

"The Prime Solution presents an innovative approach to customer value. It is a precise guide for senior management to lead a multidisciplinary collaboration with your customer to ensure that your organization can deliver on the value commitments made to customers."

From the foreword by Greg Lewin, President, Shell Global Solutions International BV

THE PRIME SOLUTION

CLOSE THE VALUE GAP,
INCREASE MARGINS, AND
WIN THE COMPLEX SALE

J E F F T H U L L

The Prime Solution

Close the Value Gap, Increase Margins, Win the Complex Sale

By Jeff Thull

Dearborn Trade Publishing
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"The Prime Solution presents an innovative approach to customer value. It is a precise guide for senior management to lead a multi-disciplinary collaboration with your customer to ensure that your organization can deliver on the value commitments made to customers."

Greg Lewin - President
Shell Global Solutions International BV

"It is hard hitting and clear. Jeff Thull has crafted a powerful message for all senior executives, backed up with realistic how-to advice."

David M. Knibbe - Senior VP - Sales and Distribution
Herman Miller Inc.

"Jeff Thull builds on his extensive work in complex sales and provides an expanded definition of value - how to create it, how to sell it and how to deliver it! As a long-time client, these principles have been strong contributors to our success."

Bern Hapke - General Manager
3M Microbiology

"Jeff Thull delivers a precise focus on creating a singular voice and process for assuring that the customer's reality is at the forefront of strategy development as well as strategy execution. This is the must read manual for customer intimacy in the complex sale."

John Bevan - CEO - Process Gas Solutions
The BOC Group

"Finally, an intelligent treatise on sales and marketing that the entire organization will embrace. Just understanding the Value-Gap principles and how to bring this concept to life makes The Prime Solution a must-read for any CEO in the complex B2B marketplace."

Ramon Avila, PhD.
George and Frances Ball Distinguished Professor of Marketing
Director, H.H. Gregg Center for Professional Selling
Ball State University

"If you sell a complex product, in a crowded competitive environment, to customers with increasing expectations - read The Prime Solution and put its principles to work. We have implemented many of Jeff Thull's ideas successfully at Motive, where we believe that enabling value outcomes - not just selling software - is the key to success."

Mike Maples - Chief Marketing Officer
Motive, Inc.

"The concepts of the Prime Solution have enriched my professional and personal life and has helped the organizations I work(ed) for to grow significantly in revenue and profitability. This book examines why companies cannot capture the full value of their solutions - and what they can do about it! A must read."

Rob Castien - President
Spark Holland BV

"I have been a voracious reader of business books for 32 years. No other writer has had more of a positive impact on my business than Jeff Thull."

Ralph S. Heath III - President
Ovation Marketing

"Jeff Thull has cracked the code on uniting the entire organization in a singular approach to ensure that value promised becomes value achieved. Senior management must be the agent of change; the success examples in this book highlight the why and the how very clearly."

Jacques J. Marcotte - VP General Manager
BTG Americas Inc.

"An essential read for anyone wondering why their "solutions" approach may not be working as planned. In a global industry that faces daily pressures to treat high value solutions like commodities, we are now breaking free of the crowded field of solution providers by adopting many of the ideas of The Prime Solution - ideas that are focused on creating and delivering value - value that is truly recognized by our customers."

Michael Heil - Global Marketing Director
BOC Process Gas Solutions

"Like a great physician, Jeff Thull accurately diagnoses the symptoms and causes of the disconnect between value capability and value reality. His prescription comes with a rich blend of proven examples and a deep, intuitive understanding of the problems faced by many companies who have great value to offer but that can not overcome all of the hype in the marketplace. As a provider of complex enterprise solutions The Prime Solution gave us an excellent roadmap to step above the clutter and raise the bar for our competition."

Bruce Kannry - CEO
nVISIA

"Jeff Thull again provides remarkable clarity to a very complex issue - How to set your organization apart in an overcrowded world of complex value promises. This book will not only become the standard for creating, delivering and capturing value, but will serve as a wake-up call to those who are wondering why our great approaches of the past have de-railed."

Jeff Bolke - VP Worldwide Sales
Motive, Inc

"Jeff outlines a break-through paradigm on sales effectiveness and provides the map to achieve true competitive advantage. The strategies in this book work... You will never look at your customers the same way again."

Krishna Chettayar - Director of Sales & Marketing Solutions
Dun & Bradstreet

"This is a masterpiece! Jeff Thull is a genius presenter of practical yet transformational ideas that can readily help you and your company in really big ways."

Nido R. Qubein
Chairman, Great Harvest Bread Company
Founder, National Speakers Association Foundation

"The Prime Solution provides a thought provoking roadmap. Its cross-functional process is a breath of fresh air that defines how companies can ensure success in today's brave new world of business."

Jeffrey L. Timms
Vice President of Sales and Marketing, Americas
Siemens Logistics and Assembly Solutions, EA

"The Prime Solution is the perfect extension to Mastering the Complex Sale. Jeff Thull concisely defines and points out how you can bridge the Value Gap. As the complex sales process we all face continues to become more complicated, relying on the roadmap and tools in The Prime Solution will keep you focused on what is value from the customer's point of view. Managing that side of the equation will leverage your success."

Jim Kirkpatrick - VP - General Products Group
Terumo Medical Corporation

"An insightful yet unsettling view of those "value gaps" we create with our own customers followed by concise strategies on how we can deliver on the "value promises" we make to our customers. Closing these gaps is a must for sustained business growth, especially when you're involved in a complex sales process."

Tom Wida - President
Biacore, Inc.

"Jeff Thull elegantly addresses how companies that are feeling burdened by competitive and commoditization pressures can ultimately succeed. Tomorrow's successful companies will be those that fully comprehend the inescapable wisdom of The Prime Solution's message. Get ready for some profound realizations and a precise path to very stable and profitable business relationships."

Donny Holender - VP Sales
Universal Computer Systems, Inc.

"Jeff Thull offers a practical and comprehensive process for assuring that all parts of your organization are orchestrated to create and deliver valued solutions from the beginning. The characteristics of Prime Solutions are particularly insightful, as we constantly strive to develop unique solutions for our customers."

