

## Strategies for winning business In the Defence Industry

BY LINDA WOLSTENCROFT



How much are your customer relationships costing you without you realizing it? High hidden costs spent managing customer issues are invisible in your financial results but can amount to hundreds of thousands of dollars in management and employee time and lost business.

**A**t one defence company an incoming President declined a courtesy meeting with a key multimillion dollar customer. The message this delivered was that the customer had low importance. Subsequent contractual negotiation issues became difficult, took years to resolve and cost hundreds of thousands of dollars in management and employee time. This contrasted with the approach of the previous President who kept relations amicable and ensured that the resolution of contract changes was easy and fair.

In extreme cases the cost of poor customer relations extends to loss of the customer's business. For over 30 years, one firm held a profitable multi-million dollar services program with a major customer. New management developed an adversarial relationship with the customer. Eventually the business was lost to a customer-focused competitor.

What can be done to prevent this cost? Healthy customer relationships do not happen on their own. Customer relationships need to be valued by the entire organization – from top to bottom and across all functions – and smart strategies used daily can go a long way to avoid unnecessary costs.

### 1. Multiply Communications

The large, long-term, complex programs and projects that are characteristic of the defence industry need frequent communication. Establishing multi-level, multi-discipline relationships and maintaining scheduled regular communications can defuse issues before they become costly. The following diagram illustrates this concept:

#### TIPS TO MULTIPLYING COMMUNICATIONS:

○ Specifically identify the relationships that are necessary between yours and your customer's organizations. Cover the complete bounds of your business together – every level and every function. Include political relations for a government contract.

- Develop a communications plan that sets out the lines of communication such that they can be clearly understood.
- Define the lines of communication between levels of the organization. Be cognizant that in very large organizations the levels of responsibility and job titles do not cross over directly to smaller organizations. (For example, the President of an OEM would not deal direct with the President of a smaller firm; the smaller firm's President would more appropriately deal with a Vice President.)
- Define the lines of communication by function – make sure the engineers are com-

municating with the engineers, quality to quality, contracts management to procurement, etc.

○ Manage the communications and politics between departments in a large, complex customer. It is your company's role to ensure that the communications and politics within your customer's organization are aligned with accurate knowledge in regards to your business.

○ Keep the lines of communication open. Ensure that the relationships are kept current so that anyone on your team at any time can have a candid exchange with their counterpart.

### 2. Adopt Win-Win

Understanding the customer's issues and challenges helps bring about win-win solutions. Giving in on an issue that is important to the customer, and trading it off against an issue important to your company has the dual effect of showing your customer how much you respect their issues, and achieving something of value to your company.

One example is the case in which the price for testing was firm fixed in the contract, but the cost well exceeded the price. The price for testing could not be adjusted. However the company realized that some of the associated costs (administration, handling, shipping and parts) could be covered by another part of the contract. By not creating an issue

on the price of testing, but looking to other areas in which the costs could legitimately be charged, the customer achieved his objective of maintaining the firm fixed price, and the company was able to recover most of its costs. Only by understanding the customer's objectives and constraints could this solution be achieved.

#### TIPS TO ADOPTING WIN-WIN:

- Get to know your customer's goals, roles and responsibilities (see item 4) and develop a strategy that helps your customer achieve his goals and he will be more likely to support your goals, in kind.
- Pick your battles. Be prepared to give in on items that are less important to you, and help your customer understand issues that are important to you.
- Identify the key decision makers, and the methodology for making decisions used within the customer organization. Ensure you are influencing all the decision makers.
- Remember that achieving your short term objectives can lead to a long-term loss. Short term thinking is top of mind as you try to achieve your company goals for the current month or quarter. Look for innovative solutions that consider both short and long term goals.
- Remember to use time as an ally. When relations become heated be sure to take your time, and take the high road. On difficult issues, accept that they will take longer to resolve and allow the customer time to digest the issue and your proposed resolution.

### 3. Understand Goals, Roles and Responsibilities

A company can experience financial losses simply from a lack of understanding of the goals, roles and responsibilities of its customer. Each individual in the customer organization has specific responsibilities that need to be understood by the company.

A common example of this occurs when a company takes direction from one part of a customer organization without closing the loop with other interested parts of the organization. The company is at risk when it takes direction in this manner. For example, if the work is proceeded with in the absence of a budget approval, the company is at risk of performing work without compensation.

#### TIPS TO UNDERSTANDING GOALS, ROLES AND RESPONSIBILITIES:

- Take some time out to specifically understand what is driving your customer. What are each individual's goals, roles and responsibilities?
- Get to know the personal motivations of your customer contacts. Which ones are oriented toward promotion? Which ones are satisfied where they are? Which ones are considering an organization or career change?
- Understand the main issues and 'hot buttons' that exist in your customer's world.
- The very act of gathering this information helps the company better understand its customer, and provides guidance on tactics to use.

#### 4. Establish Business Routines

Strong connections are frequently ones that are developed early in a business relationship: during the "honeymoon" period, before significant issues develop. Robust bonds are developed and goodwill is stored that can be called upon in the future.

And regular business routines prevent small issues from growing into large, costly issues. Regular email communications, telephone and videoconference meetings, higher level management meetings, and executive level meetings all contribute to the success for the program. During times when a program is running smoothly, there is a tendency to shirk these routines. But when routines are not honoured there could be a missed opportunity to quickly resolve new issues and share perspectives on program improvements. Would a leading hockey team reduce its practice time just because it is in first place?

#### TIPS TO ESTABLISHING BUSINESS ROUTINES:

- Set up a business routine that is simple and manageable. Use meetings and regular phone calls.
- Become familiar with the manner in which your customer would like to be communicated with, and follow it.
- Choose carefully between email and telephone communications – information on email may be misconstrued.
- Make sure that key program meetings and visits are valuable for the customer. Prepare well in advance, do your homework, make sure all the issues are covered, and make sure the customer is prepped with advance

information so he is not taken by surprise.

#### 5. Show Off Successes

Keeping a portfolio of successes is important. At times issues will arise that potentially could be blown out of proportion. This impression can perpetuate in the customer and competitor community despite successes in other aspects of the program, leading to credibility loss for the company. Regular presentation of success stories to the customer organization will serve as a reminder to balance negative impressions.

An opportunity to create a success story should not be missed. In one situation a company applied its past experience with another customer to problem-solve a high profile technical issue. The ensuing kudos helped solidify the company's ensuing award of its contract option period.

#### TIPS TO SHOWING OFF SUCCESSSES:

- Closely monitor, measure and manage the performance requirements of the contract. Develop operating strategies to meet them, and then communicate your success.
- Measure and report on elements of the program on which the company is performing well. Consider:
  - Cost
  - Schedule
  - Quality
  - Reliability
  - Technical Solutions
  - Compare your company's performance with that of companies offering similar services. Identify areas in which your company excels over the competition.

What can you start doing tomorrow to save money through effective customer relationships? Here are the low-cost initiatives that you can start immediately:

- Multiply Communications
- Adopt Win-Win
- Understand Goals, Roles and Responsibilities
- Establish Business Routines
- Show Off Successes

Engage your program team in these initiatives and start reaping the benefits of time and cost savings. Having a satisfied customer will also serve you in obtaining follow-on business and new programs. And then the question becomes – how can the time and cost that you have saved best be spent in your organization?

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