merge across the entire business. Companies must keep the data transparent by designing their reporting systems so that employees can see information in an easy-to-understand format. This allows employees to spend less time making sense of complex data and more time using insights from the data to solve problems.

B2B leaders need to recognize that different types of data and insights are meant for different audiences: Leadership and account teams each need data about separate issues. Companies should streamline and organize customer feedback so each group receives what is relevant to them, and no more. With thoughtfully mapped data structures and frameworks, even complex data become clear.

ALIGN WORKPLACE CULTURE AND EMPLOYEES [THE RIGHT CULTURE]

Hire, engage and develop top talent.

Success with data starts and ends with people. Companies need employees throughout the organizational hierarchy who understand how to use data appropriately and appreciate the limitations involved. This applies equally to top leaders, analytic talent, decision-makers and managers. Misusing data is more dangerous than not using it at all.

Organizations also need employees — not just leaders, managers and analysts, but front-line employees as well — who can deliver on the actions and behaviors the data and models suggest are optimal. A team that lacks the appropriate talent and skill required to implement all aspects of an analytics program is one of the most common failure points that Gallup encounters.

Companies should have a complete human capital strategy in place to attract, recruit, hire and develop top talent for their analytics roles. Talent-based assessments can help companies identify and select the necessary talent for these roles, while talent audits can identify any existing gaps in talent across the company.

It is equally important for companies to proactively engage and develop their employees. Millennial employees want to work for companies that invest in their development — in fact, millennials rank opportunities to learn and grow in a job *above all other considerations*[4].

And in the war for talent, data analytics is a highly desirable skill set. Forward-thinking companies invest as much energy into *retaining* talented employees as they do into finding them.

Align analytics with culture.

Many companies — whether they are just beginning their analytics journey or are well on their way — are discovering their cultures are not prepared to manage and apply the massive influx of information. In fact, 60% of big data projects fail to go beyond piloting and experimentation due to culture issues. If workers lack direction — or if the right processes aren't in place to enable employees to make improvements — data initiatives stall.

On the other hand, when leaders embrace a data-driven culture, they empower employees at all levels to make decisions based on fact rather than on instinct. A culture that supports data-based decisions is capable of prioritizing data discoveries, with employees who can interpret data and align insights with business goals.

Too often, Gallup finds significant misalignment between what a company's analytics program says it should focus on and what the company *actually* incentivizes (both formally, through pay plans, and informally, through expectations and mentorship).

The right culture starts with the C-suite: Leaders need to support and prioritize a data-driven culture by following a clearly defined strategy for building and sustaining it. Leaders must create a vision for their analytics program and determine how to implement that vision. They must set the stage for how they expect employees to perform, for what constitutes good decision-making, for what resources to use and for how much alignment and collaboration there needs to be among business units and functions. They must communicate well-aligned messages to employees that support desired employee actions.

Determining a company's analytics readiness (how well its data systems, processes and people are aligned) is an important step in fostering a data-driven culture[5]. To create a data-driven culture, leaders need an in-depth perspective on the analytics "health" of their business — and tailored insights about how their culture can better support the overarching analytics goals.

> Data and insights never create change on their own. They *facilitate* change only when leaders are dedicated to investing in a data-driven culture.

4 http://news.gallup.com/opinion/gallup/221024/why-best-millennials-leave-keep.aspx

5 http://news.gallup.com/businessjournal/193574/successful-predictive-analytics-demand-data-driven-culture.aspx

THE SECRET TO GROWTH IN A COMPETITIVE B2B MARKET

A meaningful, human-to-human dialogue with customers is the only path to a nuanced understanding of customers' perceptions and preferences.

In an increasingly competitive marketplace, organic growth is hard to come by for B2B companies. But B2B companies' greatest risk isn't their competition — it's losing their customers. Sixty-nine percent of B2B customers are ready to take their business elsewhere. Less than half of B2B customers (47%) strongly believe their vendor delivers on its promises.

It doesn't have to be this way.

Gallup has spent decades analyzing what the world's most successful B2B companies do differently. We've found that thriving B2B organizations use a data-driven approach to:

Continually understand their customers' needs and perceptions.	**Identify and resolve issues that keep them on the defense.**	**Bring customers new ideas that propel their business and garner their loyalty.**	**Inspire exceptional employee performance.**

DISCOVER WHAT CUSTOMERS ACTUALLY THINK

Many B2B companies collect data with customer surveys. But do they *really* know where they stand with their customers? Surveys provide essential insights, but they are not enough for a comprehensive understanding of B2B relationships.

For example, a B2B company might view improved business outcomes after a merger as evidence that customers are navigating the change with ease — when in reality, those customers have serious doubts about the future of the company.

For in-depth insights about B2B accounts, there's no substitute for picking up the phone and having honest conversations with customers. One Gallup client put it this way, "Survey data only go so far. Simply talking to customers not only demonstrates how much we value their business, it also helps us better understand how we can add value to customers' businesses."

A meaningful, human-to-human dialogue with customers is the only path to a nuanced understanding of customers' perceptions and preferences. Relying on an impartial, trusted third party to evaluate customer relationships helps businesses collect candid customer feedback and in-depth insights about the entire buying cycle.

It's easy to assume that customers who like their account representatives must feel the same way about the company overall. However, account representatives are primarily tasked with mitigating problems — not acquiring an in-depth perspective about what is and isn't working in the relationship.

And while customers might discuss glaring problems with their vendors, they are unlikely to divulge doubts or unresolved needs — even in the healthiest partnerships. Discovering those outcome-determining details requires candid conversations between customers and an objective third party.

KEY ACCOUNT REVIEWS: TRANSFORMATIVE INSIGHTS FOR B2B LEADERS

To get to the heart of customer relationships, B2B leaders should rely on an impartial third party to conduct annual key account reviews with some of their largest and most important accounts.

These reviews are composed of interviews with stakeholders for each account, such as:

- Decision-makers — They commit funds, make choices and have the final yes-or-no decision on purchases.
- Influencers — They have an advisory role and sway whether the organization chooses to continue the relationship.
- Buyers — They are involved in the procurement process itself and in decisions that define contract terms.
- End Users — They manage and use a B2B company's products or services.

Key account reviews reveal:

- similarities and differences in stakeholders' motivations and concerns
- strengths and opportunities across accounts
- themes and patterns that inform sales and service

CASE STUDY

Uncovering Hidden Wants

During one key account review, Gallup found that customers viewed a company's account teams as "great problem-solvers." The account teams were highly responsive and rapidly delivered on customer requests. However, stakeholder interviews revealed that this reactive strategy caused the account teams to be hesitant to bring customers new ideas for improving or expanding their businesses. Consequently, customers were left wanting for proactive, innovative partnerships.

STRENGTHENING RELATIONSHIPS AFTER KEY ACCOUNT REVIEWS

Ignoring customer feedback is far more harmful than not asking for feedback at all. In general, customers' concerns fall into one of two categories: Those that necessitate defensive action (defensive barriers, or barriers to retention) and those that require companies to play offense (offensive barriers, or opportunities for organic growth).

For example, defensive barriers might involve problems with quality, on-time delivery or exemplary problem resolution. These are baseline customer expectations that B2B companies must meet to retain business. Failure to immediately and decisively address such concerns will likely cost the company existing business with the account, either now or when the next RFP comes. Getting the basics right is an essential element for organic growth.

In contrast, offensive barriers represent opportunities to win new revenue from existing customers, such a business challenge that a B2B company can help a customer address. Offensive barriers are gaps or problems in customer relationships that might not pose a current threat to the account but could limit future growth potential.

How to Resolve Defensive Barriers

Both defensive and offensive issues demand account teams' attention. Defensive interventions should come first: Account teams must meet customers' baseline expectations to keep their business. Then, account teams can explore opportunities for growth.

Five Common Defensive Issues

1) **Customers become particularly frustrated when problems reoccur.**

Customers care about more than problem severity; they also focus on the frequency of problems. While companies should respond to issues quickly and efficiently, shortcuts and short-term fixes don't work. If companies don't address the cause of the problem, that same issue may return a few months later. Companies are particularly vulnerable to reoccurring problems when they lack a structured process for monitoring performance after resolving initial problems.

2) **When evaluating vendor performance, customers scrutinize "ease of doing business" with the company.**

Many customers emphasize "ease of doing business." What exactly do they mean?

Gallup's extensive experience with leading B2B companies reveals what customers consider "ease of doing business":

- the simplicity and transparency of a B2B company's processes
- how quickly a company responds to questions, requests or problems
- the tone of conversations with a company — for example, whether company contacts seem enthusiastic about delivering solutions
- how adaptable a company is when a customer requires changes

Complaints about ease of doing business often reflect problematic internal communications and processes, such as poor communication across business units and functions. When internal communication is lacking, customers often suffer the consequences.

Leaders should strategically address concerns about ease of doing business by optimizing internal structures and processes. When a customer considers a company difficult to work with, it becomes harder to maintain trust in the relationship.

3) **Corporate formalities can affect decision-making.**

Salespeople and account leaders do not always have the authority or flexibility to act on their customers' behalf. As a result, changes or decisions tend to come slowly. Someone at the corporate level often needs to review account team requests, thereby delaying the process. Such delays can seriously undermine customer relationships.

4) **Customers want the companies they do business with to work faster and with more flexibility.**

Customers want individuals at the account level to have the authority to make decisions that benefit their business, rather than waiting for bureaucracy to catch up with them.

5) **A past problem can continue to affect the customer relationship.**

Some issues that companies believe were resolved may linger among particular stakeholders in the customer organization — putting business at risk.

For example, customers tend to remember contentious contract negotiations. It's easy to assume the customer forgets about negotiations after signing the contract, but this isn't always the case.

CASE STUDY

In one key account review, a customer continued to complain almost a year later about how an existing vendor's representatives first initiated renewal negotiations when he was sick and then proposed a rate increase over the phone, rather than waiting to meet in person. Though the customer signed the renewal, perceptions of the company's behavior adversely affected the relationship between the company and customer.

RESOLVING DEFENSIVE BARRIERS

The following actions can help B2B companies mitigate defensive barriers.

1) **Proactively communicate with customers.**

Gallup recommends conducting monthly calls with customers about quality. Problems related to quality or delivery often occur at the local level, with the solution to the problem never reaching key stakeholders in the customer organization. Account leaders should document and share actions taken to address problems so customers can assess progress over time. This documentation can also prevent problems from reoccurring and provide solutions if similar problems arise.

2) **Simplify administrative processes.**

Complex or bureaucratic procedures hinder customer service. Often, customers are most frustrated with a lack of clarity. As leaders work to streamline processes, account teams can promote clarity by outlining existing processes for customers. Account representatives should also introduce members of the broader corporate team to customers. Meeting corporate team members ensures that customers know who is operating on their behalf when it comes to approvals, contracts and other administrative functions.

3) **Connect with customers after negotiations or transactions.**

Companies can never overcommunicate with their customers. In addition to key account reviews and monthly quality discussions, companies should check in with customers after contract negotiations and sales or service transactions. Through these quick-connects, B2B companies can determine if a customer is satisfied with the outcome and resolve any concerns before they become deeply rooted problems.

HOW TO GROW ORGANICALLY BY OVERCOMING OFFENSIVE BARRIERS

B2B leaders can stand out from the competition and win new business by discovering what customers actually think, then using that feedback to resolve specific problems and explore opportunities to expand the relationship.

> If B2B companies want to grow organically, they need to put customers at the center — designing their business strategies around customers' needs, challenges and goals.

Here are four common roadblocks to organic growth:

1) **Many B2B companies do not bring their customers new ideas.**

Being seen as a trusted adviser is one of the single biggest contributors to B2B companies' growth. The secret to being seen as a trusted partner is sharing new ideas — solutions for expanding the customer's business, serving their customers and overcoming unique market challenges. What can be frustrating is that customers often have trouble defining what their vendor needs to do. Customers might allude to a challenge or opportunity but then leave the rest to their vendor to figure out. To get answers, B2B companies must expand the conversation beyond the current set of transactions with the customer. Sometimes, growth opportunities might go beyond a B2B company's capability. Still, even a high-level discussion of the opportunity can open the door for the B2B company to better understand the customer's needs, demonstrate its dedication to advancing the customer's business and, ultimately, strengthen the relationship.

2) **Senior leaders often do not communicate with customers about the organization's capabilities or knowledge.**

It is vital that senior leaders maintain relationships with customers. Senior leaders have a comprehensive awareness and breadth of vision about everything the company can do for its customers. Further, the involvement of senior leaders communicates to customers that the company values their business.