Michael Jones - President and CEO
(i)Structure

"What first appeals is the pragmatic, street-tested advice. "The Prime Solution" gives you a roadmap and language that every customer-facing professional in your organization can use to identify, quantify and deliver tangible value through business transformation."

Don Addington
President & CEO of Seagull Software

"The Diagnostic Business Development process has brought us great success. Our whole existence depends on our ability to sell our value and then deliver it. The Prime Solution shows you the direction and the specific how-to's."

Nevin J. Starkey - Senior Product Marketing Manager
Diebold, Incorporated

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Vice President and Publisher: Cynthia A. Zigmund
Acquisitions Editor: Michael Cunningham
Senior Project Editor: Trey Thoelcke
Interior Design: Lucy Jenkins
Cover Design:
Typesetting:

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Published by Dearborn Trade Publishing
A Kaplan Professional Company

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Printed in the United States of America

04 05 06 10 9 8 7 6 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data

Thull, Jeff, 1949-

The prime solution : close the value gap, increase margins, and win the complex sale / Jeff Thull.

p. cm.

Includes index.

ISBN 0-7931-9522-5

1. Industrial marketing. 2. Sales management. 3. Selling. 4. Customer relations. 5. Value. I. Title.

HF5415.1263.T49 2005

658.8'1--dc22

2004015641

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Foreword

We at Shell Global Solutions were introduced to Jeff Thull through his first book, *Mastering the Complex Sale*. As I finished reading *The Prime Solution*, my first thought was that Jeff also wrote this book with Shell Global Solutions in mind. Providing solutions is a challenge in any business and it is particularly complex in our environment, the energy industry markets. Looking into the background of our organization should make it clear why we found Jeff's argument so compelling.

At Shell Global Solutions, our corporate heritage is unusual, if not unique. We originated as the research and technical service group within Royal Dutch Shell Group. Our sole charter was supporting Shell's business activities worldwide. As an internal service provider, we lived with our customers and were quite sensitive to our charter of uncovering value creation opportunities within Shell and delivering on our value promises.

By 1997, as cost pressures began to threaten the viability of such an internal organization, it became clear that our collection of intellectual property, along with our technological and operational expertise, represented a significant value creation capacity. In order to make our knowledge and expertise available to companies outside of Shell, a significant part of this capability was placed on an independent, commercial footing. Thus, our charter then became to turn this internal expertise into a commercially viable operation and "pay our own way" as a profit center.

Today, our aim is to help raise our customer's business performance by combining leading-edge technology with extensive operating experience. The ability to team up with our customers is a critical component of this objective. While solving particular problems requires area specific skills, effective business solutions often involve experts from different fields working together as a close-knit group. Jeff overviews one of these collaborative relationships in his book, our partnership with the Ferrari Formula 1 racing team, which provides a clear view into how this manifests in our customer relationships. Shell Global Solutions has worked hard to foster a collaborative culture and as a result, integrated teams, built around customers'

requirements and combining their employees with ours, are a natural feature of our organization.

Achieving and sustaining profitable growth in today's highly competitive global market requires the essential ability to harness the full range and depth of expertise that lies within your organization. Products and even technology are quite easily replicated, but personal expertise, operational excellence, and customer intimacy are far more elusive and that is where your true differential lies.

Harnessing this tremendous source of value creation capacity is a great challenge. As we ourselves worked to accomplish this transformation in our business we found that it involved three key tasks.

1. Technical experts, who deliver unquestioned excellence in service and support, have to be aligned with the entire organization around what it takes to shape a compelling value based solution and most importantly what it takes to deliver it.
2. Learning how to sell the process and technology expertise, including intellectual property, is critical. For us, success required more than just "selling" our services; we needed to develop the structure and discipline to allow us to guide our customers through a process to recognize the value potential we offer. Jeff addresses this issue and the need to "create the incentive to change" and the "confidence to invest" within the executive leadership of your customers. Customers must recognize and be willing to pay for the value delivered.
3. Finally, the business focus must shift from competing at the product or point solutions level, to the goal of being engaged as a "sole source" to our customers, capable of providing integrated solutions over time, in a mutually beneficial relationship. From our perspective, it is quite obvious that the current market is expanding the solution focus from improving the efficiency of a single process to finding ways of optimizing the entire value chain of a customer organization.

There are three key messages from Jeff's first book, *Mastering the Complex Sale* that resonated with the direction I wanted to lead our business. In *The Prime Solution*,

Jeff expands on these three points as they relate to responsibilities throughout the entire organization.

1. First, the customer does not have a decision process that is robust enough to match the complexity of the decisions that need to be made.
2. Second, the business of selling is not just about matching viable solutions to the customers that require them, it's also about managing the change process the customer will need to go through to implement the solution and achieve the value promised by the solution. One of the key differentiators of our position in the market is our attention to managing change and making change stick in our customers' organizations.
3. Third, it's not enough to merely propose value; we need to provide a detailed quantification of the value gap, thorough guidance and support during implementation and finally, the ability to provide undeniable measurement of the value achieved.

Reading *The Prime Solution* confirmed the realization that we had been focusing too much of our attention on creating sales messages to our customers. We were making a strong case for why they should broaden their focus from improving efficiencies of process components to the optimization of the larger value chain, but, we also needed to ensure that we could deliver on our value promises.

The Prime Solution described what I and senior management needed to do internally to ensure that Shell Global Solutions could deliver on the value commitments we were making to customers. It provides the roadmap for integrating our organization in a multifaceted interaction with the customer and delivering on our promises. This multidisciplinary strategy proves especially valuable when providing consultancy services in business processes that extend across technology and business boundaries as well as geopolitical boundaries. It also reiterates some conclusions I have come to about customer value.

