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Spotlight Article

Sales

When CEOs Make Sales Calls

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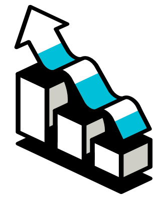
SPOTLIGHT
HOW LEADERS CAN DRIVE SALES



When CEOs Make Sales Calls

How top-management involvement in B2B relationships can drive—or kill—deals

SOME YEARS AGO a top executive at a global chemical firm—we'll call him Robert—decided to meet with one of its major customers. He was new to the company, and being unfamiliar with both the customer's challenges and his firm's initiatives, he left a bad impression. Making matters worse, he offered to increase production capacity for the customer during spikes in demand, with no restrictions—a promise his firm couldn't keep. The account manager, Nadine, learned about the meeting and the promise only later, from her contacts at the customer. The result: a relationship that remains badly damaged despite heroic repair efforts by Nadine and her team.

At about the same time, the pharmaceutical giant Merck decided to outsource its data-processing system. After evaluating proposals from several potential suppliers, the managers tasked with making the selection were in agreement: The contract should go to Accenture. But shortly before it was to be signed, Merck's CEO received a visit from Sam Palmisano, the CEO of IBM. Palmisano had risen through the ranks of IBM's sales force and had implemented the firm's Integrated Accounts Program, which focused on core strategic customers. He fully understood the benefits of nurturing and leveraging executive-level relationships. Merck awarded IBM the contract.

Most executives see spending time with customers as a way to stay abreast of the market and as part of their job. By engaging with strategic customers—those critical to their firms' future—senior leaders at B2B suppliers can have a significant impact on their companies' revenue, profits, growth, shareholder value, and very survival. They often serve as executive sponsors for key customer relationships, much as they do for IT initiatives and other internal endeavors. But as the examples above demonstrate, and as we have seen in our own research and consulting work with global sales organizations, the results of their involvement vary widely.

To study the influence of CEOs and other leaders on sales more closely, we began by talking with top executives of B2B companies about their contacts with major customers. The vast majority reported extensive interactions and positive results. But when we interviewed the relevant account managers, they told quite different stories. We realized that the executive interviews suffered from a strong self-reporting bias and that we needed to shift tactics. So we conducted 30 executive education workshops with 515 strategic and global account managers in New York, Rotterdam, St. Gallen (Switzerland), and Singapore from 2012 to 2018. On the basis of that work, we identified five distinct roles that senior

Illustrations by NAZARIO GRAZIANO

Account managers have a name for executives who meet with customers without any briefing or debriefing: seagulls. They fly in, make a lot of noise, leave a mess, and fly off.

executives play in relation to strategic customers. In this article we discuss those roles, their rewards and risks, and the impact each has on business performance.

The Five Types of Involvement

In their interactions with customers, top executives have two core objectives: to increase revenue and to foster strong and enduring relationships. The five types of executive involvement yield different outcomes for those objectives.

Hands-off, or "not my problem." It's not uncommon for senior executives to adopt a hands-off policy with sales: Fully 28% of those in our study did so. After all, they have their own responsibilities; competitive pressures are continually increasing, and most executives must do more with less. "I typically do not see customers," the CEO of a large manufacturing company told us. "That's what the sales force is for. Our products and solutions are world-class, and we have one of the strongest R&D groups in the industry. If only our account managers would do a better job of selling our value to customers!" Perhaps unsurprisingly, this executive is no longer with the organization, and a competitor has since acquired the firm.

The motto "Let the sales force do its job" sounds eminently sensible. The human resources function should do its part, hiring the best talent to direct and manage the selling effort, and senior sales executives should ensure that salespeople have the tools and training to meet their goals. If results fall short, the remedy is clear: The sales team should make the appropriate process and personnel changes. "We don't expect top marketing and operations managers to get involved in finance," hands-off executives often tell us. "So why should any functional leader, much less the CEO, get involved in sales?" The assumption underlying such comments is that at a high level, all functions are equally important. But our work with companies around the world suggests that the sales unit is more equal than others. Sales is a boundary role; it's the critical interface between supplier and customer.