For all companies, sales and operational leadership teams should be highly involved in discussions about accounts. C-suite leaders can also play a role if they have access to their direct counterparts in the customer organization.

3) **Many B2B companies are not forward-thinking in their relationships.**

An ongoing dialogue is essential for maintaining a comprehensive understanding of customers' needs — and in turn, delivering solutions that are catalysts for growth. B2B companies need to proactively engage in future-oriented discussions and then isolate growth opportunities from those conversations.

This effort demands internal alignment, with senior leaders initiating conversations and account teams following through. B2B leaders should meet with their counterparts in the customer organization to discuss the state of the customer's business and how the vendor can help. Companies should also identify opportunities to display their products, technologies and services, such as at occasional summit meetings or technology fairs.

4) **Many B2B companies do not use an analytics-based approach to select and develop star performers.**

Innately talented, business-minded people are trained to get to the core of a customer's pressing problems. They have a knack for broadening their spheres of influence within customer organizations. They are problem-solvers who will move mountains to meet customers' needs.

Finding these top performers starts with a data-driven hiring strategy. This involves defining what success looks like in a role and then selecting individuals who possess the natural capacity to thrive in that role. Ongoing development is just as important: B2B companies need to invest in their people with an approach to performance management that actually works.

Only

2 in 10

EMPLOYEES

strongly agree that their performance is managed in a way that motivates them to do outstanding work.

COACHING EMPLOYEES TO PROPEL ORGANIC GROWTH

Only **two in 10** employees strongly agree that their performance is managed in a way that motivates them to do outstanding work.

Change is a constant in the business world. However, the modern workforce is shifting in rapid and unexpected ways — forcing leaders to revisit how they manage and optimize employee performance.

B2B companies are no exception. Across all industries, B2B leaders need to evolve their approach to inspiring exceptional employee performance if they hope to boost organic growth.

Gallup's studies of high-performing teams show that today's employees demand a development-oriented approach to performance — one that is individualized to their natural talents, performance needs and sense of purpose.

Managers carry the utmost responsibility for guiding and fostering employee performance. The best managers do so through a strengths-based, engagement-focused, performance-oriented approach to development.

That is, managers need to account for their own strengths, their employees' strengths and the collective strengths of their teams. To optimize employee engagement (employees' involvement in and commitment to their workplace), managers need to proactively meet basic, individual, team and growth needs.

Organizations and leaders also play a part: They have an immediate responsibility to develop managers' abilities and enable managers' success.

B2B leaders can transform their managers into coaches by empowering them to establish expectations, continually coach and create accountability in a strengths-based, engagement-focused, performance-oriented manner. Managers can unlock exceptional performance when they embrace strengths and fulfill their employees' engagement needs each day.

For example, a conversation with an employee about his or her strengths can evolve seamlessly into a discussion about supporting that individual's performance needs, which improves engagement and performance.

Establish Expectations

Fifty percent of employees clearly know what is expected of them when they go to work every day.

To perform with excellence, employees need to understand their day-to-day work and what qualifies it as successful. This goes beyond a job description: Managers need to frequently talk with employees about their responsibilities and progress. They need to help employees understand why their role exists and how their role expectations align with team and organizational objectives.

When managers can establish expectations the right way — expectations that are clear, collaborative and aligned — they create trusted relationships with their employees and set employees up to thrive each day.

Continually Coach

Twenty percent of employees strongly agree that they have talked to their manager in the past six months about steps to reach their goals.

When managers lead ongoing, performance-oriented coaching conversations — rather than periodic reviews — they enable employees to develop through everyday learning opportunities. They also create an *open dialogue* about performance, which helps employees anticipate, focus, prioritize and learn from their work.

Create Individualized Accountability

Nineteen percent of employees strongly agree that their manager recently reviewed their greatest successes, and those who do strongly agree are 3.8 times more likely to be engaged.

Without accountability, establishing expectations and continually coaching are just talk. Managers need to take the time to review progress toward expectations, discuss lessons learned and plan for the future.

Progress reviews create opportunities for managers and employees to prioritize tasks collaboratively, change goals as needed and ensure employees have what they need to be engaged in their work and boost their performance.

OF EMPLOYEES

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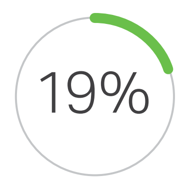
OF EMPLOYEES

strongly agree that they have talked to their manager in the past six months about steps to reach their goals.



OF EMPLOYEES

strongly agree that their manager recently reviewed their greatest successes, and those who do strongly agree are 3.8 times more likely to be engaged.

STRENGTHS-BASED COACHING

Traditional performance reviews often focus on what an employee has done wrong and what needs to be fixed. This emphasis has detrimental effects on employee engagement and performance.

In contrast, focusing on positive aspects of performance, such as strengths and accomplishments, tends to improve performance.

A 2016 Gallup meta-analysis spanning more than 2.1 million employees and 20,000 business units showed that teaching employees to leverage their strengths using CliftonStrengths® tools and coaching produces substantial impact:

8% to 18%	↑	increase in performance, including productivity, sales data and performance ratings
2% to 10%	↑	higher customer metrics
20% to 73%	↓	lower attrition
7% to 23%	↑	higher employee engagement
4% to 10%	↑	increased citizenship, defined as employee involvement in company-sponsored activities

Strengths-based coaching helps employees develop more self-awareness for how they can best approach their work. It helps managers understand how to unlock employees' full potential. It positions employees to spend more time doing what they naturally do best so they can meet expectations more efficiently and effectively.

Further, strengths-based coaching improves team collaboration because coworkers better understand each other's needs, behavioral tendencies, thought processes and feelings.

By allowing employees to lead their strengths and teaching team members to embrace each other's strengths, managers can more effectively unlock a team's greatest performance potential.

ENGAGEMENT-FOCUSED COACHING

No matter how well managers define performance expectations, employees still need unwavering support from their managers and coworkers to consistently perform at their best. They need an engaging work environment.

Because employees' performance development needs are not static, managers need a systematic way to identify these changing needs and remove barriers to an employee's success.

Gallup has identified 12 essential elements of employee needs that predict a wide array of key performance outcomes across various types of jobs, industries and countries. This employee engagement metric, the Q12®, has proven to be an extremely effective framework for managing employees' performance needs.

Gallup meta-analytic research from 2016 shows that teams scoring in the top quartile of engagement tend to outperform teams scoring in the bottom quartile by:

21% ↑ higher profitability

20% ↑ higher sales

17% ↑ higher productivity

10% ↑ higher customer metrics

24% ↓ lower turnover in high-turnover organizations

59% ↓ lower turnover in low-turnover organizations

40% ↓ fewer defects

41% ↓ less absenteeism

58% ↓ fewer patient safety incidents

70% ↓ fewer employee safety incidents

Employees must be equipped to perform and then positioned for individual and team success. Engagement-focused managers support employees' essential performance needs — their basic workplace needs, their individual needs, their team needs and their needs for ongoing development.

ORGANIC GROWTH IS AN ACHIEVABLE REALITY

Consistent organic growth shouldn't be a pot-of-gold-at-the-end-of-the-rainbow daydream for B2B leaders. Analytics-driven strategies — that target both customers *and* employees — position leaders to grow amid rapid change and incessant competition.

Identifying and addressing customers' needs with proven analytics can prevent customers from taking their business elsewhere. Further, analytics-based insights regarding customers' businesses, markets and customers can unveil solutions and ideas that contribute to customers' success. This customer impact is the moneymaker; it propels B2B companies to win additional business.

Leaders can throw fuel on the growth fire by embracing workplace analytics and evolving their performance management tactics to better motivate employees. By focusing on employees' needs, leaders create an engaging work environment in which employees are *driven* to meet customers' needs.

KEY ACCOUNT REVIEWS REVEAL WHAT CUSTOMERS REALLY THINK

Only through customer conversations can B2B leaders discover what customers are actually thinking.

B2B companies with exceptional customer engagement make a habit out of conducting customer surveys. However, quantitative data can only reveal so much about the relationship between a company and its customers.

For in-depth insights about key B2B accounts, there's no substitute for picking up the phone and having honest conversations with customers.

One Gallup client put it this way, "Survey data only go so far. Simply *talking* to customers not only demonstrates how much we value their business, it also helps us better understand how we can add value to customers' businesses."

Only through customer conversations can B2B leaders discover what customers are *actually* thinking.

THE POWER OF KEY ACCOUNT REVIEWS

Key account reviews are the surest path to understanding the nuances of customer relationships. A key account review consists of a series of interviews with stakeholders in the company's most important accounts. To ensure complete candor, an objective and trusted third party should conduct the interviews.

Key account reviews reveal how customers truly feel about a B2B company and their experiences working with it. Key account reviews tell suppliers what is and isn't working — from uncovering unresolved customer needs to getting to the heart of a customer's biggest priorities. They provide *specific details* for a more comprehensive solution than numbers alone.

When speaking to an impartial third party, customers feel empowered to share honest feedback — and they typically appreciate that a third party can influence supplier leaders to act. In many cases, stakeholders divulge frustrations that they are uncomfortable sharing with the company. Key account reviews communicate to customers that the B2B company values their opinions and will do whatever it takes to build a thriving, mutually beneficial partnership that propels the customer's business forward.

Designing Insight-Oriented Key Account Reviews

Gallup's approach to key account reviews is based on its extensive firsthand experience with B2B clients and their customers.

Gallup recommends that B2B companies select a wide range of their largest or most important accounts for key account reviews. Companies should choose accounts that fall into one of the three categories:

1

High-Performing Relationships

- high growth
- strong relationship
- strong product penetration

2

Stagnant Relationships

- low growth
- good relationship
- weak or stagnant product penetration

3

Struggling Relationships

- declining growth
- adversarial relationship
- shrinking product penetration

After selecting accounts, B2B companies should create a diverse list of prospective stakeholders for the interviewer. Variety is essential, both in stakeholders' roles and in the nature of their relationships with the client. The chosen stakeholders should come from different departments and levels of the customer organization, from senior leaders to front-line managers.

A varied list of stakeholders — not just those who are likely to provide positive responses — is crucial for an unbiased, outcome-driving review. Company leadership should be involved in the process, validating and approving the list of stakeholders before submitting it to the interviewing team.

From each account, the company should include eight to 12 people within the organization, including at least two to three decision-makers — that is, those with direct involvement in purchasing decisions. If the customer is a multinational organization or has several distinct business units that need coverage, the number of people interviewed may be higher.

Gallup recommends that the company CEO or other senior executive send an email to all prospective participants at the customer organization before scheduling any interviews. This best practice helps increase stakeholder participation rates, especially among those in senior roles. The email should communicate the importance of the review and request honest feedback from participants. In some cases, account or sales representatives should also advise their contacts to expect a call from an interviewer.

CASE STUDY

How One Company Optimized Customer Service Through Key Account Reviews

Gallup worked with a multisite, multiproduct manufacturing company that had a one-size-fits-all approach to account management, providing materials to service centers and original equipment manufacturers (OEMs) in the same way. The company ran its existing system without central account managers, largely favoring the OEMs that only ordered from one or two sites. The service centers, on the other hand, ordered different products from various sites. And with each site, the service centers had a distinct experience and received different communication. The situation was creating havoc for customers.

Key account reviews with Gallup revealed that the setup was not working for the service centers. They wanted one point of contact to own their account. Gallup recommended that the client company reposition its sales force and account teams to better streamline the process for the service centers. Essentially, the client needed one person to direct each service center, which it did when it created a key account manager position. Gallup also helped the client understand how to position the new role for success through compensation, responsibilities and organizational structure.

DON'T JUST ASK, TAKE ACTION

The absence of follow-through after key account reviews can be detrimental to customer relationships. In fact, collecting feedback without taking action can do more damage to the relationship than if the survey or account review had never been conducted.

Why? Participants expect follow-through. They want the B2B company to use their feedback to take action.

B2B leaders should have a plan for embracing and acting on the findings from key account reviews. Further, leaders must clearly communicate to customers that they value their opinions and plan to take action.

Alignment between senior leadership and individual account teams is important because reviews often uncover issues that demand coordinated interventions. For example, concerns at the account level — such as ongoing delivery problems — might be related to systemic issues that require executive action.

Each account team should develop an action plan based on the key account review findings. As a starting point for action planning discussions, teams should focus on two or three initial priorities for an account. To maintain accountability, companies could appoint a project champion to facilitate the development of action plans and to regularly check progress on the account priorities.