- *First, value should be added to the customer's entire business, not just a specific part of it.* Unless you consider the impact on your customers' businesses from end-to-end, savings made in one part of their business stand to be cancelled out by losses in another. For example, one part of their business might identify savings in working capital through a reduction of stock levels, only to find that this leads to raised levels at another point in the chain or, even worse, causes a decrease in their ability to serve their customers.
- *Second, the value created for your customer should be easily identified and owned by your customer.* It must be possible to measure the potential value that can be created for the customer and how the customer's business is impacted by the absence of that value. The executive team within your customer's organization must be resolute in its belief of the value promised and its commitment to achieving it. Such a clear measurement strategy makes progress easy to track and generates the commitment necessary to deliver on any planned initiatives.
- *Third—and this is the major objective of Thull's Prime Solutions—the value you promise must be delivered.* It is very easy for customers to become overloaded with new improvement initiatives that fade out owing to lack of resources, poor planning, and the absence of buy-in from staff. Many will suggest that successful implementation and capturing value is the customer's responsibility, but as an internal organization, we never had the luxury of abdicating or even transferring responsibility for success. At Shell, we place considerable emphasis on change management, involving people at all levels in the organization, and on the development of firm and workable implementation plans that take into account the specific character, culture, and priorities of the organization. I cannot emphasize this point too much, and you will see that Jeff has clearly identified and articulated the critical role of change management in your success.
- *Fourth, the "secret sauce" is the heart and soul of your organization—the people!* It is easy to forget that despite advances in technology and business processes, people are still the prime factor in determining your success and your customers. As we progress in this dynamic business environment, roles, and responsibilities

will often evolve. In general, people must be given the opportunity to have a much better understanding of the business outside their own area. This will result in a greater accountability and responsibility for delivering on your value promises.

These are significant changes in how most of us “sell” value to our customers and they pose an interesting paradox: We can’t hope to change how our customers perceive the value we offer until we change how we perceive that value.

We, as leaders, need to manage this change. We need to bring together the most suitable people in the first place, create an environment conducive to working, provide training and development, and establish efficient communications.

- We must provide our people with a broader understanding of business outside their own functional areas.
- We must realize that just as we cannot dictate change to our customers, we should also not dictate to our own staff, as well.
- We must provide our internal colleagues with the same level of attention and support we give our customers.

Leading-edge companies continually improve their business performance by taking a fresh look at the value challenge. Value-based innovation is the key to long-term business success and it is heavily dependent on better business processes, access to more consistent and up-to-the-minute information, and the highest utilization of the expertise of the professionals who carry out the activities that make up the value chain. *The Prime Solution* is a sound guide to this work. It presents an innovative approach to customer value and offers a compelling look at how you can assure your organization’s ability to consistently create and deliver value for your customers and capture a premium share of that value for your organization. Innovation is the key to long-term business success. Jeff Thull will stimulate your thinking and provide you with a solid template that will guide your strategy as you continue to address the ongoing challenges of today’s evolving business environment.

Greg Lewin
President
Shell Global Solutions
International BV

The Hague
The Netherlands

Shell Global Solutions is a dynamic service organization with one main aim—to help customers raise their business performance. Combining leading-edge technology with extensive operating experience, Shell Global Solutions provides innovative and practical solutions that are designed to help companies achieve their full potential.

Preface

The Prime Solution Imperative

If your company is competing in today's business-to-business solutions marketplace, creating and capturing value is likely a critical component of your corporate strategy. You are a value seller. Your company is working hard to *create* value-laden solutions. You strive to ensure that your customers can *comprehend* the value that your solutions deliver. And your successful efforts to gain and retain customers who are willing to *compensate* you for that value are vital to a financially viable business.

This is challenging work in a growing economy and an even more substantial challenge in today's volatile markets. Simply put, most solutions are losing propositions for both sellers and buyers. Here's how McKinsey & Company calculated the odds of success:

“Solutions selling” has been all the rage for the last 5 to 10 years, yet 75 percent of the companies that attempt to offer solutions fail to return the cost of their investment.¹

Among the many reasons for this discouraging success rate is the fierce competition between solution sellers. It is difficult to identify a solution market that is not inundated with value promises—promises that almost all look and sound alike to customers. It is very difficult to differentiate solutions, when all the competitors can and are using the same words to describe their value propositions. Further, when customers finally do choose between competing solutions, they have an extraordinarily difficult time achieving the value they believe they were promised and rightfully expect.

In fact, statistics show that customers fail to achieve the value they anticipated in over half of all complex solution purchases.

The 75 percent of solution providers who fail to cover their costs, and the better than one in two customers who never achieve the value they purchased, are falling into

x

the Value Gap. The Value Gap is the seemingly unbridgeable space between the complex, value-laden solutions that sellers work so hard to create and the results that their customers actually achieve. It is like a vicious vacuum, sucking present and future solution profits out of the businesses of both sellers and their customers.

Recent, notable solution failures are the primary reason that customers increasingly demand solutions that come with something more concrete than just a promise of value. They are demanding *clear* answers, *attainable* solutions, and *tangible* performance improvement roadmaps in the struggle to address the challenges and problems they are facing.

Meeting these customer demands requires solutions that you

- deliver optimal results, capable of leveraging value to the highest level of the customer's business.
- ensure that the customer has identified and purchased the best answer to their problems.
- provide solution implementation and value enhancement strategies that enable customers to achieve the ROI that they anticipated. <END BL>

We call robust solutions that successfully meet these requirements Prime Solutions. Prime Solutions beat the substantial odds of solution failure and deliver maximum value to both sellers and their customers.

Introducing Prime Solutions

Prime Solutions embrace an extended vision of value accountability that allows the organizations providing them to differentiate their companies and offerings in today's marketplaces and in customers' minds. As we will see, they also represent a significant and attractive opportunity to create and build sustainable success as a solution provider.

Prime Solutions achieve these goals by incorporating three protocols: value maximization, decision acuity, and return optimization.

