

Your operating model, your profit.

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When you are as most of the companies we work with, you want long term, profitable relationships with clients that praise your impact on their business. Clients like this, strengthen your position in the marketplace and bring you in an upward spiral of success.

In reality contract profitability is not always what we want it to be. And client attrition is often up to 10% or more. This means that in 5 years, over half of your clients have left you. Or maybe you have kept these clients, but only by low(erring) prices. Both have devastating effect on the bottom line of an organization.

Now stop for a moment and take a close look at your contracts and your operating model for a minute. Most likely, both focus on operational performance and price/costs.

But by definition, a business partner provides more than operational services. A business partner focusses on improving the performance of its client, not just on its own performance.

Most contracts capture only the operational expectations of your performance. Many clients 'force' you to do so by defining KPI's for you. The result being that they contract you as a supplier and expect you to behave as a business partner.

More often than not, the expectations in the contract reflect just the minimum of what your client expects you to do. More than 80% of the expectations of all stakeholders are not enclosed in the KPI's and the service level agreement. Especially not the more 'business partner' like expectations. And yet, you are judged based upon these expectations. Expectations reflect the value clients need you to deliver.

And here is the problem: It is likely your operating model focuses on managing the operational expectations too. Check your management reporting to see whether this is true. Does the management report show how *you* are doing, or how *your client* is doing?

If you focus on your operational performance, you are just an interchangeable supplier and price will be the main differentiator between you and the competition. Even the most talented account manager isn't going to change this. No matter how good his intentions are and no matter how much he tries to go the extra mile.

For your organization to be perceived as a business partner, you need an operating model that focusses on delivering relevant value in your client's business.

Being a business partner is not the job of a department or individual. It is an organizational competence. It is sales, account management, operations and leadership working aligned.

The essence of such a model is ‘managing the expectations of the decision makers. Decision makers have expectations well beyond the operational level. They are focused on their business.

No matter if your clients make you compete in a tender process where price seems leading. No matter your clients define contracts based on operational performance and price.

You can change the relationship into a partnership single-handedly. Start acting like a business partner and focus on your client’s expectations. Bring senior stakeholders (not only the procurement department) together periodically and ask for their expectations on what to achieve in the next period.

You will find clients have many more expectations to share than you thought. Once expressed, you can discuss the right terms under which you can meet these expectations. Some you will be happy to execute under the existing contract and some may present unexpected new opportunities.

This operating model focused on client expectation will start an upward spiral of increased perceived value to your client. You will be seen as the business partner they need. They will start to seek your guidance in their business challenges more often. Not only will you have changed the relationship into a partnership, your clients will also want to contract you again and again and with conditions that balance the value you bring to them.

So, the essence of Account Management is not selling additional value, it is Managing Expectations. It is proactively creating and delivering value. You could call this ‘selling from the inside’. And it is more profitable than you could ever have imagined.

Where does your operating model focus on?

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