HOW TO ENGAGE CUSTOMERS THROUGH PROBLEM RESOLUTION

20%

OF B2B CUSTOMERS

have experienced a problem with a company or product.

Problems are a byproduct of doing business.

From late deliveries to faulty materials, 20% of B2B customers have experienced a problem with a company or product. Of these customers, 46% believe the B2B company resolved their problem and *less than 1%* are "very satisfied" with the way the B2B company handled their problem.

For any company, poor problem handling wreaks havoc on organizational outcomes — including customer engagement, brand perception and future purchase intent[6]. One professional services firm did not deliver a report to a client on time due to technical issues. Because the firm did not proactively communicate with the B2B customer about the late deliverable, the client disinvited the firm from an upcoming sales pitch meeting.

But there's good news: When a B2B company handles problems effectively, it can avoid declining customer outcomes and end up with *higher* customer engagement than it had before the problems occurred. It all comes down to experiences. Customers care more about how companies handle their problems than about the existence of problems in the first place.

> B2B customers who are very satisfied with the way their problem was handled — regardless of whether that problem was resolved — are more likely to be fully engaged (58%) than customers who did not encounter a problem at all (50%).

In other words, customer engagement is more dependent on how problems are *handled* than on the ultimate *resolution* of those problems. When customers are very satisfied with how a B2B company addressed their problem, they are far more likely to be engaged than customers who are very satisfied with the resolution of their problem. B2B companies do not absolve themselves by fixing issues; they do so by prioritizing customers' emotional needs.

Therein lies the silver lining of customer problems. When B2B companies handle problems correctly, problems become powerful opportunities to amplify customer engagement. So while taking action to prevent problems, leaders should also handle problems with the goal of leaving customers as satisfied as possible.

6 http://news.gallup.com/businessjournal/205445/silver-lining-customer-problems.aspx

How can B2B companies address problems in a customer-centric, engaging manner?

FIVE KEYS TO HANDLING PROBLEMS EFFECTIVELY

Customer-centric processes and employees are pivotal to customer satisfaction. What does customer-centric problem resolution look like? Quite simply, it looks like whatever customers prefer.

Because of the unique nature of B2B customer relationships, companies should apply strategies that align with customers' needs. This requires a data-driven approach, with B2B companies discovering what their customers want and consistently exceeding those expectations.

1) Know your customers.

B2B customers want the companies they do business with to be experts in their industry and their customers. This expertise should inform problem handling, with B2B companies relying on their customer knowledge to determine how to best solve problems and prevent them from reoccurring.

B2B companies should:

- use advanced analytics to understand each customer's business and how problems affect the company and its customers
- develop service-recovery strategies uniquely tailored to a customer's organizational culture
- familiarize themselves with the customer's industry and day-to-day work environment
- deliver creative ideas to help customers achieve their business goals and provide value to their customers

2) Foster in-depth partnerships with customers.

In complex B2B relationships, problems often arise from miscommunication or misunderstanding between suppliers and buying centers — rather than simply supplier error or product failure. (A buying center is commonly defined as: "A group of individuals within an organization or family that make decisions about a substantial purchase.")

Because of this, B2B companies should build strong relationships to facilitate timely and accurate communication. Effective partnerships not only reduce problem incidence, they also streamline problem handling. An account team that has solid relationships with a customer buying center has a significant advantage when discussing and resolving any problem, whether that issue is a product, service or communication failure.

3) Make customer-centricity a top priority across all company functions.

Few customer problems can be resolved by a single contact person or the immediate account team. Close collaboration across customer support, product development, technology and other roles is essential for simple, efficient problem resolution experiences.

When a problem occurs, the account team should quickly present the full picture to key leaders and employees. Ensuring internal alignment requires intentionality, because many teams operate in silos with competing priorities and different understandings of how to best handle customer problems.

Strong leadership from account teams is pivotal for effective and efficient problem resolution. To maintain accountability and incentivize cross-company alignment, B2B leaders should employ reward mechanisms that recognize employees for the outstanding ways they handle problems — no matter what role they play in that process.

4) Involve executives in service recovery.

B2B leaders should never underestimate the power of an apology. Gallup finds that 93% of customers who are satisfied with the resolution of a problem say they felt valued and trusted, the organization took ownership, the problem was resolved rapidly and employees communicated genuine regret[7].

Organizing company-wide resources to deliver an engaging service-recovery strategy is an essential leadership role, but offering a proactive and sincere apology may be leaders' most important task. Communicating authentic regret speaks volumes to customers and employees: Senior leaders need to model customer-centric behaviors to inspire all employees to maintain a focus on customers and go above and beyond to solve problems.

Leaders are also responsible for empowering account teams to provide customer-centric service recovery — no matter how capable an account team is at resolving conflicts.

5) Define a people strategy.

Because customers' emotions are central to their engagement, empathetic processes and people are crucial for engaging problem resolution. From having empathetic employees who show genuine concern to developing policies that put customers' interests before those of the supplier, B2B companies not only need to say they care, they also need to show it.

This requires having the right people in place. Supplier employees are responsible for building B2B partnerships, and they ultimately solve or handle customers' problems. Suppliers should select and develop employees to take ownership of customers' problems, demonstrate high empathy for customers' feelings and prioritize customers' interests before their own.

7 http://news.gallup.com/businessjournal/205445/silver-lining-customer-problems.aspx

EMPLOYEE ENGAGEMENT IS PARAMOUNT

> When employees are engaged, they are 4.6 times more likely than less engaged workers to be customer-centric.

They're also more likely to strongly agree that they have grown in their ability to help customers, that they have the authority they need to do their jobs well and that they have freedom to make decisions.

Engaged employees are more active in learning and continually updating their knowledge of and experience with problem resolution. These employees are more likely to work to break down silos among teams and to go the extra mile in handling problems in ways that exceed B2B customers' expectations.

Because engaged workers focus on customer and organizational outcomes, it's in their nature to discover causes of problems and prevent problems from reoccurring. Engaged workers are more attuned to the needs of customers and are motivated to go the extra mile to resolve customer problems. They are also more likely to care about quality and are more observant of processes, standards and systems.

The bottom line is that engaged employees help their companies improve customer relationships and obtain impressive organic growth. In fact, as revealed in Gallup's 2017 *State of the American Workplace* report, highly engaged, top-quartile business units achieve a 10% increase in customer metrics and a 20% increase in sales compared with bottom-quartile business units.

WORLD-CLASS ORGANIZATIONS MINIMIZE PROBLEM INCIDENCE

B2B companies in Gallup's database are having fewer customer problems than in years past. In fact, problems are occurring less frequently over time among companies that intentionally measure and manage customer engagement. Best-in-class companies have minimized problem incidence, with only 8% of their customers experiencing problems. With the right interventions, B2B companies can maintain a world-class reputation and bring brand promises to life with customer-centric problem handling.

KEY DRIVERS ARE A ROADMAP FOR ENGAGEMENT

On average, Gallup clients have raised their customer engagement scores by

9%

over a seven-year period.

There are several ways B2B companies can increase customer engagement — and, in turn, win more business from existing accounts.

However, Gallup analytics reveal a particularly powerful driver of engagement: *customer impact.* Gallup defines customer impact as meaningful change in a customer's organization or business model that improves the customer's business performance.

For one professional services firm, accounts with the highest levels of customer impact had **72%** more fully engaged customers and **4.5 times** more revenue gain than bottom-quartile accounts.

How can companies generate customer impact and deepen customer engagement?

There is no one-size-fits-all solution. B2B relationships are complex, and leaders need to tailor their approach in each of their most important accounts. A manufacturing organization, for example, might need to focus on innovation with some accounts and knowledge-sharing with others.

> Thriving B2B organizations isolate the strongest drivers of impact and engagement by collaborating with a company with expertise in leading-edge analytics. Then, based on these drivers, leaders implement tailored strategies for engaging and expanding accounts.

By following this approach, Gallup clients overall have raised their customer engagement scores by an average of 9% over a seven-year period. A quarter of Gallup's clients have improved customer engagement by 18% over the same period.

FROM ANALYTICS TO ACTION

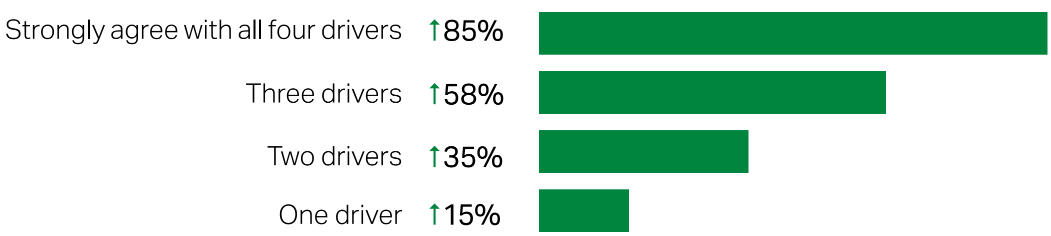
To drive growth, B2B leaders can't stop with identifying chief drivers of impact. They need to respond with a workable plan of action.

This means evaluating current processes to determine how well they promote the ideal customer experience. Leaders should ask questions such as:

- Do internal goals and performance management practices incentivize the right employee behaviors?
- How well do marketing communications and brand positioning connect to customer engagement needs?
- Are managers providing strengths-based performance coaching to help employees thrive?
- Do employees have the right support, tools and training to boost customer impact and deepen emotional connections with customers?

One professional services firm uncovered four potent drivers of customer impact and took action accordingly. Customers who strongly agreed that they experienced these four drivers had an 85% increase in customer engagement. Further, the chances of customers being actively disengaged were *eliminated* when they strongly agreed with three or four of the drivers.

Additive Effects of Customer Impact (% Fully Engaged)



GENERALIZABLE SUCCESS DRIVERS

Taking an individualized approach with top accounts is essential for understanding these customers' unique challenges and opportunities. However, Gallup has identified four generalizable drivers that all account teams can focus on to increase the likelihood of satisfying, engaging and bringing impact to customers.

1) The Basics of Engagement

Is the customer satisfied with [Company] as a vendor?

Fundamental engagement drivers (such as quality, utility, knowledge and responsiveness[8]) are pivotal for success with any account. To grow customers' businesses, B2B companies need to have a handle on the basics of the relationship.

The trouble is, leaders often don't know where they stand with customers. Insufficient analytics is often to blame. Static satisfaction scores provide an incomplete picture of customer relationships and often lead to an imperfect understanding of the current state of a company's customers[9].

Other times, leaders are unaware of how their customers are feeling because account teams don't recognize warning signs or are hesitant to communicate issues to leaders.

Poor performance on the basics of engagement can lead to serious problems. Even simple issues often seem more severe to customers, who suffer the consequences in their budgets and timelines. Furthermore, customers remember issues, which potentially undermines future opportunities to expand accounts.

To master the basics, B2B companies should consistently monitor their performance with key accounts using proven, effective analytics. They should also have a structured problem resolution process for all accounts to identify, record and report issues.

8 http://news.gallup.com/businessjournal/190400/biggest-driver-b2b-success-meaningful-customer-impact.aspx

9 http://www.gallup.com/analytics/231680/ways-beyond-nps-fully-understand-b2b-relationships.aspx

2) Relationships

Is there a strong connection between [Company] and the customer?

B2B relationships are layered. To build successful partnerships, B2B companies need to invest in account-level and top-to-top relationships.

The best account representatives have an intimate knowledge of their customers and their businesses, people and problems. It's not enough for customers to like their account representatives; they need to *trust* them. Star account representatives are a source of ideas and a gateway to additional resources. They work tirelessly and aggressively to get things done for their customers.

B2B leaders should use a data-driven approach to hire innately talented account representatives. They should also equip managers to engage and develop employees at all levels of the company.

Thriving top-to-top relationships are essential for effectively communicating the entirety of a B2B company's offerings. The best leaders reinforce account-level relationships and facilitate forward-thinking conversations. They help relationships move past lingering issues. They communicate that the company *values* the customer and will do whatever it takes to grow their business.

To form the right connections in customer organizations, B2B companies should create relationship maps, outlining the minimum and ideal networks for each key account.

3) Opportunities

Is there a clear and feasible path to success with the customer?

To retain and grow business within an account, B2B companies need to know what the customer's agenda is and where opportunities for additional products and services lie.

This awareness typically comes from top-to-top discussions, but account representatives should also be familiar with the customer's direction. At a minimum, representatives should have a handle on upcoming RFPs/bidding events and the criteria for success in the bidding process.

Growth might come from expanding business in existing product lines or having customers take market share from competing vendors. However, such options might not be viable if customers prefer a multi-vendor approach, are maxed out in a particular product category or are comfortable with their other vendor relationships.