1. *Value maximization* is the application of your company's value capabilities to the highest level within your customer's organization. Complex solutions can deliver benefits to customers at three levels of value: product, process, and performance. Prime Solutions affect all three levels with a cumulative impact that reaches the performance level. They enable your customers to serve their customers better, they provide distinct and measurable competitive differentiation, and they assist your customers in expanding their businesses. Thus, in the customer's mind, the Prime Solution seller is a distinct source of competitive advantage.
2. *Decision acuity* is the provision of the knowledge and the process that enables customers to recognize the tangible value that your solutions can provide. Your customers can fix an accurate cost on the absence of that value, then determine the overall financial impact of your solutions. Decision processes in the complex solutions world are defined at three levels: reactive, proactive, and interactive. The decision processes that accompany Prime Solutions operate at the interactive level, at which the solution provider delivers a precise, collaborative process that empowers the customer to reach optimal decisions continuously. Thus, in the customer's mind, the Prime Solution provider is a valued colleague as well as a trusted advisor.
3. *Return optimization* is the delivery of implementation strategies and postsale support that enable customers to implement complex solutions successfully, measure ROI, and achieve and enhance value. Implementation strategies are defined at three levels: purchase, installation, and results. Again, Prime Solutions affect all three levels, finding their cumulative impact at the results level, where the solution provider actively participates in implementing the solution and ensures the successful delivery of the promised outcomes. Thus, in the customer's mind, the Prime Solution seller becomes a critical, if not strategic, business partner.

Becoming a Prime Solution Provider

A Prime Solution is *not* created and delivered by any one function within the organization. Leveraging the value inherent in a solution, a high-quality decision process, and a successful implementation requires a crossfunctional effort. It involves intimacy and collaboration between the R&D, marketing, sales, and service/support functions within the provider's company as well as an equal level of collaboration between the provider's team and the customer's team. Further, optimizing the effectiveness of their joint efforts requires that the functions communicate using a common language and process.

The Prime Solution Cycle encompasses the systems, skills, and disciplines that lie behind Prime Solutions. Some solution providers, like those profiled in this book, will already be conversant with some or all of these. For others, creating and delivering Prime Solutions will represent a considerable leap forward.

The establishment of the Prime Solution Cycle typically requires a redeployment of resources, a restructuring of functional interactions, and, most of all, a new customercentric culture driven by a singular mindset and language. Before you back down from the challenge, think about how you would react to a company that brought such a solution to your door. This solution would positively and clearly impact your business performance and profitability. This solution provider would not only ensure that you designed and selected the best solution for your hard-earned dollars but would also help you achieve a successful implementation—and, further, help maximize and measure your return on investment. This vendor is a Prime Resource, and all companies struggle to occupy that position in their customers' minds.

Moving Forward

This book was written to guide and assist business-to-business solution sellers in their quest for long-term growth, competitive dominance, and profitability through Prime Solutions. Toward that end, the book is organized into three parts that echo and elaborate upon this introduction.

1. *Part One* explores the environment in which today's complex solutions must compete. It maps the parameters and ramifications of the challenges facing businesses today, traces the evolution of the business-to-business marketplace

through three eras of value deterioration, and identifies the barriers that stymie professionals in their attempts to bridge the Value Gap. Part One takes a hard look at complex solutions and finds that, by most measures, value achievement is relatively rare. This conclusion is disappointing, but it reveals a highly attractive opportunity for businesses that can deliver on their value promises.

2. *Part Two* translates the demands of today's complex solution markets into protocols that define and inform Prime Solutions. It details what it means for a solution to leverage value, to ensure that the customer makes a quality decision to invest, to create implementation guidance and support its guarantee that customers achieve the value promised, and to preempt competitive threats by providing continuous value enhancement. Part Two paints a detailed portrait of complex solutions that are capable of meeting and exceeding the challenges inherent in today's business-to-business marketplace.
3. *Part Three* answers the question: How can my company develop and deliver Prime Solutions? It explores the organizational mindset, capabilities, and work processes within Prime Solution organizations. It describes the strategies and techniques that drive the development, marketing, sales, and service/support of Prime Solutions. Part Three follows the Prime Solution's evolutionary process from genesis to successful implementation.

I hope that this book will help you give form and substance to the marketplace trends, customer demands, and competitive pressures that you and your company confront every day. I further hope that it will encourage you to pursue and deliver improved value promises and that you receive the rewards that accrue to successful solution providers, today's Prime Resources. If this book helps illuminate the path to Prime Solutions, then it has delivered on its value promise.

Part One

Swallowed Up in the Value Gap

The Value Gap: the high-cost disconnect between the value that products and services are designed to deliver to customers and the value that customers actually achieve.

How big is the Gap? Studies and statistics suggest that over half of all the complex or whole solutions sold in today's sophisticated, diverse business-to-business marketplace do not live up to their promise in customers' eyes.

Are you in danger of being swallowed up in the Value Gap? You may be if your company is experiencing symptoms like these:

- Your sales force can't deliver or sustain pricing levels for your complex products and services that will provide adequate returns.
- The sales cycle is chaotic and increasing in length and cost.
- Forecasting results and planning for the future is increasingly difficult.
- Your customer base is eroding.
- Customer satisfaction and retention rates are dropping.
- You are unable to capitalize on lucrative opportunities for expanding current customer relationships. Customers claim to recognize value creation at the outset, but in the end, they will not pay for it.

Chapter One

The Elusive Prime Solution

We all know that customers do not buy complex products and services; they buy outcomes. They buy business results. Thirty years ago, Peter Drucker flatly stated in his encyclopedic *Management: Tasks, Responsibilities, Practices*, “The customer never buys a product. By definition, the customer buys the satisfaction of a want. He buys value.” Drucker criticized the corporations of the 1970s for ignoring value from the customer’s perspective. “What is value to the customer?” he wrote. “It may be the most important question. Yet it is the one least often asked.”¹

What “wants” do business-to-business customers try to satisfy? The things that were of value to them in 1974, and are still of value today, are exactly the same things that you value in your business—increased revenues, lower costs, more efficient and resilient operations, and optimal employee productivity. Most importantly, just like you, your customers want to establish and expand profitable, long-term relationships with their customers. In short, they want *solutions* to the problems and competitive challenges that they face in the battle for corporate success.

