

NEWDAWN BRIEFING

Ignore Business Relationships At Your Peril!

2021

There are those who tell us “Relationships in Business are Dead”?

“People buy from people they like and trust” is the old adage. Consequently, professional businesspeople put this at the centre piece of everything they said and did. However, we are increasingly seeing this mantra challenged in the technological age by those who feel that the information revolution has completely overturned it. Buyers now can have access to the same information as the suppliers and that thus the game is changed forever. They further claim that today buyers rarely need to rely solely on knowing, liking or trusting their supplier when they can find out all they need to know about their categories of supply from the internet. So, are relationships important anymore? Or will buying decisions be based purely on evidence and fact gained from the internet, and will sellers have to accept that and change? Well, the conversation has certainly changed for both buyers and sellers, but this evolution brings both relationship challenges and opportunities for both parties. Let’s look at the impact of these changes for both buyers and sellers.

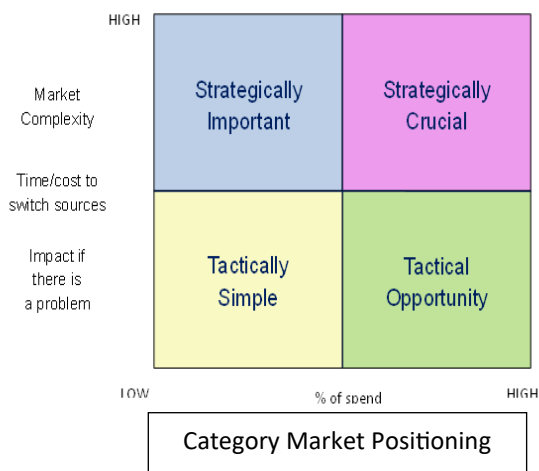
Advances in Purchasing Thinking

Since the 1980s, purchasing has been catapulted from a largely administrative function responsible for contracts of supply into a more sophisticated management process which can inform business strategy at the highest levels. A pivotal example of this was developed by Dr Peter Kraljic. In September 1983, Harvard Business Review published his ground-breaking article on purchasing strategy that is still widely cited as representing the beginning of the transformation of the function. For those of you not familiar with the paper, Kraljic’s principal model maps spend on each category of supply on one axis, and supply market risk on the other.



Peter Kraljic

This model was subsequently modified by some forward-thinking procurement teams, led by people such as Alan Cooley, into a four-box matrix variously known as Category Portfolio Analysis, Supply Positioning - or, as we call it today, Category Market Positioning (CMP):



Category Market Positioning was implemented because it changed mindsets in terms of how purchasers manage specific supply markets - and resulted in greatly improved value delivery.

The principle of regularly securing competitive bids becomes less relevant the further up the “Y” (risk) axis one moves. In these situations, where the goal is to deliver outstanding value, then a much more sophisticated approach is required, and a more traditional approach is simply not good enough. In these upper quadrants, relationships with suppliers are critical if the full value for the buyer is to be realised and, when required, suppliers are to prioritise their business over others (particularly in a sellers’ market).

And buyers are increasingly influential over categories of spend. Direct spend is generally under their control already and they are increasingly moving into areas of indirect spend. You may not see them yet, as a seller, but you will soon. This is not to be feared by sellers, although the cosy relationships held previously with the end-user will become more complex as buyers become more closely involved in buying decisions. So, relationships need to be expanded to incorporate them too.

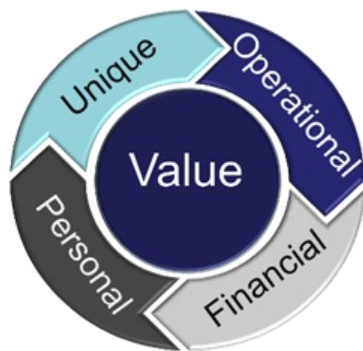
So far so good! Unfortunately, the impact of the global recession and then the pandemic has stymied progress and, in some cases, reversed it. Facing the very survival of their parent businesses, many buyers reverted to short-term, tactical buying practises to drive down the price of their supplies (effectively commoditising them). These types of behaviours damaged relationships and trust with their suppliers – and this will come back to haunt them if it isn't already.

The Evolution of Professional Sales

If relationships are critical for buyers, then that means they should be for sellers too. Since the majority of businesses do not have product leadership or lowest cost business strategies, most B2B sales organisations have a customer intimacy model. So, the requirement for relationships with their clients is implicit from the outset. Not much new there.

However, professional sales is also evolving and moving towards value creation rather than more transactional approaches. Many sales that can be reduced to a transaction are now being handled by a computer via the internet. This is new since prior to the evolution of the internet, information on products and services was much more limited. The role of a salesperson was, in large part, to provide that information. Equipped with a brochure and knowledge of their products' features and benefits, the salesperson informed their prospects, overcame their objections, and worked to close the deal. At the time, this approach would have been considered value creating, but it is inadequate when it comes to contemporary B2B sales.

Value. "Consultative selling is the delivery system for value." And thus, the profession moved towards a more consultative approach, where problem-solving replaces the transfer of basic information about the company and its products. Conversations with salespeople who could only provide information, without solving a real business challenge, were no longer useful to prospective clients – after all buyers can get this relatively easily over their laptops now. More recent developments have all but eliminated the transactional salesperson. Anything transactional is becoming even more so through computers and the internet.