There may also be opportunities in additional product categories and territories, including areas in which the vendor does not have a presence and in which third-party partnerships or alliances are necessary. Other promising opportunities involve enhancing products or services — a strategy that can unleash significant competitive advantages and help a company build long-term relationships with its key accounts.

Keeping customers' needs in mind is essential for ensuring new opportunities to promote customer impact and foster trust in the relationship.

4) Positioning and Approach

Is [Company] taking steps to maximize new opportunities with the customer?

To expand accounts in a way that engages and satisfies customers, B2B companies need to navigate opportunities in a customer-centric manner.

Customers want to know that their vendors have sufficient resources to easily accommodate new business. Customers look at the capabilities and expertise of account representatives *and* broader account teams when considering expanding business with a B2B company.

B2B companies should convey their capabilities and resources, and that they *value* any opportunity — big or small. Customers want to know that their B2B partner will aggressively pursue all opportunities, not just those that are highly profitable or strategically important.

Transparent communication is crucial when a customer and vendor don't see eye to eye about opportunities. For example, if a B2B company is slow to respond to an opportunity or chooses to pass on an opportunity, the company should clearly explain *why*. In such instances, B2B companies should address the underlying customer concern, pointing customers to other insights, products or services that better meet their needs.

Trust can suffer if a customer feels a B2B company is pursuing its own agenda, so B2B companies should never pressure customers about new opportunities. They should continually convey their emphasis on furthering the customer's bottom line.

SUPPLIERS ARE A COMPETITIVE ADVANTAGE

By engaging suppliers, B2B companies can become a "customer of choice" in suppliers' eyes.

Like it or not, suppliers matter when it comes to B2B customer relationships. Their actions affect customer experiences — for good or ill — and can influence a customer's level of engagement with the B2B company.

For example, a manufacturing company was receiving negative customer feedback about late deliveries. At first, the manufacturer didn't understand why the anger was pointed in its direction. Leaders at the manufacturing company believed that once the product left their plant, delivery was out of their hands. In reality, the suppliers' actions (in this case, freight operators and trucking companies) affected the manufacturer's customer engagement level, even if the company was not directly involved.

Companies that invest in supplier relationships can prevent problems that damage customer outcomes — and ultimately earn better service from their suppliers than their competitors. By engaging suppliers, B2B companies can become a "customer of choice" in suppliers' eyes.

Suppliers devote their full attention to a customer of choice and assign their best employees to the customer's projects. A customer of choice can gain access to innovative processes and technologies before competitors — opening the door to new product development and faster marketplace advances. A customer of choice can also get more favorable terms than competitors who haven't achieved this status.

In other words, suppliers are potential competitive advantages with innovations, ideas and solutions that can improve B2B companies' businesses. To tap into this resource, B2B companies have to be willing to listen to their suppliers and cultivate thriving supplier relationships.

HOW TO BECOME A CUSTOMER OF CHOICE

Gallup collaborated with Mars, a leader in fast-moving consumer goods, to develop a practical solution to measure, manage and optimize the quality of supplier relationships.

This endeavor began after Mars experienced the power of being a customer of choice. During a strike in France, gasoline stations across the country were closed, but one important supplier still had one truck with fuel available. The fuel from this truck could only go to *one* company — and several customers were hoping to secure the truck. Ultimately, a Mars competitor received the truck, and Mars was forced to reduce production in one of its plants.

Like employee and customer engagement, supplier engagement hinges on both rational and emotional factors. Rational factors (such as price and quality) *and* emotional factors (such as human interactions between suppliers and customers) determine the quality of relationships.

Gallup has decades of expertise helping companies around the world measure and maximize employee and customer engagement. Based on that experience, Gallup identified five core dimensions and 10 survey items that isolate the quality of supplier relationships. These items reveal how buyers rate with suppliers, and they provide talking points for sparking meaningful, relationship-building conversations with suppliers.

GALLUP'S SUPPLIER ENGAGEMENT CONSTRUCT

Dimension	Definition
Clarity	Reflects the clarity of expectations and the quality of communication pathways to ensure these are clear to all.
Simplicity	Reflects ways of working and, in particular, the ability to deliver excellence.
Integrity	Reflects the notions of trust and the ability to overcome problems to reach a mutual agreement.
Reciprocity	Reflects the value both parties place on the relationship.
Connectivity	Reflects the interdependence in the relationship and the recognition of shared outcomes.

CLASSIFYING SUPPLIERS AND THEIR IMPORTANCE

Not every supplier relationship has the same value for a company or is equally necessary for the business' survival. Many companies benefit from evaluating and nurturing the entirety of their supplier relationships. Other times, a company has supplier relationships that are inconsequential to business outcomes. In these cases, leaders should differentiate and prioritize critical suppliers.

Leaders must also consider how their supplier relationships come to life for their customers. Companies often partner with suppliers that have well-known or established brands — brands that can and do influence customers' perceptions and engagement.

THREE ACTIONS FOR BECOMING A CUSTOMER OF CHOICE

After assessing the health of critical supplier relationships, B2B leaders can then turn their attention to optimizing those relationships. Gallup has identified three essential actions that can help companies set themselves apart as a customer of choice.

Have engaging conversations with your suppliers.

Supplier engagement analytics are only a starting point. To improve relationships, B2B companies must use insights from supplier analytics to have *engaging conversations* with suppliers.

Leaders should consistently seek supplier feedback and regularly collect follow-up supplier engagement data. Crucially, B2B companies must respond to feedback from suppliers — taking actions that strengthen relationships and help them become customers of choice.

Provide suppliers with ideas.

Companies should willingly share insights and ideas that help suppliers accomplish their goals and grow their businesses. *Both* sides should benefit from the partnership.

For example, if a B2B company asks a supplier to invest time and money into making its packaging more appealing or speeding up its delivery process, then the supplier can reasonably expect something in return from the company.

Be easy to do business with.

Leaders should aim to become customers with whom suppliers love to work. Clarity, simplicity and consistency are core characteristics of an effortless partnership. B2B companies should respond quickly to questions and be accommodating in each interaction.

THE ULTIMATE GOAL IS TO CREATE CUSTOMER IMPACT

Becoming a customer of choice might not be easy, but it's worth it. A customer of choice earns far more than better service; they profit from access and privileges that their competitors lack.

These benefits position B2B companies to better meet their customers' needs and achieve authentic customer-centricity.

STRONG CUSTOMER RELATIONSHIPS ARE BUILT ON COLLABORATION

The best B2B relationships Gallup has studied are steeped in trust and collaboration.

When both sides of a B2B relationship are primarily looking out for their own best interests, they can miss legitimate opportunities for shared benefits, cost savings and growth.

One CEO of a large consumer goods company learned this lesson as a sales associate assigned to a retail client. An experienced client executive explained a major issue in the relationship to the green associate: Both companies' sales and procurement teams were leading interactions — driven by their individual objectives and incentives. Consequently, there was no real sense of partnership. Neither side was fully appreciating the other side's capabilities and value chain, which undermined potential gains for both companies.

The best B2B relationships Gallup has studied are steeped in trust and collaboration. In these partnerships, both sides are transparent about costs and allow the other to make a profit. The vendor knows the customer's business, and both sides promote new ideas, transparency and a long-term view of the relationship.

CHARACTERISTICS OF THE BEST B2B RELATIONSHIPS

Leader-to-Leader Collaboration

In the best B2B relationships, senior leaders on both sides foster collaborative, transparent, mutually beneficial partnerships. Top-to-top connections enable forward-thinking strategizing, as well-informed leaders pursue the most promising opportunities for long-term growth.

Leadership connections create openness and creativity in a relationship. Working together, senior leaders can explore options that might be costly in the near term but offer joint value and savings in the long run.

Risk-Taking

Both sides are willing to take chances in thriving partnerships. For B2B leaders, risk means going first, showing value early and investing in the relationship before a return is apparent. For customers, risk means entering a long-term relationship that may have higher initial costs but pays dividends over time.

Both parties need to recognize that unforeseeable issues can arise, such as key stakeholders leaving the company, and accept those risks if there is a strong probability of a high return on their investment.

Clear Goals and Expectations

Well-established expectations are paramount for success in a B2B relationship. Both sides need a documented joint business plan that details each company's role and responsibilities. Leaders should be specific and transparent — for example, sharing expectations on the timeline and what they hope to gain from the relationship.

To maintain clarity of expectations, both businesses should meet regularly as a cross-functional team, including executive sponsors, functional managers and day-to-day relationship participants. Through these meetings, both sides can voice opinions, share knowledge, solve problems, identify opportunities and adjust strategies.

Ongoing Transparency

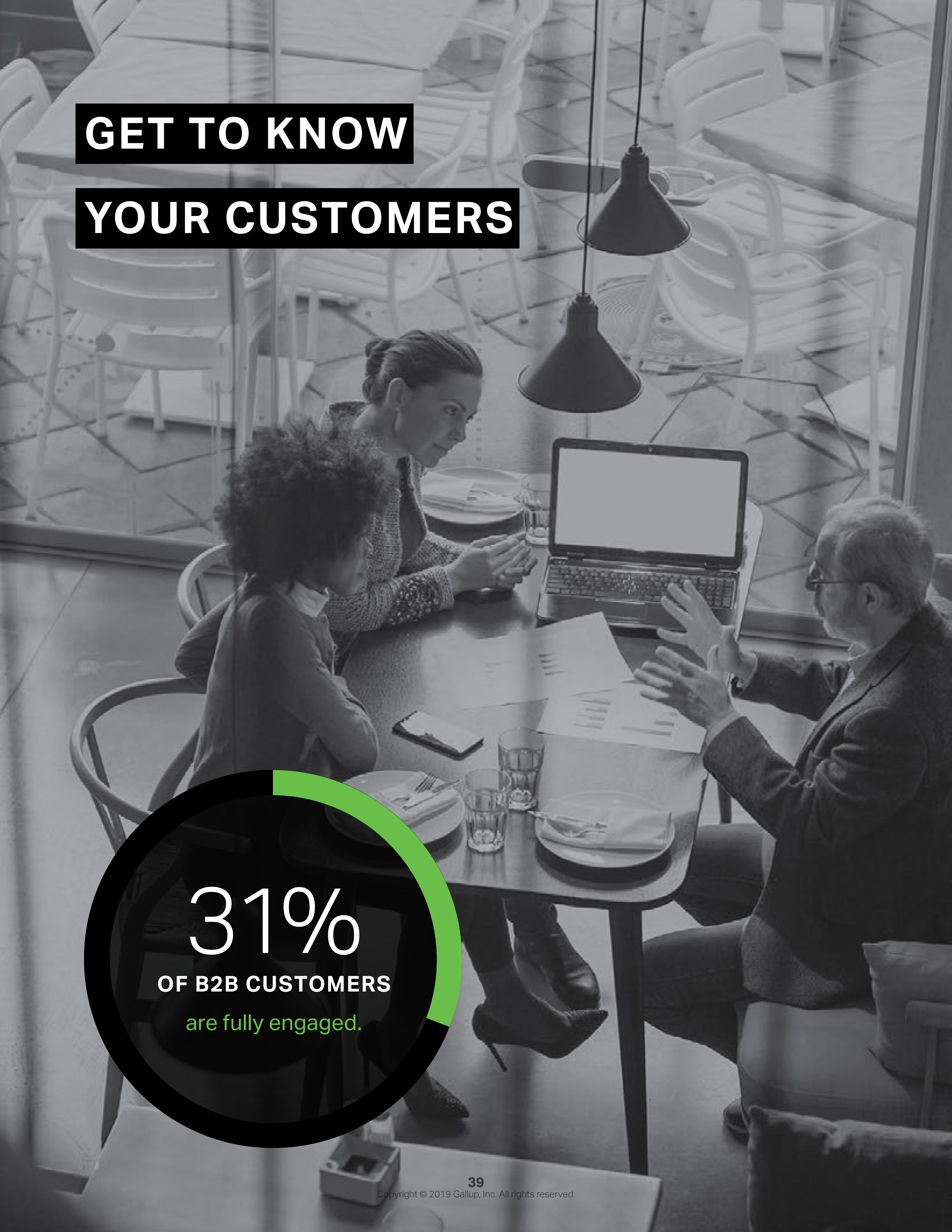
Honest communication is a cornerstone of the best B2B partnerships. In such a relationship, both sides are committed to transparency and recognize that each company needs to make money. Leaders should disclose their goals, level of experience and cost and margin requirements.