Twenty years after Drucker’s opus was published, Lou Gerstner based his dramatic turnaround of IBM on the concept of solutions. In a real sense, Gerstner’s strategy represented a return to IBM’s roots. In the 1940s and 1950s, Thomas Watson, Sr. drove IBM’s growth with a hybrid product/service model. He

understood that IBM's customers did not want electronic accounting machines. They wanted the information and efficiencies that the machines enabled. So IBM leased equipment and focused on delivering the value. His son, Thomas Watson, Jr., embraced the computer but kept the same business model. By the 1960s, IBM was a multibillion-dollar company. Watson, Jr., who served as CEO until 1971 and on the executive committee until 1979, wrote:

We are one business and, for the most part, a business with a single mission. Our job, and that of each division, is to help customers solve their problems through the use of data processing systems and other information handling equipment.”²

Unfortunately, the 1980s proved to be a watershed era in the company's history. As the competition in the computer industry grew and the PC emerged, IBM started to look like a dinosaur. Instead of creating solutions based on the emerging needs of customers, it focused even more intensely on selling its existing products. In 1992, the company shocked the business world by declaring a \$4.97 billion loss, at that time one of the largest in corporate history.

IBM had become a moribund giant when Gerstner, an accomplished executive but hardly a high-tech insider, was hired as CEO in March of 1993. At that time, most of IBM's managers and employees saw their company as what Gerstner describes as a “piece part” manufacturer.

Gerstner was confounded by attitudes that he found in his new company and industry. In his book about the IBM turnaround, *Who Says Elephants Can't Dance?*, Gerstner wrote:

I just wish every one of these incredibly bright technologists could spend a year as a customer and see the different viewpoint customers have about computing technology. They would see that customers find technology very difficult to integrate into everyday lives and enterprises. They would find the promises overblown and the returns more difficult than promised. They would find that, at the end of the day, many of the critical decisions that managers, employees, and consumers have to make either have no relationship to technology, or they just may find that technology can actually be an impediment.”³

From his firsthand experiences as a business-to-business buyer of IT systems, Gerstner knew that customers in IBM's markets had little or no interest in the hardware and software of information technology. To them, these were simply commodities. Just like any business-to-business buyer, IBM's customers wanted solutions to their business problems and challenges, solutions that delivered on the value promised.

Accordingly, that is where Gerstner focused his attention. He took a subsidiary unit of IBM's sales force, Integrated Systems Services Corporation, and transformed it into IBM Global Services. The expanded aim of the new

business unit was to deliver integrated IT services to customers—whole solutions that ranged from system definition and construction to providing fully outsourced operations.

The decision turned out to be extremely savvy. Global Services, in fact, quickly became the driver of IBM's recovery and the company's fastest growing business, contributing 80 percent of total revenue growth during Gerstner's tenure.

“Had the effort to build IBM Global Services failed, IBM—or at least my vision of IBM—would have failed with it,” Gerstner declared. “In 1992, services was a \$7.4 billion business at IBM (excluding maintenance). In 2001, it had risen to a \$30 billion business and accounted for roughly half of our workforce.”⁴

In its post-Gerstner era, IBM continued to pursue a solution-driven strategy. Gerstner's successor, Sam Palmisano, supported and extended the gains of Global Services by purchasing PricewaterhouseCoopers's consulting arm for \$3.5 billion.

The Major Risk in Marketing Solutions

Given the results of IBM and other successful solution providers, it should be no surprise that most of today's business-to-business sellers are in hot pursuit of whole solutions that can satisfy the customer wants described above.

Certainly, the business-to-business sector is awash in sophisticated, painstakingly differentiated solutions, all of which, their sellers assure customers, hold great promise. Just browse through the advertisements in a recent issue of

any trade business magazine and see the declarations of product and service performance.

One enormous problem, however, isn't mentioned in any of the ads. All too often, customers are unable to achieve the value promises that accompany these solutions. Marketers often ignore this elephant of a problem—at great cost to their credibility. Customers, on the other hand, are fully aware of the wide and often unbridgeable gap between advertising promises and actual value achievement. The CRM (customer relationship management) marketplace provides a good example. CRM is a hot concept, one of the few that experienced continued demand through the economic downturn of the early 2000s, and myriad CRM-related products and services are finding eager corporate buyers. But how many of those buyers are realizing the value they rightly anticipated when they purchased CRM solutions?

In a recent survey, Gartner, Inc., reported that failure rates for CRM implementations were running as high as 65 percent. Giga Information Group reported CRM failure rates in the 60 to 70 percent range, and Insight Technology found that more than two-thirds of CRM projects failed to produce meaningful improvement in company revenues.

The need for customers to undertake repeated CRM implementations before they achieve the value they were promised is so typical that a senior editor at *CRM* magazine felt justified in giving the problem a name and a cover story.

Anyone who has gone through one CRM rollout knows what a complicated undertaking it can be,” wrote Lisa Picarille. “But imagine a company implementing CRM a second time, or even a third. In fact, organizations completing three rollouts are so common that we call the experience the Goldilocks Syndrome, taking our cue from the children’s story, "Goldilocks and the Three Bears:" the first time the system was too big, the second time too small, and finally the third time it is just right.⁵

Picarille profiled three companies that had experienced repeated failures in the quest to implement CRM solutions. Each company was forced to purchase multiple solutions and repeatedly reinvest resources, time, and effort before achieving the value promised by their vendors.

You might conclude from this that the CRM problem is insurmountable and should be avoided, but that would be both unrealistic and a mistake. CRM isn’t to blame. If you look back over the past decade or so, you can find similar failure rates for a host of valuable and proven business concepts. Solutions associated with total quality management, business process reengineering, information technology, manufacturing resource planning, e-business, and enterprise resource planning have all experienced high failure rates.

In the mid-1990s, business process reengineering (BPR) initiatives often ended in embarrassment. “BPR implementations fail 50 percent to 70 percent of the time. A failed implementation is one that fails completely or does not yield

expected increases in productivity and quality,” reported Dr. Michael Wells of Minnesota State University.⁶

Enterprise resource planning (ERP) implementations have recorded similar failure rates as well as public flameouts at companies such as Hershey Foods and Nike. In October 1999, Hershey Foods announced that a \$112 million ERP implementation, using SAP applications and IBM consultants, had caused shipment delays and incomplete order delivery during its busy Halloween sales season. The result of this missed value release was a 19 percent drop in third-quarter profits.⁷

In March 2001, Nike announced that a flawed implementation of a \$400 million ERP system, including i2 Technologies applications, was partially to blame for its quarterly profit shortfalls. The resulting problems included product shortages in some lines, overproduction in others, and late deliveries.⁸ The value at risk was substantial.