Boundary-spanning positions are inherently stressful. They are characterized by ambiguity and conflict over roles, work overload, and customer and ethical demands, so it's no surprise that executives often choose a hands-off role. Moreover, many senior managers mistakenly believe that they can't add much value to the selling effort, making the added stress of taking on a customer-facing role seem like a wasted investment of time. But as our example involving Sam Palmisano demonstrates, they can indeed make a big difference—and a hands-off approach may represent missed opportunities. When the sales organization underperforms, revenue lags and everyone's budget suffers. When top managers give sales a boost, all functions benefit.

Loose cannon. A leader in this role typically meets with major customers without soliciting information or background from their account managers, who may not even know the meeting is happening (or, in the most egregious cases, that it has happened). Robert, the executive described earlier, is a classic example. He set up the customer meeting himself and committed the firm to actions without any awareness of the intricacies in the two companies' dynamics. Executives taking this approach—21% of those in our study—succeed at neither of the core goals; their efforts rarely grow revenue, and they are more likely to damage than enhance the

IDEA IN BRIEF

THE SITUATION

By engaging with strategic customers, CEOs and other top executives at B2B suppliers can have a significant impact on their companies' revenue, profits, growth, shareholder value, and very survival. But results vary widely.

THE TYPES OF INVOLVEMENT

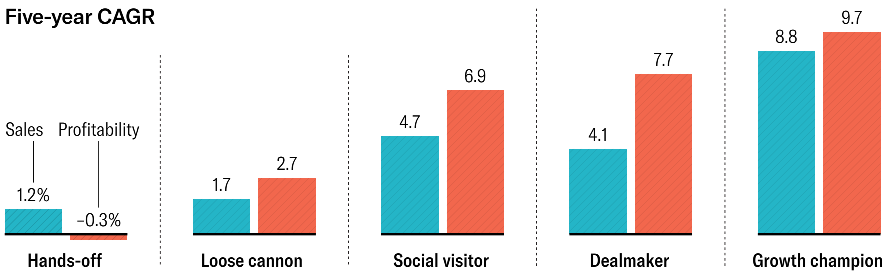
Leaders play five distinct roles in relation to strategic customers, depending on the degree to which they prioritize relationship building and revenue gains. Some take a hands-off approach; others are loose cannons, social visitors, dealmakers, or growth champions.

THE GOAL

Leaders should strive to be growth champions for core customers whenever possible. Those who succeed will reap enormous dividends for their companies and their customers alike.

Reaping the Rewards

Comparing the five-year compound annual growth rates for sales and profits at the 515 companies in our study shows the gains realized by social visitors, dealmakers, and especially growth champions.



customer relationship. An account manager at a global technology-outsourcing firm told us, "I had been working my account for two years, gaining trust and making steady progress, and then it all fell apart. A corporate executive made an appointment with my customer's top management without letting me know and without any briefing or debriefing. He had no idea what was going on with the customer; the meeting set us back at least a year."

Account managers have another name for these executives: seagulls. They fly in, make a lot of noise, leave a mess, and fly off, maybe or maybe not returning to the same spot. The senior sales executive at a major Canadian financial institution told us, "We don't have isolated seagulls; we have a whole flock of them!"

If such interactions are so damaging, why are they so prevalent? Our workshops revealed that loose-cannon executives generally think they are being helpful; they see themselves as opening the doors to customers' executive suites. That's true in principle; but to actually be helpful, they need to forge strong working relationships with the account managers, enlisting their help in preparing for customer visits.

The good news is that most of the companies in our study that reported loose-cannon behavior also told us they were implementing processes to mitigate it, with reasonable success. The most effective approaches include strategic account management, whereby well-trained executives oversee critical customers; clear definition of roles and responsibilities and a process for briefing and debriefing executives for all customer visits; and an executive sponsor program for those who will be interfacing with major customers. Robert's firm learned an important lesson from his ill-fated visit: Today its top executives are prohibited from visiting customers alone except under special circumstances and with proper engagement with account managers before and after meetings. The firm also put in place a central tracking system to ensure that no senior management visits are made without evaluating alternatives and to capture the results of all visits for use in future customer meetings.

