

# Managing Your Blues With Blue Chips

*A prescription for small and mid-size entrepreneurial companies, who want to establish long term, profitable relationships with Fortune 1000 companies*

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Whether you are a \$5 million or a \$50 million entrepreneur selling to much larger Fortune 1000 firms with reported revenues in the billions, you need to develop a strategy and the right tactics that will keep you not just profitable, but in business. In business? Yes! Many small to mid-sized firms (SMBs) often become too attached to a large contract with the F1000 (we call them the Goliath), only to face serious hardship when the big firm changed its mind, for any number of good (or not so good) reasons.

### WORKING WITH F1000

SMBs enjoy the benefits of selling and servicing larger Fortune 1000 companies. Revenue is good and for the most part receivables are more reliable. However, servicing an industry giant has its issues and requires a mindset and skills that must be developed in the entrepreneurial firm. Larger companies have multiple internal departments that must be supported and a SMB will need to assign the resources to service them in a way that satisfies them. The end customer department who is using the entrepreneur's services or products may be very happy with the results that the firm delivers, but the accounting and purchasing departments have their processes and requirements that must be followed to complete the transaction. Thus if the business does a fantastic job meeting the end user's needs, but drops the ball on the proper invoicing process, the goliath company may consider the company to be not qualified as a vendor.

It becomes even more frustrating for the entrepreneur when the goliath moves staff or reorganizes. All of the relationships and trust that were built can be put in jeopardy. The new person may have a favorite vendor that they trust, or may not understand the value that the SMB delivers. Thus, after perhaps months or even years of hard work to develop and maintain relationships, the entrepreneur may need to start all over again in developing a business relationship with goliath.

Building a profitable business relationship with a goliath requires agility and an ability to observe the inner workings of the larger firm. A classic example that frustrates most entrepreneurs is where the entrepreneur needs to meet with the user department head to resolve an important operational issue and the department head can't meet for a week because he or she is tied up in "important" internal meetings. To the entrepreneur, achieving results is paramount, while in many larger companies, process and form take on a high importance and the value of those is not obvious to the SMB.

### THE TICK BIRD STORY



The plight of the tick bird is a good analogy for dealing with goliath. The tick bird sits atop of the rhinoceros' head and removes nasty ticks from its tough hide. It is a symbiotic relationship, the tick bird feeds well off the rhinoceros, and the rhinoceros is rid of the annoying parasite. The model is good for both the rhinoceros and the tick bird. All works well unless the tick bird loses its footing and falls to the ground. The rhinoceros cannot see his feet and could easily crush the small tick bird without even knowing that he did it.

This can happen to the entrepreneurial firm that does business with goliath. If the goliath, for good business or regulatory reasons, implements a new process that makes it difficult or impossible for the SMB to align with, it could cause the SMB to have to stop doing business with the goliath. In the end the goliath will not know why the SMB disappeared, and surely will not know that their actions caused the firm to leave.

A classic example of this was when many goliaths instituted an Electronic Data Interexchange (EDI) requirement for submitting purchase orders and invoices. Quite a few SMBs didn't have the software or the expertise to communicate via EDI, and many had to stop serving those companies. Luckily, some larger companies understood the issue and made provisions to support their vendors.

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*In one case, a large electronics Goliath that needed to move into a developing market hired an executive to lead that charge. The new executive came in with a business plan and a direction to achieve his assigned goals. This caused a serious problem for the SMB that had helped the large electronics manufacturer uncover the new market. The entrepreneurial firm could not comply with the new executives approach to the business. There was much agony and despair before the electronics manufacturer was able to modify its approach to accommodate the SMB's business model. **Should executive mobility within the client mean death to vendors? Adaptability is the key!***

When this happens, and it happens with frequent regularity, the entrepreneur needs to fight the paranoia that will naturally set in...

*"They are trying to get rid of me". If the entrepreneur has a good relationship with key players at goliath, they need to realize what happened and not waste energy fighting the change, but rather invest time and seek advice on how to get better aligned with the larger company. It is important to remember that if goliath wanted to stop doing business with the SMB they would not have to hire a new manager nor change a process to do so; they could just stop sending purchase orders.*

### HOW TO WORK WITH GOLIATH?

So if change at goliath is inevitable, how should the SMB manage the business? There are many elements to consider, but five are important for this discussion:

- The value to goliath
- Relationship management & marketing within
- An exclusive working framework for goliath
- Costs and pricing insights
- Alignment with goliath's business direction

Here are some questions to ponder upon...