In another high profile case, the Internal Revenue Service has been struggling to modernize its tax file-keeping system, now four decades old. “Most taxpayers are younger than the computer system that the IRS relies on to maintain its master files on individuals and companies,” reported David Cay Johnson in the *New York Times*. Further, “A collapse is inevitable without a new system, because the few people who could keep the old system functioning are close to retiring.”

Unfortunately, the IRS has already experienced two modernization failures at a cost exceeding \$4 billion. In December 2003, the IRS Oversight Board

announced that the \$8 billion modernization effort currently being run by Computer Sciences Corporation (CSC) is 40 percent over budget and as much as 27 months behind schedule. The Board also publicly warned CSC that it would be replaced “if significant improvements are not demonstrated quickly.”⁹

As I’m sure you’ll note, these solution failures are by no means the exclusive domain of the technology industry. We could go on and on with examples from pharmaceutical, automotive, professional services, manufacturing, chemicals, etc. All have similar stories of value placed at risk and subsequently lost. The critical point is that too many companies and institutions are making substantial investments in whole solutions aimed at satisfying their wants—meeting organizational challenges and solving problems—and yet are not achieving their goals. These organizations are purchasing solutions that promise value, are devoting time and effort to capturing that value, and still are coming up empty-handed. The value they purchased is only partially achieved or not achieved at all. In our technology savvy marketplace, how can this be happening?

The Causes of Solution Failure

When you study individual solution failure cases, you find that the seemingly unique circumstances that combine to sabotage the successful fulfillment of value usually fall into one of three broad categories.

1. Value is not achieved because the product or service itself is unable to deliver on the promise made.
2. Value is not achieved because the customer is unable to properly implement the product and service.
3. Value is not achieved because the customer's expectations have not been met.

These are the major reasons why complex products and services—the kinds of solutions that are developed, marketed, sold, and supported by companies in industries such as software, medical devices and equipment, IT solutions, industrial chemicals, manufacturing systems, professional and financial services—fail to deliver on the promise of their value.

Value is not achieved because the product or service itself is unable to deliver on the promise. In other words, the solution is flawed.

This failure can be attributed to qualities inherent in the solution. Consider how often early releases of software solutions are simply not ready for market. When sellers do not properly design and develop their products and services, no amount of acrobatics can coax value from them.

A solution may also be unable to deliver value because it is not properly matched to the customer's actual problem or challenge and the broader business areas involved. Complex solutions are not paper clips. They address complex problems that are difficult to analyze and often feature parameters that are

unique to a specific customer. That is why mismatches between problems and solutions are so common. Like a medication, a solution that is improperly prescribed may work, in the literal sense of the word, but still do great harm if the complete impact is not accurately understood.

The value is not achieved because the customer is unable to implement the product and service properly. In this case, we have a solution that could work in the customer's situation, but for one of a variety of reasons, it is never implemented to the full degree of its ROI potential.

The problem could be technical, such as integration and compatibility issues. The customer may have the expertise needed to implement and utilize the solution, but existing processes, such as intercompany policies or systems, may negate its value. Think about the compatibility issues that crop up when installing new hardware or software on a single computer, then multiply them by a thousand. Implementation problems may also stem from cultural considerations. Managers and employees often refuse to accept new solutions out of normal resistance to change. Often heard: "That's not how we do things around here."

With increasing frequency, we suspect, well-intentioned solution providers, because of cost pressures imposed by senior management during longer implementation cycles, often fail to sustain the needed resources required to support a customer's whole solution implementation.

Every buying decision is a decision to change, and every solution implementation is about executing that change. Complex solutions often require

complex, fundamental changes in the way a customer does business, and as Kotter showed in his seminal work *Leading Change*¹⁰, it is incredibly difficult to successfully undertake and accomplish organizational change. As he states, “in too many situations the improvements have been disappointing and the carnage has been appalling . . . the anguish we’ve witnessed in the past decade is avoidable.” In short, the customer is not prepared to manage the change and thus a tremendous amount of value is lost.

The value is not achieved because the customer’s expectations have not been met. Finally, we see situations where solutions work and are considered successfully installed or delivered by the seller, yet the customer still does not achieve the value they expected.

Solution failures in this category are most often caused when the seller overinflates or never understands the customer’s value expectations. When a salesperson leads a customer to expect a 50 percent reduction in costs, but the solution delivers a 25 percent reduction, the customer may rightfully consider the solution a failure. After all, the investment was based on a return that never materialized.

In a second, more paradoxical situation, which occurs more frequently than you might expect, the customer does not fully comprehend the value delivered and, consequently, declares the solution a failure. This happens, for instance, when a customer is not supported with the means to realize and measure the improvements brought about by the solution.

Although value fulfillment has actually occurred in this final category of solution failures, value—like beauty—is in the eye of the beholder. If the customer doesn't perceive that value has been delivered, the seller incurs the same consequences as if it had delivered an actual solution failure.

The Impact of Failed Solutions

Because businesses that sell complex, value-laden products and services are often reluctant to face the reality and causes of solution failure, the impact of those failures on their own performance and bottom line goes largely unrecognized and unaddressed. Ignorance, however, is not bliss. It puts companies in a very vulnerable, high-risk situation in their highly competitive business-to-business markets.

Typically, a solution failure sets off an aggressive round in the blame game. The customer points an accusing finger at the seller and the solution and claims, "It doesn't work as promised." The seller points back at the buyer, saying, "Our solution works; the failure was caused by your inability to properly implement and utilize it."

Who is responsible for solution failures? For the seller, the only correct answer is: *It doesn't matter*. No matter what the outcome of the blame game, the situation is no-win. Unfortunately, whether the buyer or the seller is responsible for the solution failure, the seller will bear a significant, negative impact. In a market where renewable and sustainable relationships are critical to the bottom line, there is no room for failure.