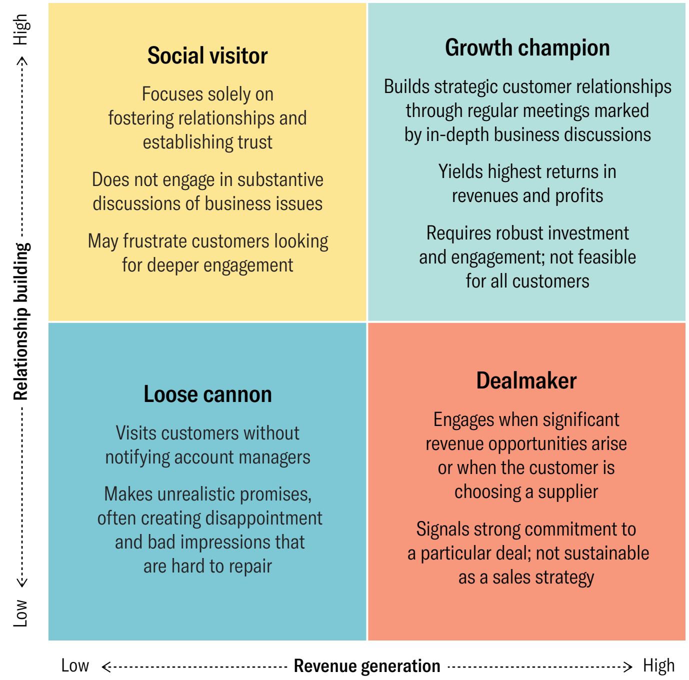
Social visitor. Executives in this role—19% of those in our study—seek to build personal relationships with the customer rather than directly generate revenue. They focus on demonstrating their firm's commitment and creating trust. They specialize in meet-and-greets, often arranging educational events on the customer's premises, cocktail parties at trade shows, trips to marquee sporting events, and the like. The social visitor works the crowd but rarely delves into substantive discussions about business; indeed, spouses often attend the mostly social gatherings.

Although much less destructive than loose cannons, social visitors come with their own risks, and their impact ranges from mildly positive to mildly negative. Customers typically look forward to the planned events and leave with pleasant feelings, so the interactions generally do enhance personal relationships. But if customers perceive that executives are interested only in schmoozing or in posing for a photo at the signing of a big deal, they may become frustrated by the lack of depth in the relationship—especially if competitors are engaging with them on a more meaningful level.

The CEO of a Europe-based engineering firm frequently met with customers at trade shows and social events. After some time he accepted an invitation to visit one customer's U.S. headquarters—on the face of it, a useful move. But although he advised the account manager of the visit, he decided to make the trip alone. The customer's CEO, accustomed to

Executives Who Engage

Senior leaders in the four active roles emphasize relationship building and revenue generation to varying degrees (a fifth group, hands-off, chooses not to interact at all).



productive visits from high-performing suppliers, awaited him with an entourage of innovation leaders, logistics experts, and purchasing managers in tow. Clearly surprised, he said to his visitor, “Good to see you, but where on earth is your account manager and her team?” For this customer CEO, as for many others we have spoken with, a purely social relationship, without the participation of the account manager, was not enough.

And if treated too casually, a social-visitor approach can quickly turn into a loose-cannon situation. One supplier in the beverage industry had enjoyed a long-term relationship with an important customer when a new executive sponsor came on board. The account manager scheduled an introductory meeting with the customer’s top management. But the executive sponsor postponed the meeting three times, citing minor reasons. In frustration, the customer turned to a more attentive competitor and opened discussions on next-generation packaging design, resulting in a huge revenue loss for the supplier.

Dealmaker. Executives in this role are highly focused on revenue and only marginally concerned with relationship building. In our study, 18% of executives fell into this group. Sam Palmisano represents an extreme form of dealmaking behavior; let’s look at a more typical example.

A global coating-systems manufacturer had contracted to supply eco-friendly, cost-saving production technology to a leading German automotive firm. Although the technology had performed well in laboratory and field tests, the supplier could not stabilize it on the customer’s main production line, and the contractually agreed-on time frame for implementation was coming to an end. So after speaking with the account manager, the supplier’s CEO visited both the customer’s headquarters and the production facility and secured an extension. With the extra time gained, his firm was able to solve the problem on-site, and the deal was rescued.