When done correctly, revealing intentions creates trust and allows leaders to find win-win opportunities.

A Long-Term Perspective

Outcome-driving relationships don't happen overnight. In the best partnerships, both sides understand that payoffs might take a while. They view the partnership as a long-term investment, with customers willing to link their company to a specific supplier and vendors willing to accept the challenges of long-term business relationships.

GET TO KNOW YOUR CUSTOMERS



31%

OF B2B CUSTOMERS

are fully engaged.

Customers often expect more from companies than companies expect from themselves. Customers want their vendors to have a detailed understanding of their needs, their competition and their end consumers.

For B2B leaders, this makes the secret to thriving in a competitive landscape rather simple: Discover customers' business needs and deliver solutions that meet those needs.

That is, B2B organizations need to generate *customer impact* — meaningful change in a customer's organization (or their business model) that significantly improves that customer's bottom line.

B2B organizations become expert advisers when they engineer their products and services to further customers' businesses. These B2B companies are knowledgeable, customer-oriented generators of growth with a differentiated value proposition. They give customers a compelling reason to keep doing business with them.

Discovering powerful customer analytics is the only path to understanding the nuances of customers' businesses, markets and consumers. A data-driven approach provides intimate, extensive knowledge of a customer's business — insights that allow B2B companies to deliver new ideas and tailored offerings that help customers succeed.

When customers trust a B2B company to further their goals, they have a stronger emotional attachment to that company — that is, they are more *engaged*. In fact, Gallup research shows that customer impact is the single greatest driver of customer engagement and B2B growth.

WHY CUSTOMER ENGAGEMENT MATTERS

Highly engaged customers spend more, purchase more often and stay longer with the company. The concrete links between engagement and critical business outcomes stand the test of time and rigorous research.

Companies that successfully engage their B2B customers realize:

- 50% ↑ higher revenue/sales
- 34% ↑ higher profitability
- 55% ↑ higher share of wallet
- 33% ↑ greater likelihood to be first choice for future business
- 63% ↓ lower customer attrition
- 32% ↓ fewer days sales outstanding

Unfortunately, just 31% of B2B customers are fully engaged — meaning that most B2B companies are leaving serious money on the table.

HOW TO GENERATE CUSTOMER IMPACT

B2B companies create impact when they enhance a customer's standing and potential in the marketplace while also strengthening that customer's business outcomes. The more a company can help its customers thrive, the stronger the partnership becomes. Ultimately, customer impact creates a *mutually beneficial* B2B relationship, as both the company and the customer advance their businesses through their partnership.

To create impact, B2B companies must:

- understand the customer's business
- bring the customer new ideas
- make these ideas work for the customer by tailoring them to the customer's marketplace and workplace

Customer impact is about shifting from commodity to collaboration. B2B companies should come alongside customers and offer information that competitors do not have — from specific recommendations about changing market demands to innovative products that solve customers' biggest problems.

Here are some additional examples of customer impact:

- sharing knowledge and experience related to a customer's production or supply chain issues
- enhancing a customer's standing in the marketplace and their potential for business growth
- optimizing a customer's cost structure, perhaps through more effective supply chain management, inventory control or process improvement
- introducing a customer to other vendors, distributors or retailers that can help with some facet of the customer's business
- ensuring customers are effectively using the company's products or services to further their goals
- identifying unseen product or service opportunities for customers

USE EVERY AVENUE TO ENGAGE CUSTOMERS

Working to create customer impact does not negate the value of the more functional drivers of engagement, such as delivering quality and optimizing responsiveness. B2B companies must meet customers' *holistic* engagement needs. This requires discovering and prioritizing the top drivers of engagement for a B2B company's unique customer base.

At the same time, all engagement efforts should be aimed at producing tangible changes in business performance for customers. That is, B2B leaders should continually emphasize customer impact *and* customer engagement. Gallup research shows that when B2B companies engage their customers and generate impact for them, those companies achieve higher levels of performance than companies that only engage customers.

CUSTOMER IMPACT + CUSTOMER ENGAGEMENT = MULTIPLICATIVE EFFECT

In one study, customers across various business lines who were fully engaged and who experienced impact contributed to significantly higher shares of wallet (31% higher share in one business line and 9% higher in another) and significantly higher earnings (20% and 26% higher, respectively).

MEASURING CUSTOMER IMPACT AND CUSTOMER ENGAGEMENT

Traditional satisfaction or advocacy surveys are not enough to truly understand current and potential customers. These static measures do not enable B2B growth; rather, they reflect whether a company fulfilled customers' baseline expectations at a reasonable price, with minimal delays or problems.

With proven, effective quantitative and qualitative measures, B2B companies can gather a comprehensive perspective about how well they're creating customer impact.

Gallup assesses customer impact by asking customers to rate their level of agreement with a single statement, using a five-point scale: "[*Company*] has made a significant impact on the success of my business."

To further identify actions that support positive impact, Gallup conducts qualitative interviews with key stakeholders.

Because customer engagement is one of the best predictors of customer outcomes, Gallup recommends consistently assessing customer engagement as a foundational customer analytic.

With decades of B2B expertise, Gallup developed a metric that accounts for the emotional aspects of human behavior and decision-making. We determine whether customers believe:

1. **Your company always delivers on what you promise.**
2. **They are proud to be your customer.**
3. **Your company is the perfect company for them.**

CULTURE MATTERS TO B2B COMPANIES

60%

OF BIG DATA PROJECTS

fail to go beyond piloting and experimentation due to culture issues.

With the right data and analytics, B2B leaders can better understand their customers' businesses and gain a competitive edge.

To use that edge to grow their businesses, leaders need to empower employees at all levels to make data-driven decisions that create customer impact. It's not enough to understand how customers feel and what empowers their businesses; B2B companies must use that knowledge to shape their culture and the way they operate. To that end, B2B leaders should strive to build a data-driven culture.

In such a culture, employees understand the importance of an analytics-based approach to customer centricity. They are aligned with their leaders' vision and have clear direction about their role in it. They can interpret and *apply* data, and align discoveries with organizational priorities and business outcomes.

When employees cannot manage or act on an influx of information, companies cannot harness analytics to make decisions — and data initiatives will stall. According to one estimate, **60%** of big data projects fail to go beyond piloting and experimentation due to culture issues.

CULTURE CHANGE STARTS WITH ALIGNMENT

To many B2B leaders, the secret to culture change is an enigma.

Gallup has spent decades studying the world's most successful work cultures. We've discovered many companies cannot transform their culture because they look at it in a vacuum and don't factor in the other elements that matter. In Gallup's experience, companies that want to build a data-driven culture that creates organic growth can only do so by aligning culture with their *purpose* and *brand*.

A company's purpose, brand and culture combine to create a larger dynamic that Gallup calls organizational identity.

Purpose: *Why does our organization exist, and why are we here?*

A company's purpose should be more than words on a wall. Leaders and managers must ensure that employees can connect their company's purpose with their day-to-day work. Purpose should inspire commitment, with each employee bringing the purpose to life through their actions and decisions.

Brand: *How are we known to the world?*

To earn customers' trust and business, B2B companies need to create a strong brand promise and consistently *deliver* on it. This requires internal alignment: Employees need to live and breathe their company's brand and understand their role in fulfilling brand promises.

Culture: *How do we live, and how do we accomplish work around here?*

Culture is an operating manual that gives employees ground rules and guidelines for living the company's purpose and delivering on the brand promise. B2B companies need to constantly reinforce their culture — recognizing those who live the culture, continually emphasizing desired behaviors and aligning their performance management systems with their cultural aspirations.

Why is alignment of these three elements powerful? Companies gain momentum when employees speak the same language, live the same behaviors and promote the same goals. Alignment accelerates change and enables sustained high performance.

Alignment also creates a seamless, differentiated customer experience. When companies build alignment, everyone — from employees to customers to shareholders and industry influencers — think and talk about the company in the same way.

Gallup's experience shows that the most successful companies align their purpose, brand and culture when they:

1) **Partner with an objective third party to examine their identity.**

A company can only gain a true understanding of its purpose, brand and culture by conducting in-depth quantitative and qualitative research to understand where it is and where it could be.

Many organizations have inherent biases when examining their own identity. They also often lack the analytics capabilities, knowledge or expertise needed to honestly evaluate their identity. If a company wants to implement real change, it has to work with an outside firm to ask questions and conduct research, which includes executive team interviews, employee interviews and focus groups, on-site observations and internal and external document reviews.

The results of this research identify:

- where a company's brand and purpose lack clarity
- the level of consistency in the functional elements of a company's culture
- how well a company's desired purpose, brand and culture match its *actual* purpose, brand and culture
- opportunities to empower employees to promote a company's desired purpose, brand and culture

2) **Set the course for a unique identity.**

Many companies try to build an identity based on what other companies have done, rather than what makes the most sense for their business and people. Organizations are most successful when they focus on evaluating, understanding and strengthening their distinct purpose, brand and culture.

Creating a well-aligned purpose, brand and culture requires support from the C-suite. Leaders are responsible for defining, displaying and communicating the aspired identity. They should prioritize the desired culture by following a clearly defined strategy for building and sustaining it. They should set the tone and model desired behaviors to encourage employee buy-in.

3) Take action and maintain accountability.

Insights from third-party research should equip leaders with a concrete plan of action. Managers' and leaders' commitment to this plan is pivotal to driving lasting change. Equally important is accountability, which leaders should ensure throughout all levels of the company, from managers to front-line contributors.

Companies must communicate consistently about their desired purpose, brand and culture to ensure that systems and processes reflect and reinforce these elements. For example, leaders might envision a culture that focuses on the customer experience but have a performance management system that incentivizes sales rather than customer ratings. Or, a company might emphasize customer service on its walls but fail to promote customer-centric goal setting.

THE PATH TO A DATA-DRIVEN CULTURE

> Any effective culture-change initiative starts with alignment and leadership support.

Ongoing dedication is essential to optimizing and advancing a data-driven culture. Leaders should continually reassess communications, company values, human capital practices, work structures and performance management processes to ensure the company supports data-driven, customer-centric decisions.

CUSTOMER-CENTRICITY DEMANDS ACTION

Customer-centricity takes commitment, measurement, advanced analytics and, most importantly, follow-through.

A customer-centric culture that consistently delivers customer impact doesn't happen overnight.

To become customer-centric, B2B companies must listen to and act on their customers' needs and wants through a disciplined approach. They need to see the world through the lens of their customers. They need to understand their customers' businesses and constantly work to further their customers' goals.

Customer-centricity takes commitment, measurement, advanced analytics and, most importantly, *follow-through*. Even the most advanced customer analytics are powerless if companies don't respond with action.

Gallup has spent decades studying B2B companies that have succeeded in adopting a truly customer-centric operating model. We've identified four best practices that can enable any B2B culture to undergo this radical transformation.

FOUR PHASES OF A CUSTOMER-CENTRIC OPERATING MODEL

Discover: Get to know the customer.

To serve a customer with an intentional emphasis on growing that customer's business, B2B companies should start by exploring the current state of the relationship. A deep understanding of a customer's business is essential for sharing innovations and new ideas that *expand* that customer's business.

This phase includes tasks such as:

- studying the customer's culture, networks, language and social structure
- evaluating the customer's account structure
- reviewing any prior metrics used to evaluate the relationship
- understanding the buying center and building a relationship map
- conducting stakeholder analyses to assess the current customer landscape
- assessing the customer's needs and priorities
- creating or refining a customer engagement strategy

Analyze: Deepen your understanding of the customer with a data-driven approach.

Qualitative and quantitative analyses provide invaluable insights for amplifying a B2B company's understanding of the customer organization. A holistic approach — with objective qualitative customer feedback and advanced analytics — ensures that leaders set a tailored, customer-oriented course with the customer.

During this phase, B2B companies should take actions such as:

- using a data-driven approach to isolating the customer's top priorities
- partnering with a third party for a key account review to discover what's working in the relationship and where there are opportunities for improvement
- aligning internally regarding key account review findings to understand strengths and vulnerabilities
- building an action plan based on the key account review and establishing accountability for the plan
- conducting an ethnographic study of customers

Target: Determine what drives customer impact.

Understanding what drives each customer's experience, engagement and perceptions of impact is crucial for improving the relationship and expanding customer impact. When B2B companies know exactly which levers to pull for each customer — and which actions are less effective — they can efficiently and effectively bring customer-centricity to each relationship.