For starters, the relationship with the customer will be severely strained, if not terminated. Few customers will shoulder the full burden of a solution failure, and the overwhelming majority will not completely absolve a vendor who has not delivered on value promises. A fundamental tenet of human behavior holds that people will externalize blame to protect their own well being. In business, this means that vendors will end up with the short straw, as customers have the advantage of holding the money.

The sale itself will be threatened, as in CSC's \$8 billion contract with the IRS. The customer's trust becomes impaired; subsequently, the equitable resolution of the current problem and the prospect for future sales is problematic. In worst-case scenarios, legal battles over liability cast a looming shadow.

Whether or not lawyers make a formal appearance, the impact of solution failures inevitably spreads into the marketplace. Unhappy customers spread the word. Studies suggest that, on average, an unhappy customer tells 9 other people about their experience; 13 percent of unhappy customers pass on the negative commentary to more than 20 other people.¹¹

These figures are a drop in the bucket compared to the damage that can occur if the customer decides to go public. Now, the blame game is exponentially magnified, as the hard-won brand recognition and corporate reputation of the seller becomes damaged. Also, keep in mind that, for every well-publicized failure, there are numerous situations where the customer is not happy with the value received and does nothing more than put the seller in the category with all

other competitors—not to be trusted—continuing the downward pricing spiral of commoditization.

Whether right or wrong, when Nike pointed to i2 Technologies as one cause of its poor quarterly performance, it unleashed an avalanche of negative publicity on the solution seller. I2 Technologies president Greg Brady felt compelled to defend his company publicly. The headline in *InformationWeek* read: “Nike Just Didn’t Do It Right, Says i2 Technologies: Vendor Says Company Ignored Deployment Advice, and It’s Not to Blame for Sales Shortfall.” Brady was now in the unenviable position of feeding the fire in a story that was bringing the efficacy of its products into question *and* risking public scrutiny by contradicting a major customer.¹²

Existing and prospective customers get very uneasy when they read stories like these. This is exactly what happened in the Hershey case cited earlier. The leader of an ERP implementation at Lockheed Martin called SAP “to find out what makes my implementation different.” SAP cochairman Hasso Plattner ended up making a public statement, telling *ComputerWorld*, “Ninety-nine percent of our customers are happy.” SAP, he said, “did a good implementation, and it’s not our fault.” He also admitted the resulting negative impact on his company. “Prospects ask, ‘Am I the next one on the list?’”¹³

All of these consequences have a direct impact on the financial results of the selling firm. Current customer relationships may be threatened or lost, margins are squeezed as the seller responds to the problem, and the lifetime value of the customer is reduced. As the word spreads, the impact is felt through

loss of market share and the increase in sales cycle time and accompanying escalation in the cost of sales. Prospective customers are much more skeptical of vendors who have been the subject of bad publicity, rightfully earned or not. Established customers demand assurances that they won't experience the same poor results and expect a compromise through a reduction in cost, which puts a tighter squeeze on margins.

Hidden Opportunity in the Value Gap

Because value fulfillment is so elusive, frustration and animosity are the two most common emotions in the whole-solutions marketplace. Frustration and animosity are stifling the business-to-business sector.

Solution providers are frustrated and angry when they can't translate the differentiated products and services that they have worked so hard to create into bottom-line profitability. Their customers are frustrated and angry when they don't achieve the benefits and return on investment that they expected—and have often been explicitly promised.

This tense space between sellers and buyers is the Value Gap—the gap between the promise of value and its ultimate fulfillment. Solution sellers and their customers end up on opposite sides of the gap. They blame each other for creating it, while the ramifications of the problem can sabotage the efforts of both of their businesses and the entire industry.

That is the gray cloud, but where is the silver lining? Because the complex solutions marketplace, in a wide variety of industries, is underserved and value-hungry, it holds opportunity for companies like IBM that can learn to identify,

manage, and close the Value Gap. This book is about bringing to market complex products and services that not only won't get swallowed up in the Value Gap but also will provide a precise connection to your customers' value requirements. This value achievement process is disciplined and structured, a whole-solutions approach that mitigates the risk of diluting value as it is translated throughout your organization and to your customers' bottom line.

We call these products and services Prime Solutions. Such a solution—no matter what its individual characteristics and market niche—contains a specific set of protocols that enables customers to achieve the full promise of its value. Further, the companies that strive to create and sell Prime Solutions adopt rigorous organizational processes and competencies that ensure these protocols are properly designed, delivered, and measured.

A Prime Solution is a metamodel and, to some extent, an ideal. But it is, nevertheless, an ideal that is obtainable and practical. There are companies that are bucking the odds of solution failure and working hard to approach the Prime Solution ideal. Their business results reflect their efforts. Even small and midsized companies, who don't have the resources of the *Fortune* 1000, are using this model to provide a clear path to ensure value achievement for their customers.

One company in pursuit of Prime Solutions is Waters Corporation, an analytical instrumentation developer located in Milford, Massachusetts. Waters is the global leader in three analytical technologies—high performance liquid chromatography, mass spectrometry, and thermal analysis.

The company was founded 45 years ago as a research boutique, developing and building one-of-a-kind instruments in response to customer requests. In the early 1960s, Waters began producing instruments for the life sciences markets, but it retained the closeness to the customer in the development process that had informed its product strategies for the first few years. Today, customer collaboration in the design and R&D process ensures open communication of customer business requirements and continues to drive a development process that has produced more new products in the past three years than in any five-year period in the company's history.

Waters is firmly focused on the value its customers achieve. The company knows that its customers do not buy an instrument for its own sake; they are buying the results that an instrument is designed to measure. Accordingly, while others in its industry have chosen to cut costs by outsourcing services, Waters created the Waters Connections Program, a portfolio of service and support programs that are managed and delivered by its own trained and certified specialists. Customers get more than a service technician; they get a professional who understands the experiment being run and helps to ensure the accuracy of its results.

Waters nearly tripled its sales from \$332 million in 1995 to a record \$890 million in 2002. In 2003, it celebrated its 45th anniversary and earned recognition on *Business 2.0's* annual "B2 100" list of the fastest-growing technology companies and on *IndustryWeek's* "Top 50 U.S. Performers" list.