What does goliath need? What is value for them? How does value happen? How can the SMB deliver a visibly value enhancing experience? What is the vision and the strategy road map to achieve some of larger goals and macro scenarios that the goliath is trying to achieve? How must SMB's own business and operating models transform to be able to serve well?

Once these questions are answered, the entrepreneur needs to share the assessment with the direct customer at goliath and seek the customer's input. Then adjust the assessment based on input. Finally, implement an approach that will deliver the value that goliath wants and needs on an on-going basis.

*In the glamour world of Hollywood, the producer will say have your people contact my people to arrange a meeting. In the Business to Business world, that often is the Administrative Assistant. These "people" develop exceptional relationships with their counterparts in the other companies. Though they may never meet, they know about each other's kids and all sorts of personal information. They bring mutual value by cutting through the red tape of business process to get things done efficiently and on time. **Does your Admin have better relationships with your biggest customers than you do? Are you leveraging those great relationships?***

### BRING CONSTANT VALUE

**What value do you bring?** It may seem a casual question, but the SMB really needs to know what value they bring to goliath. It is more than just the basic service or product. It may well include the timing, the delivery model, the price point, and a whole host of other factors. To learn the answer requires an in-depth needs analysis.

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It is critical that the entrepreneur deliver new value at every opportunity. Value comes in many forms; for example, sending a recent news clip on the status of a new highway construction plan may have high value to the head of shipping and receiving at Goliath. Similarly, sending a new competitive product announcement would have high value to the head of product development. Sharing internal strategic insights on how the SMB is trying to uncover inefficiencies in the business model and be able to define a better solution will provide immense reassurance and value. To an executive, value could mean being presented with an alternative way of achieving a business goal. Presenting this concept to an executive is a great way to bring value and raise the value level of the SMB at Goliath.

*A large specialty chemicals producer wanted to expand to the Indian market. He was going through usual trade channels but results were unsatisfactory to the definitions that the company had in mind for a suitable partner. Frustrated, the CEO dropped the idea until a computer engineer who came to load new software in the VP's machine overheard the VP and suggested that he could help! The engineer introduced his friend in India who had a large trading house of similar products in the country. A simple internal crowd-sourcing mail (now through social media) would have saved a lot of traveling time, money and energy. **Underestimate the strengths in networking with your staff to your peril!***

## MANAGE RELATIONSHIPS THROUGHOUT THE COMPANY

This may seem like another obvious point. We all know that people continue to buy from people that they know, like and trust – a.k.a. “relationship equity”. However, it goes deeper. Entrepreneur’s cannot just develop and maintain a relationship with the end user department manager at Goliath. There are so many more relationships that have to be developed and maintained; each at a different level.

Think of some useful relationships the SMB would have:

- Shipping clerk and Goliath’s receiving department
- Accounts receivable clerk and Goliath’s accounts payable department
- Sales team and Goliath’s purchasing department
- HR manager and Goliath’s legal department
- PM team and Goliath’s end user department manager’s manager
- Direct communication channels with Executive sponsors

Quality contacts with IT, Sales & Marketing, Finance department will also help if the entrepreneur can help them better deliver their products or services to their end customers

The approach is to develop relationships wide and deep; wide within the entire organization, and deep into the departments that will affect the customer Business Units. Conversely, Goliath’s people need to know the right people to call in the SMB to get something done. They cannot always call the president of the firm for every question or issue.

In many Asian cultures, business people are attuned to developing relationships before even starting the sales process. It works. Yet, in America the entrepreneur must show potential value before even getting the opportunity to develop a relationship with a prospect, but once past that gate, the SMB needs to take the time to develop an early trust-based relationship before asking for the order. Entrepreneurs must understand the customer, their organizations, drivers, and their needs. When developing a relationship plan for Goliath, it is important that the SMB has a good understanding of Goliath’s organization and their power structure.