Some of the best practices associated with this phase include:

- conducting driver analyses to determine how to propel the relationship
- estimating how well the B2B company is executing the key drivers
- linking the key drivers to a customer's top priorities and conducting a gap analysis
- connecting findings from earlier phases to identify ways to maximize the customer's experience
- developing a plan for consistently taking action related to the key drivers
- incorporating findings from earlier phases to identify ways to transform the customer experience and goals related to key drivers

Sustain: Foster accountability to ensure long-term commitment to growth.

Collaboration, intentionality and accountability are *vital* for steadily enriching the customer experience, intensifying customer impact and improving the customer's business performance. Customer-centricity isn't achieved with surveys alone; employees at all levels must be dedicated to consistently following the B2B company's plan for delivering impact.

Here are several winning tactics associated with this phase:

- appointing a project champion to facilitate progress checks
- showcasing wins that enhanced the customer relationship
- implementing a robust, company-wide internal communication strategy for disseminating results, sharing best practices and advising about plan adjustments
- discussing progress with a customer to consistently convey the B2B company's commitment to optimizing the relationship
- evaluating progress and perfecting strategies with follow-up qualitative and quantitative analyses

THE HEART OF CUSTOMER-CENTRICITY: PEOPLE

The success of a customer-centric operating model hinges on a single factor: a B2B company's *people*. Employees at all levels must be aligned with a company's vision for customer-centricity, with a clear understanding of how they are expected to deliver customer-centricity each day. If alignment is lacking or employees don't know how to succeed, companies will struggle to consistently fulfill brand promises.

LEADERS' ROLE

Leaders are responsible for setting the tone and inspiring new beliefs and behaviors. Consistently reinforcing the company's dedication to customer-centricity is essential for sustaining momentum and aligning employees.

Leaders must take accountability for cultivating a customer-centric culture. This means creating the right processes, systems and service values to ensure consistent delivery of promises. For example, a developmental approach to performance management fosters employee accountability and hones employees' skills through ongoing, individualized performance coaching. Further, leaders need to model desired behaviors — truly *listening* to qualitative and quantitative customer insights and using those discoveries to anticipate and meet customers' needs.

Leaders must remain committed to customer-centricity for the long term. As customers' needs evolve, B2B companies need to continually bring them new ideas that propel their business outcomes.

MANAGERS' ROLE

Managers of customer-facing employees should equip their team members to thrive as brand ambassadors — meeting basic engagement needs so employees approach their work with energy and enthusiasm. Managers of non-customer-facing employees must reinforce the importance of customer-centricity — helping team members connect their work with the mission and purpose of the organization.

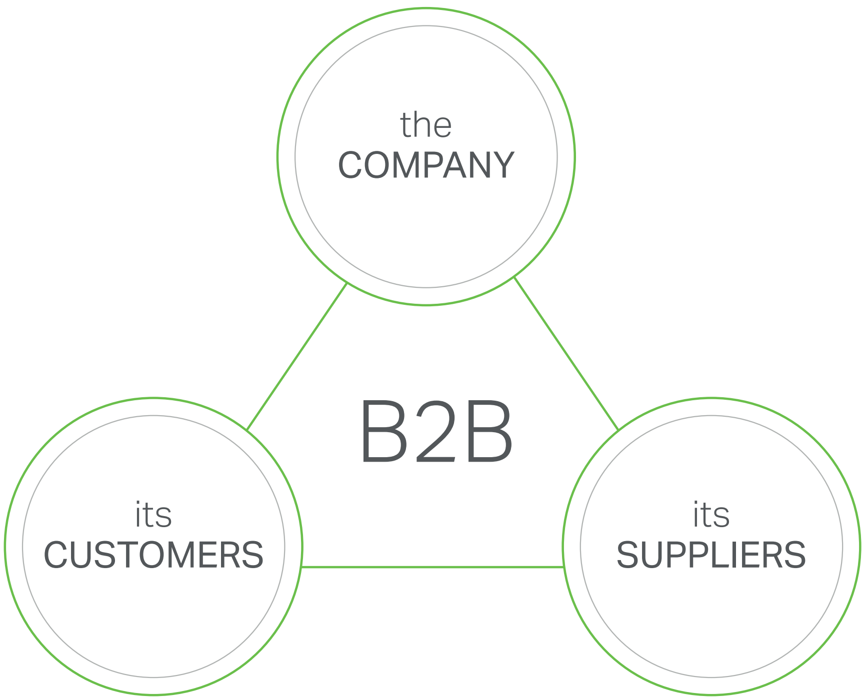
Throughout the company, managers should celebrate and recognize employees' role in advancing customers' businesses.

Managers are also responsible for understanding and targeting key drivers of each customer's experiences, engagement and impact. Managers should encourage and support team members to over-deliver on these drivers — leveraging their unique strengths to help customers excel.

A HOLISTIC APPROACH PRODUCES EXCELLENCE

Exceptional B2B companies that consistently beat the competition go beyond a clear and sustained focus on each customer. These companies recognize that they cannot deliver value to customers without considering all of the factors that affect their service delivery. And, while customers are the heart of a customer-centric operating model, they're not the only component.

To deliver excellence that drives organic growth, B2B leaders must also consider the company itself and its suppliers.



Leaders must determine what the company stands for and how it distinguishes its brand. They must understand and anticipate market needs to uncover leading-edge innovations and proactively turn competitive threats into opportunities. A company's market positioning informs its interactions with customers and suppliers; without it, the rest of the model falls apart.

The customer-centric operating model is not linear. That is, B2B companies need to work on each component in tandem and understand that none of these elements is ever "done." B2B companies must *continually* find and share new ideas with customers to drive impact that leads to business growth for both the company and its customers.

ACCOUNT MANAGERS ARE THE SECRET TO CUSTOMER IMPACT

40%

OF B2B CUSTOMERS

who are very satisfied with their account manager are fully engaged.

B2B client relationships are complex. Developing engaging, long-term connections with customers takes capable, talented account teams.

At the same time, promoting account team performance is rather simple. It all hinges on the account manager.

Gallup has spent decades studying account teams and conducting in-depth qualitative and quantitative customer analytics. We've learned that account managers can make or break customer outcomes. Exceptional account managers are naturally capable leaders who guide their teams to deliver unparalleled customer impact.

> On average, 40% of B2B customers who are very satisfied with their account manager are fully engaged. Customers who can't say the same about their account managers have dismal engagement, with just 13% fully engaged.

Great account managers know where a customer's business has been and where it is going, and they continually strive to further customers' goals. To strategically align with customers' needs, they use a data-driven approach to understand the markets they serve. They are creative thinkers who rely on their in-depth understanding of customers' needs to craft customized, innovative solutions that propel customers' businesses.

They don't stop there.

Best-in-class account managers do far more than find new ways to help customers thrive; they also inspire their *teams* to do the same. Outcome-driving account managers lead their people to operate with a customer-centric worldview that drives customer outcomes. They are committed to meeting employees' needs — and they possess the people management talents to get the job done.

This dedication reaps significant dividends: Gallup analytics prove that managers are responsible for **70%** of the variance in team engagement. Every day, great account managers equip and encourage their employees to develop customer-centric strategies. This results in an engaged, high-performing team that is dedicated to deepening customer relationships and delivering customer impact that fuels organic growth.

OUTSTANDING ACCOUNT MANAGERS POSSESS INNATE TALENT

The world's best account managers were born with natural talents that position them to thrive as people managers, relationship builders and drivers of customer impact.

Challenges arise, then, when companies promote their best sales performers to account manager positions. No matter how much revenue a salesperson brings in, the talents required to *sell* are vastly different from the talents required to lead a team and build partnerships with customers. When selecting an account manager, leaders should consider internal and external candidates who excel at managing people and are motivated to strategically and creatively grow customers' businesses. To build a culture of customer-centricity, B2B companies need to find account managers who possess the right talents and are perfectly fit for the role.

CASE STUDY

One hospitality company discovered the power of filling account manager positions with naturally talented individuals who serve as strategic partners and trusted advisers. During quantitative and qualitative reviews with the client, Gallup found that individual franchise owners were unhappy with their point of contact from the brand. Owners did not believe that their account managers knew enough about the business. In most cases, account managers were former general managers who were great at quality assurance but lacked an understanding of how to accelerate an owner's portfolio. Franchise owners wanted high-level advice and consulting — ideas for propelling their business — but the account managers could not provide that kind of strategic input. Gallup and the client collaborated to create an account management team with the talent and experience better suited to the owners' needs.

WHAT THE BEST ACCOUNT MANAGERS DO DIFFERENTLY

Regardless of industry, Gallup has found that the best account managers share common traits and behaviors.

Workstyle

It's quite the challenge to continually understand customers' goals and deliver customer-centric solutions, especially in the midst of shifting market demands. Exceptional account managers have what it takes to tackle this challenge with ease. They act as agents of focus for their customers and internal partners, never losing sight of the goal to identify and address customers' needs. Great account managers know that meeting their clients' needs requires meeting their teams' needs first. They proactively clarify employees' job expectations, help employees set goals, maintain accountability and ensure employees feel valued for their contributions. By keeping team members aligned and focused on customer-centricity, innately talented account managers help their teams provide fresh solutions that wow customers and position B2B companies as invaluable partners.

Outstanding account managers think flexibly with each customer's evolving needs and circumstances. They thrive in the face of complex problems — fueled by their capacity to multitask, coordinate resources and shift strategies to serve customers' ambitions. When account managers lack an adaptable, nimble workstyle, their teams struggle to manage complicated B2B relationships.

Because they are driven to help their customers thrive, the most successful account managers make choices in the best interest of their customers first, their company second and their team third. They are advocates for the customer in all factions of their company. Consequently, their customers are more likely to view the account manager as a trusted adviser that they cannot imagine doing business without.

Motivation

Extraordinary account managers strive to make a difference and are principled in doing so. They are confident in their ability to propel customers' goals through their company's innovations, solutions and ideas. They find fulfillment in discovering customers' unique challenges, envisioning customers' ideal state and plotting the course toward customers' greatest potential. They discover every facet of a customer's business and continually think of ways to provide value.

Innately talented account managers consistently push themselves to achieve their goals, which always align with customers' goals. Great account managers are highly competitive — driven to attain targets and win big for their customers, team members and organization.

At the same time, great account managers' ultimate source of satisfaction goes far beyond realizing targets. The best find meaning and purpose in developing real relationships with customers and helping customers see improvements in their businesses. Customers pick up on this customer-centric motivation — sensing account managers' genuine desire to make a difference. In response, customers are more likely to remain loyal and dedicated to the partnership.

Initiation

Talented account managers are certain of their organization's ability to produce lasting improvements for their clients. This confidence helps them demonstrate that customers' needs can — and will — be fulfilled. Great account managers rely on reasoned, cooperative communication balanced with authority to foster ownership among their team members and customers. As a result, outstanding account managers are adept influencers who guide their teams and customers to enact change and realize goals. And, because talented account managers consistently communicate their dedication to customers, they energize their teams and customers about the attainability of lasting customer impact.

Best-in-class account managers base their confidence in their data-driven approach to delivering customer impact. They realize that quantitative and qualitative analytics enable them to decipher customers' wants, needs and perceptions. With proven analytics on their side, they act with assurance — mobilizing their team to implement powerful improvements that create customer impact.

Collaboration

For B2B account teams, establishing and maintaining relationships is foundational to success. First, account teams need to form partnerships across multiple business lines within their company — including sales, technology, analytics and accounting teams. Top-talent account managers proactively build alignment among their team members and key internal partners — ensuring everyone is on the same page and working toward the same goals. As a result, great account managers help their team members build strong internal networks, which are essential for delivering innovative ideas, solutions and advice.

Relationship-building and collaboration with *customers* is also essential for thriving B2B partnerships. The best account managers encourage their teams to invest in customers and ask them about their challenges, circumstances and needs. The best account managers lead by example, investing themselves into each customer relationship and doggedly striving toward customers' best interests. They relentlessly hone their understanding of customers' needs, businesses and markets — using this perspective to find the most compelling ways to guide growth and fuel positive change.

Relationship-building — both internal and external — requires consistent communication. This is something that comes naturally to exceptional account managers. They are individualizers who discover the most effective style of communication and collaboration for each partnership. Because they take the time to optimize each partnership, exceptional account managers develop authentic, outcome-driving relationships.

Thought Process

Thriving account managers crave knowledge and always seek to learn. Their goal is an in-depth, ever-expanding understanding of the customer's organization and its needs. They value this perspective because they know it will enable them to guide their account team toward customer-centricity.