Such engagement may be necessary to close a deal. When a customer is considering whether to sign a contract, the make-or-break issue is often not the value proposition offered by the account manager but whether the supplier is likely to live up to its commitments. An account manager’s promises are of limited reassurance; only a senior executive, and sometimes only the CEO, can fully commit the firm’s resources. The same is often true of customers making buying decisions: Middle managers negotiate deals and make recommendations, but senior managers have the final word on which supplier to choose. (Recall how Merck’s CEO overruled his advisers in signing with IBM.) We have observed cases in which a customer’s top manager intervened in the buying process and reversed a middle manager’s decision, even accepting penalties to void a signed contract with an unwanted supplier.

But the dealmaker approach, too, comes with risks. If negotiations are frequently escalated to the executive suite, upward delegation may become the norm—an unsustainable way of doing business. And while the senior executive team can certainly be invaluable in closing especially sticky or crucial deals, customers may become frustrated by numerous requests for “rush” meetings.

To master the dealmaker role, internal coordination is crucial. Yet with their focus on revenue rather than relationships, dealmakers may neglect communication with key players in their own companies, sometimes leading to costly mistakes. At a global manufacturer of materials for the paint industry, the dealmaker of one business unit terminated an R&D project being conducted in collaboration with a customer because he deemed the potential revenue—€300,000—to be insufficient. In doing so, he failed to consider the €20 million in revenue the project was expected to generate for a sister business unit.

A dealmaker must stay in constant communication with account managers and protect their role in the process. In their zeal to secure business, dealmakers sometimes go overboard in offering concessions. If customers suspect that deeper discounts are available from higher-ranking executives, they may bypass their account managers or demand that the dealmakers be involved in every negotiation. Consider the extreme measures one account manager resorted to when his division president decided to accompany him to close an important deal. “Shortly after the meeting started, the customer pushed for significant price reductions,” the account manager told us. “The division president was so focused on winning the deal that he was about to agree—which would have cost us more than $2 million in profits. I didn’t know how to stop him, so I faked a heart attack. The meeting ended, and a few weeks later I negotiated a much better price.”

Growth champion. This role demonstrates the most productive customer-facing behavior. Leaders in this group have a keen focus on both relationships and revenue building, and as they unlock growth opportunities, they serve as role models for others in the organization. Unfortunately, the smallest share of executives in our study—just 14%—fit this profile.

John Chambers, the CEO of Cisco for many years, was a growth champion for the company. He had learned the ropes of customer interaction as a sales rep at IBM and served as Cisco’s senior vice president of worldwide sales and operations before taking the helm. He frequently accompanied account managers on client visits and would solicit immediate feedback on what he could do better to enhance the value he offered to customers. He also leveraged the firm’s technology to interact with customers virtually, long before Covid-19 made videoconference calls commonplace.

To be effective growth champions, supplier executives must become directly involved with strategic customers over and above the demands of their day jobs, and they must adopt the customer’s perspective, even attending customer strategy sessions. Growth champions support processes aimed at improving business performance, such as the use of customer profitability metrics and best-practice systems. Perhaps most important, they pave the way for cultural change: Others in the organization model their behavior on that of growth champions, often becoming more customer-centric themselves.

Growth champions are willing to break internal barriers (and sometimes actual rules) in their pursuit of long-term customer success. In a significant downsizing, IBM laid off an experienced engineer who had provided critical tech support to a key account. The account manager realized that losing this team member would severely weaken IBM’s position with the customer, so he contacted his “partnership executive,” IBM’s term for executive sponsor. The PE could not undo the layoff, but he agreed to retain the engineer as a consultant and secured the necessary funding. The engineer served in that capacity for a dozen years, boosting the revenue from several strategic customers.

However, growth champions, too, have their downsides: They can be prone to patronizing behavior and micromanagement, especially if they were once sales executives or account managers themselves. A top executive at a Japanese IT firm was enthusiastic about supporting a particular customer’s account manager and his team, scheduling weekly calls to monitor progress and drive growth. These actions put immense pressure on the account manager, who told us, only partly in jest, “It’s all well and good to have such a committed executive, but I always look forward to when he’s on vacation!”

