

Global Account Management in the Software industry



Best practices for Independent
Software Vendors dealing with
enterprise type customers

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Whitepaper from TBK Consult

Targeted audience

The target audience for this whitepaper is the CEO and the sales and marketing executives of independent software vendors (ISV's) who are serving or are preparing to serve international markets.

Abstract

The whitepaper describes the challenges associated with serving global customers (accounts) in the software industry. With global accounts decision-making and delivery are split across organizational units located in different geographies. Winning and serving global accounts requires a coordinated effort across “sales territories” and local P&L's by the Independent Software Vendor.

The whitepaper presents the two main global account scenarios and suggests an approach to ensure that the “sales” resources of the ISV are working jointly supporting a common set of objectives and avoiding internal sub-optimization.

The whitepaper also reflects on the issues related to managing global accounts through a reseller channel.

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Introduction:

Any software company dealing with enterprise type customers are faced with the Global Account Management challenge. The challenge arises from the multiple decision-making centers, which must be managed in order to close a deal and manage the account on an ongoing basis. The decision-making centers do not necessarily correspond with the territory structure of the ISV's sales people. A Global Account may make a decision in one territory, which shows up as purchase orders in one or more other territories.

Global Account Management is not a phenomenon exclusive to the software industry. However, as the logistics associated with moving software around is marginal or nil the software industry is faced with substantial creativity from their customers. A Global Account Management policy can help a software company behave as a consistent and professional entity vis-à-vis the customer and at the same time avoid ever-escalating internal sub-optimization activity.

Account Management Roles:

The primary objective of a global account management program is to ensure the best possible service for the customer.

We want to win, keep and grow the business with our global accounts.

In order to meet this objective we must avoid the mentioned phenomenon of sub-optimizing, which eventually will happen, if no guidelines or policies are put in place.

To serve this objective we need a global account strategy and a corresponding global account plan. Developing, maintaining and executing such a plan is always a joint effort. In order to allocate responsibility and tasks effectively we recommend operating with two types of account management roles:

1. The Global Account Manager (GAM)
2. The Local Account Manager (LAM)

The Global Account Manager:

The Global Account manager is responsible for developing and maintaining the Global Account Plan. He has access to all the information in the CRM system relating to the account. He will normally be located close to the global accounts headquarters or the organizational unit driving or coordinating the project¹.

All information on the global account is available to the Global Account Manager, who decides which information needs to be shared with others.

The Global Account Manager is responsible for the overall performance of the global account. He acts as a project manager and makes the final account strategy decisions and manages internal communication and coordination.

The Local Account Manager:

The Local Account Manager is responsible for the activities in his territory. He must ensure full transparency with the Global Account Manager.

The Local Account Manager has a functional, project related, reporting line to the Global Account manager.

Role versus position

The GAM/LAM is a role rather than a position. In many, especially smaller software companies, there may not be the volume of enterprise customers and revenue to have dedicated GAM/LAM positions. In such situations the individual sales person may have a GAM responsibility with certain accounts and a LAM responsibility with other accounts.

¹ This is not always the case. In today's global value chains the decision making structure of many customers are distributed. The decision-making center may be in a location where the ISV does not have the competencies required for performing a Global Account Management assignment.

Two main global account scenarios

Two scenarios dominate the way Global Accounts are rolling out software solutions:

1. Global Rollout
2. Local Rollout

Global Rollout

Global roll out is the situation where *a decision is made centrally* for the roll out of a solution in some or all of the global accounts' operational units.

The local entities have no influence on the choice of software.

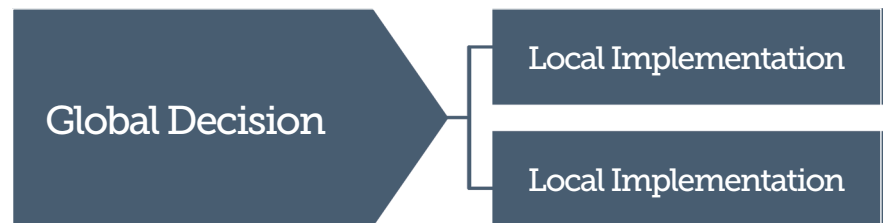


Figure 1:
Global Rollout format

In this scenario most of the sales effort is concentrated on the Global Account Manager at least *after* the deal is closed.

Local Rollout

Local roll out is the situation where *local entities are free to decide* or at least have a certain freedom to choose from a list of approved options.

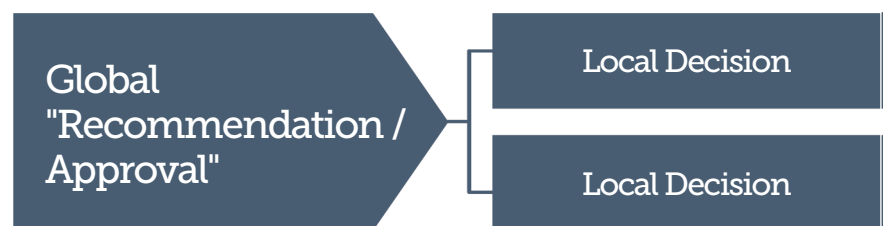


Figure 2:
Local Rollout format

In this scenario the Global Account Manager is working on making it easy and attractive for the local units to decide in favour of his solution.

The Local Account Manager is responsible for ensuring that the local operation of the global account is deciding for his solution locally.