However, when decisions are complex, strategic in nature, and require insights and creative solutions to avoid negative consequences, it's that much more vital that a salesperson be even more consultative. As the greater value your clients need includes insights, creative solutions, competitive advantage (even if temporary), and help making change, the internet and M2M solutions become increasingly inadequate and fail to deliver the required value. These types of solutions need face to face interaction to scratch beneath the surface of the issue and identify the implicit issues beneath – machines cannot do that. So, the importance of relationships increases for sales too.

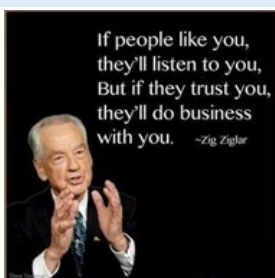
So far so good!! Unfortunately, the same recession and pandemic which influenced buyer behaviours so adversely has also brought about some poor behaviour from sellers too. Businesses which barely survived the pandemic are now trying to repair the damage done to their finances, refill the coffers, and repay the loans (as well as stimulate the shareholders). This is leading to some very exploitative behaviour and profiteering. In turn, this is fuelling supply chain issues and raging inflation. Hardly the behaviour to promote strong relationships!

People Buy from People they Like and Trust

OK, so relationships are important for both sellers and buyers. In which case the old adage holds true. But what does it really mean?

Likeability. "It's a key predictor to success in all areas of life. From getting invited to the right parties or scoring that job promotion, likeability can get you where you want to go. Likability pulls people toward you, so a good way to maximize your success is to develop attractiveness that increases your likability quotient."

Psychology Today



So, that makes it pretty important then? Let's put it another way; if you are not likeable then you are unlikely to build the business relationships your need to succeed. Nobody wants to do business with someone they don't like. But take note, some of the most successful business leaders of our time were anything but likable as CEOs: Steve Jobs, Bill Gates and Andy Grove, among them. The key difference for them was they developed unique products which have little competition. In effect, we have little choice but to do business with them – like it or not. In a more competitive environment, people will buy from those they like rather than those they don't.

What makes for likeability in business?

- ❖ Friendliness
- ❖ Empathy
- ❖ Kindness
- ❖ Sense of humour
- ❖ Honesty
- ❖ Authenticity
- ❖ Openness
- ❖ Warmth
- ❖ Positivity
- ❖ Humbleness

So, what is it? The dictionary defines it as “Easy to like; having pleasant or appealing qualities”. There is no such thing as an objective measure of likability. Just as with beauty, it’s in the eye of the beholder. Yet, there are two factors that render it slightly more objective; it comprises a series of factors which contribute individually to overall likeability and it is a skill like other social skills which can be learnt. In effect, you win a competitive deal because you create a preference to buy from you instead of any of your competitors

But, likeability should not be confused with ‘needing to be liked’ which renders people overly obedient, subservient, afraid to address difficult issues, and unassertive. Put simply, needing to be liked does not mean likeability and, in fact, can often lead to the opposite effect.

Trust. As you will have noticed, likeability is only a part of the expression. What about Trust? It’s hard to quantify exactly how important trust is for a business. For business owners, *a lack of trust is frankly your biggest expense*. It takes years to develop trust, but only moments to lose. Without trust, transactions cannot occur, influence is destroyed, leaders can lose teams, buyers can lose supplies and salespeople can lose sales.



So, what is it about trust that can be so devastating? Trust is at the heart of business relationships because it can expose vulnerabilities – and nobody likes to do that in business. It is therefore defined as a willingness to accept vulnerability based upon positive expectations of the intentions or behaviour of another. In other words, if you trust someone, you are accepting that while it is possible, *they could act to take advantage of you*, they are not likely to. Just think about that for a moment as you consider recent events such as gas supplies being reduced by Gazprom as they undertake some apparent maintenance work in their refineries (oddly just as winter sets in). This is leading to shortages and raging price inflation. It’s not doing much for trust either!

So What? Building and Enhancing Relationships

One of the many downsides of the recent pandemic has been the neglect of relationship building between suppliers and their customers. This has been compounded by misleading advice that relationships somehow do not matter so much today. So, we are faced with a challenge as both buyers and sellers need to build, rebuild and foster new and old relationships. However, in my view post-pandemic relationships are going to resemble pre-pandemic relationships. The new normal will be close to the old normal. Why? Because for decades salespeople have visited their clients to get to know them and understand their real business needs. Increasingly, forward-thinking buyers have been advised to visit their suppliers to get to know them, build relationships and understand more about their operations. It is always a bad idea to reject or refuse to make investments in important relationships of any kind, even though some will surely try.

Some will try to tell you they no longer need visits and relationships – it can all be done via videoconference or email. They will be proved wrong - even if they have to learn what Jamie Dimon, the CEO of JP Morgan Chase, learned by asking their lost clients why they left. The single answer was that his sales force didn't go to see them, and their competitors showed up--even in a pandemic.

Where JPMorgan lost business to rivals, it was because “bankers from the other guys visited, and ours didn't. Well, that's a lesson.”

Jamie Dimon, CEO

If you are experiencing some challenges with your business relationships, you are not alone! Most people have little or no training in how to build, sustain and grow relationships, nor how to refresh those that are going stale or worse.

In NewDawn we can help and have considerable experience in:

- Helping people understand better what really motivates the other party to want to have a business relationship with you
- How to turn around a relationship that really does not seem to be working
- The role real innovation has to play in terms of sparking the need for a relationship with your company

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