To avoid such pitfalls, companies should establish clear rules of engagement, specifying roles and responsibilities for account managers, sales team members, executive sponsors, and the C-suite. We also recommend that companies routinely solicit growth champions’ insights and evaluate them in the context of corporate strategy, using them as a reality check; they may reveal a need to course-correct. A European pharmaceutical firm went to great lengths to get closer to its customers through an initiative in which high-level executives were assigned to personally support actions at strategic customers. During a management review, the account managers of the top 10 customers presented the insights resulting from the initiative—which indicated that the firm’s corporate strategy was detached from customer realities. “We heard that nine out of 10 customers are going to pursue a strategy that is not at all aligned with our offerings," the CEO said, asking rhetorically, "Who has to change—us or them?" The firm made significant alterations to its own strategy (and strategy-making process) and saw significant growth as a result.

Finding the Right Roles

Having identified the five types of top-management involvement, we sought to understand how each affects financial performance. We compiled five-year growth rates for sales and profits for each company in our study, drawing on SEC filings and other publicly accessible databases. A CEO's style in dealing with customers is just one variable that affects growth, of course, but among firms with hands-off and loose-cannon executives, both sales and profits were generally flat. Social visitors and dealmakers delivered growth rates that were, on average, two to three times those of their hands-off and loose-cannon counterparts—and growth champions drove growth at twice the rate of social visitors and dealmakers, making them far and away the most effective group.

Does this mean that every high-level executive should act as a growth champion in every interaction with a major customer? Not necessarily. Suppliers should build growth-champion roles for strategic customers whenever feasible, but if a customer resists such collaboration, the supplier executive should adopt a dealmaker or a social-visitor role and focus on executing it to the fullest extent possible.

Supplier executives should take context into account before deciding on their approach. They should consider each customer's behavior, the importance of the customer to the supplier and vice versa, and the characteristics of the customer's buying process. If a customer conducts itself in a purely transactional manner, investing in a growth-champion relationship may indeed be a waste of resources; a dealmaker—even one at a lower organizational level—might obtain equally good or better outcomes in the short term. Certain customers may lend themselves to a more opportunistic approach using social visitors. But over the long term, most suppliers will benefit from moving their customer relationships to the next level. Some of the most successful executives we know began their customer interaction journeys as social visitors or dealmakers, eventually evolving into growth champions. We have worked with others who assume the growth-champion role for their most important customer relationships while remaining social visitors or dealmakers with others.

The bottom line is that CEOs who eschew the growth-champion role with strategic customers are putting their companies at a disadvantage. If a customer seeks collaborative engagement beyond social-visitor or dealmaker discussions and the supplier fails to step up, the customer may well turn to a competitor to shape its future.

Making Your Growth Strategy Work

We recommend that companies conduct an annual review of each strategic customer relationship and assign growth champions according to long-term business potential rather than current buying behavior. Executive team members must venture outside their comfort zones to assume unfamiliar responsibilities—and help managers throughout their companies do the same. Consider Henkel, a Germany-based consumer packaged goods manufacturer that was locked in tough competition with Procter &

What Makes a **Growth Champion?**

On the basis of our research, we've sketched a profile of essential traits, which organizations can use to spot such leaders in their ranks.

1 **Compatibility**
Achieves a close personal fit with both customer executives and the account manager

2 **Availability**
Is responsive to customers and the account manager and sales team; no excuses

