

# Why Managed Services need a different client engagement model.

Published on January 22, 2019



Martijn Rozendaal



Marco Reijntjens



473



44



4



8

Before we start, some relevant facts

- In services, managing large accounts differs from managing smaller accounts. Large accounts expect you to tailor your services to their needs.
- The essence of a service is that it is produced at the same time it is provided, after the sale.

Everybody knows these facts to be true. In this, services differ from products. Still, we often see client engagement processes in managed services companies that are similar to the processes used by companies that sell products.

So, why is that a problem?

## Similarities and differences

Let's consider the similarity first. In both product and service organizations you will need a sales process that helps you understand the needs of your clients, so you can create a valuable proposition. The contract will hold either specs (products) or KPI's (services).

Now, let's look at the differences.

With products, the specs and conditions agreed upon in the contract, define most of the value that is relevant to the client. They want it, exactly as described.

In services, what is agreed in the contract is only a part of the value that is relevant to the client. It defines just the basic part of the service. A lot of value is not specified upfront, because clients are not used to describing the more intangible parts of the value they look for. And not all future needs can be foreseen at the moment the contract is signed. Take innovation as an example. Most clients expect you to bring innovation to their business once you solved the problems you were hired to solve. But in what area? What will be most relevant to a client two years from now? They would not be able to tell you, until the moment is there.

Much of the value that is relevant for clients will be expressed through their expectations during the contract. They will rise as we work together. Unlike products, clients expect services to continually adapt to their changing expectations after the contract is signed. After all, services are produced after the sale.

So, in services you will need to deliver both on agreed KPI's and on expectations.

As in our example, most expectations will be implicit. What makes it even more complicated is the fact that expectations differ per stakeholder and will change over time. Expectations are influenced by new information, new experiences and new situations. This is why clients often ask their service partners to 'act as a business partner in their changing environment'. Basically, they are asking you to deliver according to their constantly changing expectations. It is a moving target.

You will understand that a client engagement process focused on fixed specs, like in the manufacturing industries, will not bring the full value clients are looking for in a managed service environment.

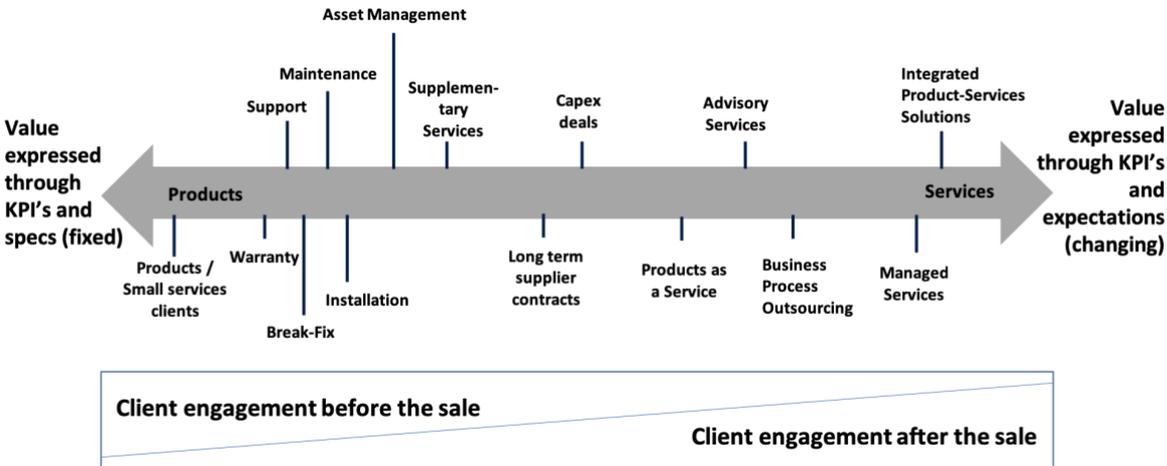
That is why in services, your organization should have a structured process that helps people manage expectations **after** the sale. Not any process will do. By constantly meeting changing expectations, relevant value is created and perceived. That is how you make sure the client continues to see you as a valuable partner. And money only flows to value.

Competing and delivering on what is contracted will funnel you in the same commodity trap as a product company. Expectations start to change right from the start of the contract. If you don't acknowledge this, you will not provide any distinguishing value and your company is easily replaced or you will end up in price negotiations.

**Servitization**

You can clearly see the need for a different client engagement process when you look at the servitization trend in manufacturing industries. Servitization is about adding services as a competitive differentiator when products become commodities. At first, services in support of the product are added. Later, they may evolve into complete managed service offerings. When an organization does not change their large account management model, they keep focusing on 'what is contracted' instead of focusing on managing changing expectations. You may think you are doing a great job, compliant with the contract, but clients can get this basic service anywhere and probably cheaper.

When clients perceive no value that will set you apart from the competition, profitability levels, retention rates and the competitive edge you were aiming for, will not be achieved.



## Client Engagement Model

Now that we know that you should not only focus on delivering as contracted, but on delivering against your clients' changing expectations, something else becomes evident. In a very real sense, clients have to define what value they seek in a cooperation.

When your client is insufficiently engaged in defining value after the contract is signed, you might be overachieving on every KPI in the contract or SLA, but their expectations on what to achieve may still not be met. And in our experience, more than half of all expectations have not even been defined in the contract.

Again, in services, value is a moving target. A cooperation will only continue for decades if you succeed in providing relevant value over and over again. Periodically discussing and prioritizing expectations at the decision-making level of your client's organization is your best way of retaining a contract and growing the relationship.

You can easily test your current client engagement model. Just take a look at the account plans your account managers make and what your management reports to your clients look like. Do the account plans focus on a SWOT analysis (your strengths, your weaknesses, your opportunities and your threats) or are your clients' expectations (their definition of value) the center piece of the plan? And what do you report on to your clients? Do you report on your performance compared to contracted KPI's? Or does the report include your achievements in meeting their changing expectations? To what extend have you engaged your clients in periodically defining and providing value? Who, in your account management model, defines value?

Want to know more about this topic? I'm happy to offer you a free copy of our landmark book "What your clients won't tell you and your managers don't know". Click on [this link](#) to get yours.