Great account managers' drive for competence-building is amplified by their capacity to connect the dots and find answers. That is, talented account managers can readily synthesize complex concepts to generate solutions that solve customers' problems. The best account managers are drawn to problems because they *enjoy* analyzing and solving them. Further, great account managers want to resolve customers' challenges, and they'll do whatever it takes to drive customer impact.

Smart account managers recognize that a one-size-fits-all approach won't drive customer impact nearly as well as a customized one. Therefore, great account managers are explorative and creative — open to new options and motivated to implement the solutions that most benefit a customer's business.

Exceptional account managers are characterized by their positive outlook and resilient nature. They genuinely believe that any issue can be addressed for a successful conclusion. This conviction fuels their motivation to solve each customer's problems; they know that an outcome-driving solution is within reach. Consequently, their customers feel comfortable sharing their most challenging business problems and feel reassured that they have a trusted partner who wants to help.

THREE ACTIONS SUCCESSFUL ACCOUNT MANAGERS TAKE

Get to Know the Buying Center

Customers are usually easy to spot for a typical B2C company. They are the shoppers, the product-users, the guests, etc.

For account teams, the definition of a "customer" is more elusive. It's not enough to know a single influential contact on the customer side. Account teams must identify and form connections with all of the key players in the customer's buying center.

Typically, multiple decision-makers from different functional areas in a customer organization make purchasing decisions.

No matter how large or small, a buying center is comprised of individuals in four distinct roles:

Decision-makers

They commit funds, make choices and have the final yes-or-no decision on purchases.

Buyers

They are involved in the procurement process itself and in decisions that define contract terms.

Influencers

They have an advisory role and sway whether the organization chooses to continue the relationship.

End users

They manage and use a B2B company's products or services.

The best account managers help their teams define what success looks like to each member of the buying center. This practice allows account teams to prioritize each critical customer relationship for an overall partnership that is rock-solid.

Exceptional account managers use a disciplined approach to help their teams form relationships within a buying center. Gallup has found that successful account teams rely on *relationship mapping* — that is, they systematically identify and organize the members of a buying center.

With a relationship map, an account team can pinpoint all crucial contacts and determine who "owns" each relationship. This accountability lays the foundation for lasting, meaningful connections and it positions account teams to exceed customer expectations.

Further, strategically assigning account team members with the ideal customer contact facilitates the formation of highly engaging relationships.

A relationship map helps account teams:

- allocate internal resources more effectively
- dismantle complexity and mitigate blind spots in a buying center
- build deeper, personalized, complementary partnerships
- develop a comprehensive, diverse perspective of the customer's needs
- identify and prioritize actions for delivering customer impact

Great account managers prioritize ongoing communication with members of the customer buying center. They encourage team members to frequently speak with their assigned contacts, asking questions such as, *"What are we doing well? How can we build on this momentum to improve your business? What is missing in our relationship? What can we do better?"*

Prioritize Team Alignment

Communication *within* account teams is paramount to promoting customer-centric B2B relationships. Great account managers know this; that's why they encourage teams to frequently discuss each team member's role in connecting with members of the buying center.

When an account team is highly aligned, it can build a best-in-class partnership with each customer — the kind of partnership that is mutually beneficial and earns the B2B company the status of "invaluable, trusted partner" in the customer's eyes.

Account teams that communicate frequently can:

1) **Resolve Problems Quickly**

By meeting regularly, teams can resolve problems quickly and prevent major disasters. Honesty and transparency are of the utmost importance: Account team members must feel comfortable bringing issues to the table.

Proactively preventing or addressing issues positions account teams to dedicate their time to what matters: furthering a customer's business.

2) **Deepen Customer Engagement and Customer Impact**

Through ongoing communication, account teams can emphasize key drivers of impact and discover new ways to drive the customer's business. Frequent conversations enable the account team to isolate the client's business problems, initiatives, challenges and goals — and discover any gaps in knowledge about the client organization. Then, account teams can determine how to provide meaningful change in the client's productivity and profitability — that is, their plan for expanding customer impact.

Each buying center role has different needs, and these needs evolve over time. To optimize engagement and impact, account team members should share insights from conversations with client contacts, then prioritize actions to improve each relationship. Aligning regarding each contact's wants and expectations helps the account team holistically promote a successful partnership.

3) Harness the Full Power of Customer Analytics

Customer data and key driver analyses can *only* enrich relationships when account teams use those insights to inform their strategies. The account team should create a plan based on quantitative and qualitative customer analytics, then establish ownership for actions.

Follow-up is crucial to spur progress toward goals. Account teams should stay on the same page about what's working well with the customer and how they can fix what's not working so well.

4) Maintain Ongoing Accountability

Neglecting even one buying center relationship can be detrimental to the overall relationship. Consistent accountability helps account teams optimize connections with each member of the buying center. Staying accountable also helps account teams achieve goals, ensure consistent relationship growth and deliver maximum customer impact.

Recruit Based on Talent and Invest in Strengths

The best account managers deliberately consider how to best assemble their team and then recruit top talent to join it. They look for relationship people, not just salespeople, and they consider how well candidates can relate to customers and identify customers' needs. The best account managers think about customers when considering candidates — selecting the most customer-centric individuals who will strive to consistently deliver brand promises.

However, some account managers do not choose their team members; they inherit them. Even then, account managers who are truly right for the job will understand how to work with what they have. They will recognize each team member's individual strengths, celebrate his or her successes and determine what works best to motivate every person.

Great account managers don't just seek out the right talent; they invest in employee development for the future. They follow a universal best practice for optimizing team performance: a strengths-based approach to employee development. To help each team member thrive, managers need to understand their employees' strengths and vulnerabilities. This perspective allows managers to position individuals for success and help them apply their strengths to their work. A strengths-based management style is also essential for orchestrating the team's collective strengths and weaknesses to optimize performance. When team members understand one another's innate abilities, they can leverage one another's strengths and coordinate their efforts to make the most of the team's collective capabilities. Emphasizing strengths improves account team performance because it helps team members understand one another and how they can best collaborate to serve customers' needs.

Exceptional account managers strive to meet their team members' basic work needs, such as ensuring employees know what's expected of them, have opportunities to learn and grow and are recognized for their accomplishments. For example, for one Gallup client, high-performing account managers sent more than twice as many recognition emails than managers of less successful teams. The world's most capable account managers use a proactive approach to helping employees excel, talking with employees frequently about their needs, challenges and goals. Great account managers continually stoke team performance through employee conversations that are future-oriented, productive and focused on what employees are doing right.

THE DIFFERENCE THAT GREAT ACCOUNT MANAGERS MAKE

Simply put, they promote great customer outcomes. Customers are far more likely to stick around when they have a trusted partner who solves their most difficult problems. Because great account managers consistently provide answers and demonstrate their dedication to the customer, they boost retention, win repeat business and contribute to account growth.

Gallup analytics show that when B2B companies engage their customers, they realize higher levels of revenue/sales, profitability and share of wallet as well as lower levels of customer attrition than B2C companies.

50% ↑ higher revenue/sales

34% ↑ higher profitability

55% ↑ higher share of wallet

33% ↑ greater likelihood to be first choice for future business

63% ↓ lower customer attrition

32% ↓ fewer days sales outstanding

They fuel brand ambassadorship.

B2B companies typically don’t advertise, and because of this, most B2B leaders don’t believe they have to worry about their company’s brand. Nothing could be further from the truth. Customers have a reaction every time they hear a company’s name or see one of its products — and that reaction is the brand. A brand is not a logo or tagline; it is an experience.

Account managers act as brand ambassadors, and the best ones always leave the customer with the right impression. Further, because exceptional account managers constantly deliver customer impact, they propagate brand ambassadorship among their teams and customers.

They contribute to thriving work cultures.

Creating a culture that values what's inherently *right* with employees instead of fixating on what's *wrong* with them is at the heart of what great managers do. Gifted account managers learn how to relate to their team members to get the best out of every individual. They serve as coaches who focus on strengths, communicate frequently and demonstrate that they care.

As a result, their team members are energized to come to work in an environment where they are valued contributors on a successful team. When employees belong to an exceptional workplace, they are motivated to go above and beyond expectations.

FOUR WAYS LEADERS CAN SUPPORT ACCOUNT MANAGERS

1) Position Salespeople as Consultants

2) Maintain Accurate, Fair and Inspiring Accountability

3) Use Service Values to Promote a Customer-Centric Culture

4) Empower Account Teams With Advanced Analytics

Exceptional account managers will do whatever it takes to foster thriving client relationships. These individuals possess the innate talents to manage people, relationships and projects. They guide their teams to a customer-centric perspective, continually strive to further customers' businesses and never stop looking for ways to create customer impact.

Gallup's analytics show that the account manager can make or break customer engagement. When B2B customers are fully satisfied with their account manager, 40% are fully engaged. Just 13% of customers who aren't fully satisfied with their account manager are engaged.

Therefore, finding innately talented account managers is the first step leaders should take to promote extraordinary account team performance. But there's more that leaders can do.

Outstanding account managers have limitless potential when their leaders set them up for success by promoting a customer-centric culture. Here are four strategies for positioning account managers to excel.

POSITION SALESPEOPLE AS CONSULTANTS

B2B customers' wants and needs have evolved. Customers expect more than exceptional products; they want customized solutions for propelling their business. They want to collaborate with an organization that can provide lasting value.

These changes have rendered the traditional product-based sales model nearly obsolete. A salesperson pitching shiny products or services will struggle to compel leaders who are strapped for time and smart enough to detect a canned presentation.

In contrast, a consultative sales approach is customer-centric by design. This model starts with a discussion about the customer's business, market and challenges. The salesperson asks questions and *listens* — using those conversations to identify customized solutions for furthering a customer's goals.

A consultative salesperson serves as a trusted adviser — someone who strives to understand the customer's business and solve their greatest challenges. A consultative salesperson is relationship-oriented, which promotes the long-term health of the account.

Because a consultative model revolves around helping customers succeed, this approach engages customers and builds real customer impact. This impact accelerates organic growth and yields far better business outcomes than a product-based model.

MAINTAIN ACCURATE, FAIR AND INSPIRING ACCOUNTABILITY

Accountability is crucial to achieving high performance. Today's workers want clear expectations, accountability, a rich purpose and ongoing feedback and coaching. Account managers are no different, and B2B leaders need to manage performance and maintain accountability in a manner that is fair and accurate.

> Just 21% of employees strongly agree that their performance metrics are within their control, and even fewer employees — 14% — strongly agree that the performance reviews they receive inspire them to improve.

To encourage desired behaviors in account managers, B2B leaders must clearly define performance excellence and use metrics that align with their culture and expectations of account managers. To this end, leaders should use different types of metrics that reflect the work account managers do and the desired behaviors that leaders want to promote. Like all employees, account managers need to have achievable performance goals that are directly linked to business outcomes.

USE SERVICE VALUES TO PROMOTE A CUSTOMER-CENTRIC CULTURE

Becoming a truly customer-centric B2B company requires a well-defined brand strategy and a work culture in which *all* employees know what their company stands for and how they are expected to deliver brand promises each day.

To support a promise-delivering culture, leaders of the world's most successful organizations create and reinforce behavioral-based service values.

When a company's service values align with its purpose and brand promises, these values give employees much-needed clarity about what they are supposed to do and why they should be doing it. In other words, effective service values tell employees how their daily work and job expectations support the organization's overarching mission and goals.

Service values help anchor employees in the organization's guiding principles — providing a foundation that enables employees to actualize brand promises. Employees need to connect their day-to-work work with the company's brand promises; service values promote this alignment.

Service values also create a way for employees to communicate their commitment to consistently deliver service excellence — both internally and externally. For example, service values can establish a cultural norm to capture and share client success stories that showcase customer impact. Further, service values can give account teams a common language that is consistent with the company's brand — helping them communicate more effectively with customers and within the team to bring brand promises to life.

Accountability is another benefit of behavioral-based service values. Specific, measurable service values provide a yardstick that reinforces employee ownership for fulfilling brand promises every day.

Keeping Service Values Alive

Leaders are responsible for defining their company's brand promises and outlining the supporting behaviors that will create a culture of customer-centricity.

However, organizations don't have values; their *employees* do. It's up to leaders to get and keep managers on board. Service values will fall flat unless managers help each team member understand brand promises, how their roles connect to those promises and how the company expects them to support those promises each day.

This starts at the top: Executives and senior leaders must demonstrate the behaviors they want to see from employees. Leaders should communicate their support of core values and illustrate how those values influence their decisions. If this doesn't happen, employees get the idea that core values are nothing more than words on a wall.