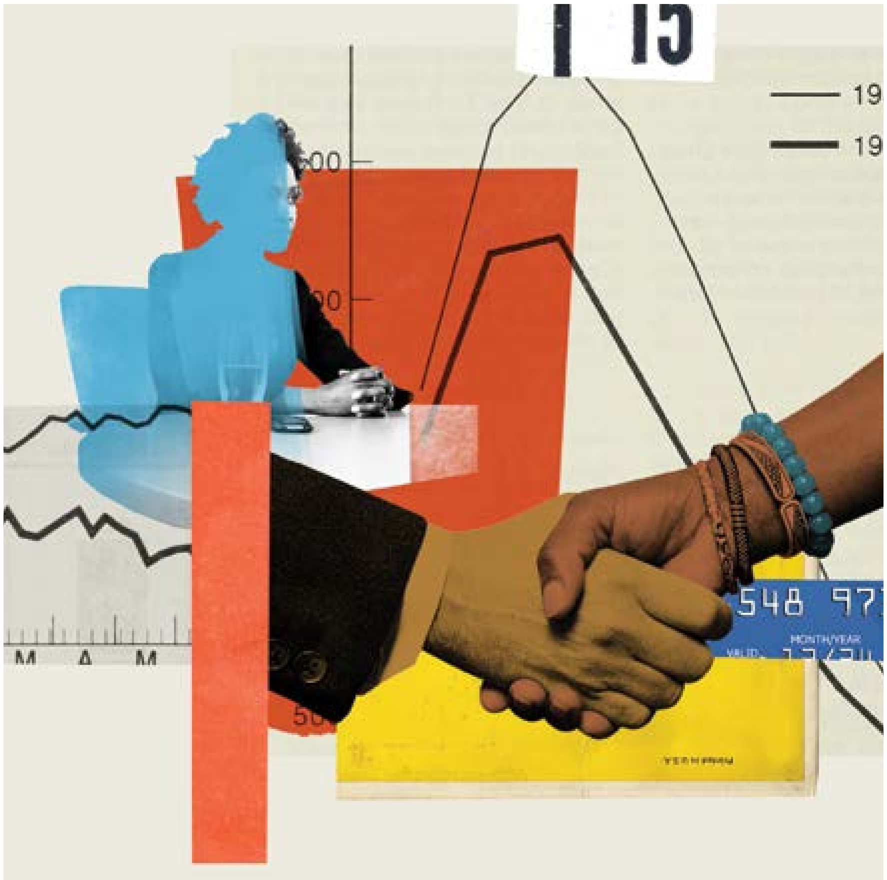
3 **Initiative**
Is willing to go above and beyond, to adopt the customer's perspective, and to break internal barriers in the service of long-term customer success

4 **Knowledge**
Has an in-depth understanding of the firm's and the customer's strategy and capabilities

5 **Communication skills**
Can "speak the language" of the customer, sales teams, and functional experts

6 **People skills**
Is committed to strong teamwork, coaching, and listening

7 **Results orientation**
Has a history of meeting or exceeding objectives



Gamble and Unilever. Its siloed brand strategy limited its ability to interact with customers across its full product portfolio. So shortly after becoming CEO, Kasper Rørsted instituted a "meet the customer" program for top managers across all brands. He also launched a competition among senior executives, tracking their customer-focused activities. Customer interaction reports soon became a regular item on the agenda of management meetings, and senior executive visits to customers dramatically increased in number and effectiveness.

Supplier companies should also have an executive sponsor program. These can take many different shapes: Some are highly structured and metrics-driven; others are informal arrangements between top managers and the sales organization. But the most effective programs have certain assumptions in common. They recognize that executive sponsorship is a priority, not an optional activity; that sponsors should commit to two- to three-year assignments to ensure consistency and depth; and that sponsors are not the owners of the customer relationship and must consult with account managers before and after customer visits. Such programs should not be set in stone; they should be evaluated and adjusted as customer needs or the supplier's own priorities evolve. For example, centralized management and coordination of a sponsorship program may become more important as a small supplier grows to a midsize or large enterprise and its relationship management issues multiply in complexity and number.

Surveying our workshop participants, we learned that companies with an executive sponsor program had a significantly higher share of growth champions among their top managers (26%) than did firms without one (just 4%). They also reported a heightened awareness of the importance of top-management involvement in customer interactions and a more systematic approach for strategically applying the most effective executive roles.

A final recommendation: Companies should bear in mind that not all senior executives make good executive sponsors. The logistics giant DHL, for example, recognizes the importance of a strong match; its account managers may request a different executive sponsor if the dynamic is not working well, as long as they can cite a solid reason for the request.

TOP-MANAGEMENT INVOLVEMENT IN B2B customer relationships can pay enormous dividends for suppliers and their customers. One of our workshop participants summed up the challenge succinctly. "It's the responsibility of account managers and their teams to manage the customer's share of wallet," he told us. "The role of senior management is to win the customer's mind." Becoming more customer-centric is not just another project for top executives to put on the to-do list; it is an essential part of growth and a fundamental driver of success. **HBR Reprint** S21021

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