## DEVELOP A PLAN FOR THE WORKING WITH GOLIATH

Most SMBs place less than required emphasis on account planning, because they begin to believe it is good enough to maintain the so-called “constant touch” with the key personnel of Goliath. This often leads to a ‘myopic’ view of the account, and ignores what should happen in account planning?

While strong relationships are important, good account planning and operating model are an equally important element of your business with Goliath.

Entrepreneurial firms need to construct a framework from which business is conducted. Many goliaths will insist that their vendors follow their guidelines and processes. The SMB will have to comply, but that is not enough. The SMB needs to build a framework for delivering to goliath. That includes:

- A firm wide plan on setting expectations, by the sales and delivery teams, and by executives.
  - *Over committing becomes the seed for dissatisfaction in customers.*
- Develop a set of Service Level Agreements (SLA) with each business unit served. Clear performance metrics remove a lot of ambiguity.
- Develop a communications plan for routine communications at all levels in the company. In addition to 'staying in touch', establish a weekly report for the customer summarizing all transactions. This should also notify them if targets were missed, even by half a day.
  - *Systematic or methodical communicating leads to better customer satisfaction*
- Jointly develop a governance plan to outline how each side will address issues and business volume fluctuations.
- Issue resolution process - how each side would handle missteps by their employees?

### PRICE TO WIN AND MAINTAIN A LONG-TERM BUSINESS

How does SMB set prices? What goes in to pricing? Does the price vary based on customer?

Are there volume discounts? Most entrepreneurs have a model in their head or on paper for how to price goods and services. And most SMBs dealing with the goliaths of the world understand the requirement for competitive bid process, and that it is critical for the firm to communicate specific high value that justifies the price in their bid. However, once they win the business and start delivering goods or services to goliath, all they have to do is just follow the prescriptions listed above and move on.

Not exactly! Change happens! As the world changes, goliath has to react and change and the entrepreneurial firm must also act. The purchasing department may be the first to advise the SMB that change has occurred. If the change has a negative fiscal/financial impact, they will ask for concessions in the contract, including price. At this point, the SMB needs to make some decisions. Can the firm withstand the hit? Is this a long term or one time customer? Is this good business and is it worth fighting for? If goliath is a customer that the SMB wants to keep and develop, it must negotiate with multiple interests; first, the SMB's interests: to be profitable, keep employees employed, and grow, and second, the interest of the customer. That does not mean, lie down and roll over to all demands. It does require, however, that the entrepreneur work hard to understand goliath's real needs; not what the purchasing department states as official policy. (Having developed broad and deep relationships will help the SMB learn the real facts and issues.) What are the needs of the department head? How can the SMB help? And, what concessions can the department head give in return?

Negotiation rules don't change: understand the law of the land, and be sure to get something of value when giving up something of value. Some SMBs will take advantage of goliath's request for price concessions by extending the contract. Other tactics include concessions on SLAs, like delivery time or response time. There are many options that can be explored when faced with this request. In the end, however, the firm must make the decision to give or to not give and understand the ramifications of that decision.

*An international Coffee maker was expanding stores. But had a dilemma on incurring huge cost for setting up a global PMO for the purpose. An entrepreneurial firm serving them went with a cost saving solution but fell short of providing the strategic advantage the Goliath was looking for, until another smart vendor worked on an incremental pricing with back-loading methodology which the Goliath much appreciated and paid more money to the new competitor. **Strategic pricing plays an important role in winning and keeping business!***

## PARTNER BY ALIGNING

When the SMB makes decisions on price concessions, framework, delivery, focusing on relationships and customer value, they are making a decision to align or not align with the customer; aligning with their goals and directions, aligning with their need to deliver value to their customers, aligning with their business philosophies, and aligning with their processes. Strategically the firm needs to align with goliath's goals and directions. If goliath had made a decision to be "green", the firm must embrace that by developing a plan (and sharing it with goliath) on how, for instance, to reduce the SMB's carbon footprint.

