

Building a Value-Driven Organization in a Commoditized Market

To the Point.
by Jeff Thull

The requirement to clarify value by connecting it to customers' performance metrics, and quantifying it, is the strongest deterrent to price pressures and the downward spiral to commoditization.

Executives need to sharpen their focus on value clarity and enhance customer value achievement in ways that are relevant and tangible by addressing value from their customers' perspectives (which might also include the value requirements along the supply chain) for all participants throughout the value network. Contrary to traditional thinking, the sales organization is only responsible for a short portion of the value chain. It cannot maximize value on its own. The sales organization does not create solutions. It does not procure the materials and services that go into the solutions. It does not manufacture solutions. It does not control the marketing of that value or the support services that ensure that customers will achieve the value they have purchased.

All of these activities affect the flow of customer value and the ability of your company to convert the value it brings to the market into profitable growth.

An organization-wide Diagnostic Business Development® capability prevents the erosion of value because it positions the customer as the focal point of all activity throughout the value network and customer value as the primary driver of business performance. It is effective because it ensures that everyone in the company understands the value requirements of the company's intended customers, how those requirements are connected to the value capabilities of the solutions it is bringing to market, and finally what it will take on the part of the company and the customer to achieve that value.

It's not just about how you sell. It's the whole end-to-end alignment of the organization from a strategy perspective, from a marketing and value proposition perspective, from a portfolio perspective, from the perspective of sales execution, technical support, professional services and delivery. If you miss one of those pieces or a function did not buy in to the direction that you are trying to go, you can waste a lot of cycles trying to move the organization. You really have to get very, very strict up-front on understanding and defining your value capabilities and your differentiation.

Is this a monumental task? It is achievable, and when it's done right you can circumvent commoditization. Commoditization in today's market may seem like a given, but it's not – it's a choice. You can equip your company to get paid a premium for its high-value solutions.

Executives want to get to the crux of the problem and meet this issue head on.

I would like to hear your point of view and answer any questions you have. Please feel free to send your feedback to me at jeff.thull@primeresource.com.

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