Another company that creates Prime Solutions is The Graham Company, a Philadelphia-based commercial property and casualty insurance broker.

Founded in 1950, Graham is the 47th largest insurance broker in the United States, reporting an annual premium volume of \$200 million. Yet it maintains a sales force that is less than 10 percent of its 135 employees and generates its premiums from only 200 corporate clients. (Its nearest competitors in terms of annual premium volume, the brokers in the 46th and 48th positions, have close to 2,000 clients.)

Essentially, Graham has turned the traditional commercial insurance sales process on its head by transforming standardized insurance products into Prime Solutions. Toward that goal, the company invests in a rigorous process of new client discovery and the diagnosis of risk. In 2003, the professionals at Graham began discussions with 350 prospective clients. After those initial discussions, the company decided to pursue a relationship with only 35 companies and earned the business of 28 of them. When prospective clients agree to participate in the Graham process, the broker sends a team, which can include attorneys, risk managers, CPAs, and experts, into the prospective customer's business. It evaluates business and insurance issues and exposures, often finding 80 to 90 gaps in their current coverage. The gaps can include excess coverage as well as underinsured exposures and opportunities to self-insure. This work, for which consultants charge as much as \$75,000, is provided without charge as part of Graham's diagnostic process.

In an industry that pursues volume sales of standardized products, Graham focuses on designing customized policies that deliver high value to the customer. The company approaches insurance as a strategic component of the customer's business rather than as a standard overhead cost, and it creates tailored legal, technical, and financial packages designed to reflect each customer's unique insurance needs. It works hard to ensure that customers obtain maximum value for every insurance dollar spent. For instance, the company renegotiates standard insurance clauses and wording with providers, often eliminating loopholes in coverage at no additional cost to its customer.

Graham also remains committed to creating new value for established customers through the continual alignment of risk-management strategies with the customers' business objectives on "a daily basis, year-round." The company seeks to manage the customer's insurance requirements by, for example, reviewing the insurance issues of proposed acquisitions. It also maintains a 25-employee, in-house claims department to ensure rapid and proper reimbursement. The Graham Group has done a thorough job of identifying the sources of value within their capabilities, diagnosing their customers' uses of value, and managing the risks of achieving that value within their clients' organizations.

How well does this business strategy work? The numbers tell the story: Graham enjoys an 80+ percent conversion rate in an industry with a 15 percent average and maintains a 98 percent customer retention rate.

A third company that is succeeding with Prime Solutions is Motive, Inc., a service management software company based in Austin, Texas. Motive's software applications and suites enable companies such as Hewlett-Packard, EMC, British Telecom, 3Com, and Verizon Broadband to deliver and manage service processes, such as the initiation of service and the automated diagnosis of customer problems, remotely to their customers.

One reason why Motive's solutions can be considered Prime is because they enable customers to expand the value they deliver to their customers. At Verizon Broadband, for instance, the Motive Smart Virtual Assistant offers Verizon's customers a downloadable solution that gives them 24/7 access to self-service diagnosis and repair. Hundreds of thousands of Verizon's high-speed Internet customers have downloaded the Virtual Assistant. Thus, Motive adds value to its customers' business performance.

Moreover, Motive is explicitly focused on the value its customers derive from its solutions. It is the only service infrastructure software company with a "customer care" organization that is dedicated to working with customers beyond initial deployment to expand on the value achieved. In fact, Motive tracks the value delivered by its solutions within its customers' operations.

Founded in 1997 and funded by venture capitalists and private investors, Motive has rapidly grown into a \$100 million company. In 2003, it was ranked 31st on the *Inc. 500* list of America's fastest growing companies, and it completed a successful initial public offering in June of 2004.

We'll hear more about all three of these companies later in this book. But, before we examine the protocols that inform the design of Prime products and services (the focus of Part 2) and the organizational prerequisites that enable their creation and implementation (the focus of Part 3), we need a deeper understanding of why failure is so pervasive in the complex solutions marketplace. We need to understand the barriers that often stand between value promises and their fulfillment. Toward that end, Chapter 2 explores the long-term development of the Value Gap and its current parameters, and Chapter 3 describes the five common barriers that sellers encounter in their drive toward value fulfillment.

The Prime Solution

Close the Value Gap, Increase Margins, and Win the Complex Sale

By Jeff Thull

The Prime Solution will be available, January 2005. To reserve your complete copy of *The Prime Solution*, visit:

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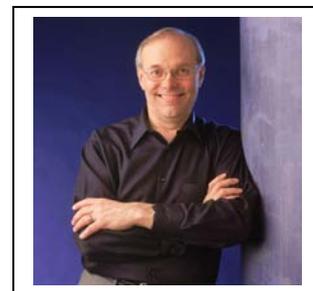
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Don't miss Jeff Thull's first book, named one of the Top 30 Business Books of the Year, "*Mastering the Complex Sale: How to Compete and Win When the Stakes are High!*" (John Wiley & Sons; 2003; ISBN 047143516; \$24.95).

Jeff Thull and Prime Resource Group

To learn more about how Jeff Thull and Prime Resource Group can help your organization close the value gap, increase margins, and win the complex sale, contact Prime Resource Group.



Jeff Thull is a leading-edge strategist and valued advisor for executive teams of major companies worldwide. As President and CEO of Prime Resource Group, he has designed and implemented business transformation and professional development programs for companies like Shell Global Solutions, 3M, Microsoft, Citicorp, IBM, and Georgia-Pacific, as well as many fast-track, start-up companies. He has gained the reputation for being a thought-leader in the arena of sales and marketing strategies for companies involved in complex sales.

Jeff is a compelling, entertaining and thought-provoking keynote speaker with a track record of over 2,500 speeches and seminars delivered to corporations and professional associations. Jeff Thull's work is published in hundreds of business and trade publications. He is also the author of the best selling book *Mastering the Complex Sale – How to Compete and Win When the Stakes are High* and newly released, *The Prime Solution: Close the Value Gap, Increase Margins, and Win the Complex Sale*

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