Tactically the entrepreneur needs to align with goliath's business processes. Seemingly small issues can cloud the decision processes in goliath when the vendor will not follow the mostly rigid processes that goliaths must follow. All manners of transactions need to be aligned; sending the wrong invoice form will not only cause a delay in payments, it could cause untold grief in goliath's accounts payable system. This is NOT the type of notoriety that the SMB wants or needs.

From a political stand point, the entrepreneurial firm needs to be sure it is aligned with the departments that it serves, yet doesn't get crosswise with one of the supporting or downstream departments in goliath. While the other departments may not be able to buy from the firm, they can impede or stop the end user departments from purchasing from the SMB. It is important to understand how the firm impacts all departments in goliath and to be sure that the SMB is not causing issues anywhere in goliath.

## DEVELOP A FRAMEWORK FOR INNOVATION

There's an old expression "build a better mousetrap, and the world will beat a path to your door." The same applies to SMBs servicing goliaths. But many firms tend to neglect the customer's basic need - in other words they stop the constant effort of redesigning the mousetrap and try to trap the customer instead!

The SMB must always be focused on solving goliath's issues. They must understand goliath's business drivers and business cycles. And they must understand goliath's buying guidelines and purchasing requirements. Finally the SMB that wants to be successful in achieving an on-going revenue stream from Fortune 1000 companies will have to act in a way that tells the goliath that the firm is the right carrier for their growth platforms. To achieve this status the entrepreneurial firm must develop an innovation framework to enable growth in themselves and the goliath.

*A small engineering firm was hired by a large packaging plant to develop a quality control process for a new product. During the design phase, the SMB learned that the plant had no accurate method for tracking product as it rolled off the packing machines. The entrepreneur proposed a solution to automatically capture production counts into the production computing system which was quickly adopted across the entire plant. **Innovation solved a chronic problem for the plant and gained a new project for the engineering firm. Get out of the service provider mindset and get in service driver seat!***

## SO WHAT?

Each year large, medium and small entrepreneurs, alike spend hundreds of millions of dollars acquiring new business ...sales. These same firms often forget to spend a fraction of that amount to keep and delight their existing customers, big or small. For ten percent of what a company spends on customer acquisition, they could grow their existing account business by 20 to 30 percent. It requires a discipline and a plan. Goliaths can be great and very profitable customers. Once the initial sale has been made, it is time to engage as a valued partner in goliath's business; **bring value and grow with goliath.**

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### About the Authors

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**balancedPerformance**

*Customers are your most important assets*

Ted Ehling has extensive consulting and management experience. His focus has been on strategy development and implementation, account management, and outsourcing. He has led teams to develop exceptional business solutions for global clients, and managed large operational organizations and a national sales team. He has a successful track record with industry leaders: EDS, IBM, Ernst & Young, Convergys, and Bellcore, with experience and expertise in the Financial Services, Telecommunications, Consumer Electronics, Pharma, and Media Industries, and has developed several entrepreneurial firms. In 2003 he founded the consulting firm Balanced Performance.

Ted started his career as an engineer and scientist after receiving a BS in Physics at the University of Vermont. He has published several articles on the strategic value of outsourcing, served on the editorial board for Worldwide Wireless Communications, and has chaired several conference sessions. He has served on the Executive Council of the International Engineering Consortium and the chapter leadership board of the Marketing Executive Networking Group.

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**SAMPRAD**  
*do consult with us..*

Venugopal Chepur (Venu) is a business development strategy professional with proven business transformation capabilities to drive revenue growth. He has developed innovative business models and marketing solutions for a broad spectrum of companies: Start-ups, Multinationals, Fortune 500, Big 4 consulting firms and Global Banks, both as an Executive and Consultant in North America, Asia and Middle East with experience and expertise in the IT Outsourcing Services, Financial Services, HealthCare and Consumer Products Industries.

Venu has a diverse education (MS, MBA) in Bio Sciences, Economics, Marketing & Finance, and Courses in International Business and Professional Certifications in Information Technology, and Leadership programs at the IBM Institute for Business Value. He serves on senior global leadership executive groups, contributes frequently on strategic business issues & trends, and delivers through guest-speaking engagements & white papers. He is an avid reader, innovative thinker, and volunteer for spiritual yoga. He founded the consulting firm SAMPRAD.

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