Remuneration

The remuneration of software sales people is normally related to their sales performance. Variable remuneration is supposed to motivate certain behaviour. In order to stimulate a behaviour supporting the objectives for our global accounts we must apply a corresponding remuneration scheme. Variable remuneration schemes must be supporting the objectives, yet they must also be simple and unambiguous.

	Global Account Manager	Local Account Manager
Global Roll Out	The GAM is assigned 80% of global order value	The LAM is assigned 20% of his local order value
Local Roll Out	The GAM is assigned 20% of global order value	The LAM is assigned 80% of his local order value

Table 1:
Remuneration format for Global & Local Account Managers

The remuneration scheme above is recommended primarily for its simplicity.

Order Value

The term “Order Value” is used as a generic term for the “measurement unit” serving as the basis for measuring sales performance and the remuneration of sales people in the individual organization. The “measurement unit” may be gross margin, recognised revenue, contracted order value, accumulated revenue value or some other form of relevant value.

Organizational transparency

The remuneration scheme must be transparent within the individual organization. The GAM may be reporting to a sales manager, who is reporting to a VP of sales who is reporting to a VP of operations. All levels must be credited consistently.

Exception management

There will be many variations of global versus local rollout. It is not recommended to accommodate those variations, which may apply within the same global account, in the formal remuneration framework. Instead we recommend having a management structure in place, which can make decisions for the remuneration of exceptions.

Such “exception” situations often occur in the pre-sales or win-back phase. The effort associated with winning a global account may be very different from the effort associated with managing the account. Management must be prepared to assign “special bonuses” securing full support from Global and Local Account Managers (to be) in doing “what it takes” to secure the deal.

One example may be where a global account is developed as an extension of an independent successful local implementation. The AM (who is not yet a LAM) must be remunerated for his potential effort in elevating the local deal to a global account.

Another example is the situation where the global decision is based on recommendations and/or consent from local organizations. A substantial local effort may be required to secure the “votes” of the local organization.

Revenue recognition

Remunerating sales effort may or may not be aligned with formal revenue recognition. Revenue recognition must follow the legal requirements and guidelines. Formally reallocating revenue may require internal invoicing, which again may disturb local authorities, which are monitoring inter-company charges. It is beyond the scope of this paper to deal with formal revenue recognition issues.

Support

An operational aspect of serving global accounts is providing support. Traditionally support is a separate P&L line from sales. Support is typically delivered through a subscription program and/or charged on a T&M basis.

Local operations of global accounts will normally expect the local representation of the software company to offer local support. Proximity, language, culture etc. may encourage and drive the local operations of a global account to seek local support.



It is the responsibility of the Global Account Manager to manage the support issue externally as well as internally. He must ensure that the best possible support is provided keeping the customer satisfied and organize the “revenue” stream and its allocation motivating such the behaviour.

Working through a reseller channel

Serving Global Accounts through a reseller channel makes global account management complicated. Resellers are free and independent business entities and you are not supposed to restrict their business activities.

In situations where the resellers main business is delivering associated services to your product the situation becomes even more difficult to coordinate. Resellers may be motivated to give away their entire product margin just to get the service business, thus undermining any effort you may invest in a uniform approach to the global account.

The issue is that resellers tend to be local and have little or no interest in the business outside their territory. At the same time they do not have the competencies required to undertake global account management.

Global account management

Very often the global account will want to deal directly with the ISV. If that is the case you have an opportunity to better coordinate the effort and involve the resellers of your choice.

It is not unusual for ISV's to have global account managers working directly with global accounts coordinating winning them and keeping them happy.

The volume of business you do with the global account should justify the additional sales cost on your behalf. To offset some of the additional sales cost you may introduce a global account margin policy for resellers who are delivering. This policy must be applicable and available to all resellers.

Global account management

If you have resellers who are operating globally you may choose to work with them serving the global accounts. This may not keep other resellers from approaching the opportunity, and you will have to accept that.

Global account management

Despite all the effort you may invest in coordinating winning and serving global accounts, you must maintain an arms length principle in the relationship vis-à-vis the global account and vis-à-vis your resellers. When making a decision to serve the market through a reseller channel you also give up a major portion of the control you can exercise on the sales effort. You must manage your global accounts within this business framework.

Hans Peter Bech



Hans Peter Bech has more than 25 years of experience with international sales & marketing of ITC products, services and solutions. Hans Peters' core competencies are:

- ➔ Enterprise B2B business process software solutions, ERP/ERM/CRM solutions and software engineering (bespoke development).
- ➔ Go-to-market strategy/program development and implementation, including reference client recruitment, recruitment of reseller and distributor channels and setting up new subsidiaries.
- ➔ Extensive experience with and personal network in Scandinavia, Eastern and Western Europe, Russia, North America, Australasia and South Africa.

From 1998 to 2001 Hans Peter lived in Stuttgart, Germany responsible for building the partner channel for Damgaard/Navision (later acquired by Microsoft) in Germany, Austria and Switzerland.

Hans Peter speaks Danish, English and German.

Hans Peter holds a M.A. in macroeconomics and political science from the University of Copenhagen.

As a sales person Hans Peter qualified more than 15 times for 100% Clubs, Summit Conferences, Million \$ Clubs and Top Performer events.

More about Hans Peter Bech: <http://dk.linkedin.com/in/hpbech>