For example, leaders can improve customer experiences by demonstrating how employees should embody the company's values when interacting with customers. Actions speak louder than words, and leaders should support actions, goals and policies that align with the company's values.

Consistently reinforcing the company's purpose, brand promises and service values is essential for sustaining a customer-centric culture. Ongoing accountability and recognition can help leaders consistently emphasize the importance of delivering brand promises and creating customer impact.

EMPOWER ACCOUNT TEAMS WITH ADVANCED ANALYTICS

A data-driven approach to creating an exceptional workplace helps B2B leaders unleash world-class team performance. To start, analytics are instrumental for identifying the right hires for account manager, front-line and leader positions. And this is just the tip of the iceberg.

Leaders can turn data into a competitive advantage by leveraging analytics to describe, diagnose and predict employee performance. Moving beyond descriptive employee data to advanced analytics gives leaders the capability to identify and quantify hidden patterns in the data that yield prescriptive recommendations[10]. That is, the right analytics reveal the best strategies and interventions for boosting critical outcomes and employee performance.

A data-ready work culture also enables account teams to deliver customer impact. With leading-edge analytics, account teams can readily identify, predict and respond to customers' pressing business challenges. When account teams understand their customers' businesses and goals, they can drive customer impact. This impact deepens B2B relationships, creates loyal brand advocates and promotes organic B2B growth.

10 https://www.gallup.com/workplace/236084/keys-becoming-data-driven-leader.aspx

Here's an example that shows how one organization uses advanced analytics to understand how its internal social networks predict account team performance and position account teams to thrive.

CASE STUDY

The organization sought to determine how workplace behaviors and internal relationships predict KPIs, revenue and customer and employee outcomes. Gallup used a social network analysis (SNA) to answers leaders' questions, extracting anonymized metadata and mapping internal communications, contacts and processes. Then, Gallup combined these data with myriad HR data, including marketing insights, manager behaviors, business processes, customer contacts, sales outcomes and employee engagement levels. Using advanced data validation, Gallup zeroed in on the most relevant data for highly reliable and actionable insights.

Gallup's analytics answered leaders' questions and *then some*, revealing powerful behavioral patterns among the most successful client-facing teams. For example, the organization's high-performing account teams maintain larger, centralized networks. Their managers give more recognition — sending more than *twice* as many recognition emails than managers of less successful teams. And, compared with less successful teams, the organization's high-performing account teams spend more work hours learning and developing their skills. Gallup also identified meaningful links to employee engagement; for example, account teams with higher engagement spend more time collaborating with customers and external partners. Ultimately, client leaders pinpointed multiple opportunities for optimizing account team performance, and plan to continually promote account team success with periodic analytics.

TO WIN BIG WITH M&A, BECOME CUSTOMER-OBSESSED

80%+

OF M&A

result in zero or negative shareholder returns.

B2B mergers and acquisitions (M&A) have become a central part of many leaders' growth strategies.

But more often than not, these deals are not as lucrative as leaders hope. Researchers have found that over 80% of M&A result in zero or negative shareholder returns, and between 70%-90% of acquisitions fail to realize the intended benefits.

Why? You might guess that operational or structural shortcomings are to blame.

However, it's far more likely that the problem can be found on the people side of the business. The disruptions that come with the territory of M&A may have serious effects on talent, culture and customers.

To make matters worse, B2B leaders who are fastidiously managing structural and operational factors can unintentionally neglect crucial human factors — like how culture integration plans will affect customer experiences.

WHY PEOPLE FACTORS MATTER

Gallup research demonstrates that emotions influence customers' decisions — and in turn, business outcomes — more than leaders realize. In fact, behavioral economists have estimated that emotional factors comprise up to 70% of economic decision-making.

Times of change and uncertainty (like M&A) can undermine the emotional components that drive customers' decisions about which companies they do business with and why.

> With 69% of B2B customers ready and willing to leave, leaders cannot afford to disappoint them with negative brand experiences. Even loyal customers might seek out competitors when their long-held brand expectations are unmet.

To get ahead of the problem, B2B leaders need to get in touch with their customers' feelings — before M&A.

With an in-depth, early understanding of customers' perspectives, leaders can gauge how customers might respond to changes that rock the boat — and plan accordingly.

CUSTOMER-CENTRICITY: THE DIFFERENCE MAKER

The difference between good and best-in-class M&A outcomes is the rigor with which leaders prioritize customers. An intentional, borderline fanatical focus on the customer can insulate organizations from M&A setbacks and propel key business outcomes.

What does that level of customer-centricity look like?

Leaders of customer-obsessed enterprises focus all M&A strategies, budgets and interventions on processes that support customer engagement. They prioritize customer experiences over traditional competitive barriers. They define customer utility, forecast disruptions and promote a customer-centric delivery model.

That is, they make *customers* the centerpiece of M&A decisions and goals.

HOW TO PUT CUSTOMERS FIRST

Gallup's experience and analytics reveal three tactics for prioritizing customers through M&A:

1. **Commit to an Analytics-Driven Approach**
2. **Show Customers How They Benefit From M&A**
3. **Cultivate a Culture of Customer-Centricity**

Commit to an Analytics-Driven Approach

Exceptional B2B organizations make customers the focal point of M&A by discovering their perceptions and expectations *before* making a deal.

With the right analytics, leaders can determine how to best invest in brand experiences and customers' needs throughout integration.

The best leaders don't stop there; they continue to listen to customers *during* integration. With ongoing customer feedback, leaders can keep customers' needs top-of-mind and adjust integration plans as necessary to prioritize customer relationships.

Customer analytics do far more than inform decision-making, reduce uncertainty and help B2B leaders prioritize M&A targets. They can also boost revenue by generating ideas for improving strategic partnerships to benefit B2B organizations as well as their customers.

Show Customers How They Benefit From M&A

Successful B2B leaders fortify customer relationships throughout M&A by communicating with customers about changes early and often.

Just as important as a strong communication strategy is a compelling customer value proposition. A great customer value proposition can establish clear expectations, build and strengthen relationships and increase confidence and loyalty during times of uncertainty.

The right customer analytics can help leaders determine which differentiating elements of customer experiences should remain the same or change after integration. In turn, leaders can create an M&A value proposition that emphasizes how the deal will positively affect customers' preferences, needs and business goals.

The best B2B customer value propositions communicate far more than marginal benefits, such as access to additional products. Rather, they capture how the combined company has increased capabilities and knowledge and, because of the transaction, can better solve customers' problems, deliver leading-edge solutions and bring innovation to the relationship.

CASE STUDY

Developing an Effective M&A Customer Value Proposition

After two industrial goods companies with complementary products and services merged, leaders partnered with Gallup to understand how the combined customer base perceived the new company.

Leaders had assumed that the new value proposition was clear to customers — but Gallup soon discovered that customers did not see much value in the merger, other than access to additional SKUs. In reality, the new company was capable of delivering better ideas, enhanced service and more targeted problem-solving.

Based on Gallup's in-depth customer insights, Gallup and client leaders revised the combined company's value proposition and business strategies to emphasize how the new company can meet customers' needs and propel their businesses.

By considering the merger from customers' points of view, Gallup and client leaders built a clearer, more robust value proposition that revolved around customers' needs and perceptions. As a result, the combined company boosted organic growth and customer outcomes.

Cultivate a Customer-Centric Culture

To create a thriving, unified organization that consistently delivers exceptional customer experiences, leaders once again need to look to *people* factors: talent and culture.

Leaders evaluating how organizational systems, processes and policies must change after M&A should consider how to best position employees to drive customer impact. Leaders' overarching goal should be integrating people, processes, technologies and behaviors in a manner that furthers the development of a customer-centric culture.

Neglecting culture is a costly mistake that too many organizations make.

- 92% of acquisitions stated they would have benefited from greater cultural understanding prior to the merger
- 70% of acquisitions stated there was too little focus on culture during integration

Shaping a customer-centric culture requires an objective, evidence-based and scientifically valid approach. That is, traditional culture surveys are not enough. Organizations need in-depth quantitative and qualitative analytics — from culture studies to customer analytics — to determine how to align merging cultures for optimized customer-centricity.

Why are analytics important? A deep understanding of how talent and culture influence customer experiences leads to smarter integration decisions. Leaders need a nuanced understanding of customers to effectively merge people, processes, technology and behaviors.

Proper integration practices are the ultimate expression of a deep understanding of human utility, and upside benefits are created and destroyed at the local, customer-facing level.

THE GOAL IS A CUSTOMER-CENTRIC DELIVERY MODEL

Gone are the days when organizations can experience growth by simply cherry-picking elements of a target's service delivery model and combining them with existing operating models.

At a state of business equilibrium, a bleak 29% of B2B customers are fully engaged. The bottom line is that M&A will disrupt this state of equilibrium. Sure, delivering on the table stakes of a deal can retain competitive relevancy. But to harness a competitive *advantage*, B2B leaders must implement strategies for winning over the hearts of customers.

To this end, leaders in the midst of M&A should never lose sight of the big-picture goal: customer-centricity. B2B companies must prioritize customers before, during and after integration to avoid missed sales opportunities, customer service complaints and diminished customer outcomes.

As a B2B leader, your goal should be to make customers feel like they're the ones who benefit the most from the deal. Ultimately, B2B companies that navigate M&A with an unwavering emphasis on their customers will beat the odds and emerge victorious.

DISCOVER HOW GALLUP CAN HELP

If you want to compete in today's global economy, you have to bring more to the table than low prices. You must engage your customers by catapulting their performance.

Gallup helps leaders "wow" their customers with unprecedented ideas and solutions that deepen customer relationships and propel customers' businesses. Gallup also partners with leaders to inspire exceptional employee performance and build a culture of customer-centricity. We offer practical analytics and advice grounded in decades of global research and cutting-edge data science.

Gallup helps leaders answer their most pressing questions:

- How can we improve our strategic decision-making with analytics?
- Are we naming the right account managers and developing their abilities?
- What does it take to become a "customer of choice"?
- Do our employees share our vision for customer-centricity?
- Does our performance management system promote excellence?

Learn more at www.gallup.com.

About Gallup

Gallup delivers analytics and advice to help leaders and organizations solve their most pressing problems. Combining more than 80 years of experience with its global reach, Gallup knows more about the attitudes and behaviors of employees, customers, students and citizens than any other organization in the world.

Gallup works with leaders and organizations to achieve breakthroughs in customer engagement, employee engagement, organizational culture and identity, leadership development, talent-based assessments, entrepreneurship and wellbeing. Our 2,000 professionals include noted scientists, renowned subject matter experts and best-selling authors who work in a range of industries, including banking, finance, healthcare, consumer goods, automotive, real estate, hospitality, education, government and B2B.

For more information about Gallup solutions for optimizing business performance, please visit www.gallup.com.

Appendix

In general, the data in this report come from Gallup's historical B2B client and Gallup's database B2B meta-analysis. Please see below for details.

For additional information about the methodology for this report, contact Gallup at *info@gallup.com*.

GALLUP'S B2B CLIENT DATABASE

Gallup's historical B2B client database contains information from B2B client leaders and employees who completed the Gallup customer engagement survey between 2001 and 2017. Gallup's historical client database holds data from 21.8 million respondents from 382 client organizations in 61 countries, 47 languages and 61 industries (categories based on North American Industry Classification System codes).

Gallup updates its database annually. Findings used to conduct research and set benchmarks are based on five-year rolling periods. Gallup's 2018 customer engagement database includes data from 2013, 2014, 2015, 2016 and 2017. This analysis includes data from B2B clients only.

GALLUP'S B2B META-ANALYSIS

Gallup's most recent meta-analysis on customer engagement and organizational outcomes in the B2B context accumulated 23 research studies, including three U.S. Gallup Panel studies and nine B2B clients across six industries and two countries. Within each study, Gallup statistically calculated the business unit-level relationship between customer engagement and the performance metrics supplied by the various companies. In total, Gallup included 108,989 respondents comprising 19,093 business units in the analysis. Gallup studied six broad classes of outcomes: profitability, revenue/sales, share of wallet, customer attrition, days sales outstanding (DSO) and brand preference.

Individual studies often contain small sample sizes and idiosyncrasies that distort the interpretation of results. Meta-analysis is a statistical technique that is useful in combining results of studies with seemingly disparate findings, correcting for sampling, measurement error and other study artifacts to understand the true relationship with greater precision. Gallup applied Hunter-Schmidt meta-analysis methods to the 23 studies to estimate the true relationship between customer engagement and each performance measure and to test for generalizability. After conducting the meta-analysis, Gallup examined the practical effects of the observed relationships by conducting a utility analysis.

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