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Sales Transformation That Works...

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Introduction

Sales organization is one of the few areas where many innovations are attempted in terms of structural changes, reporting and review systems, and yet the outcomes are never closer to expectations? (Rogers, 2007). Wondered why? In our consulting experience with very large and SME's the causes and symptoms are broadly the same. Companies approach sales management changes in a piece-meal approach, carry out too many changes within a certain period without gaining from the experience of walking through some changes (Piercy and Lane, 2005). Senior management wishes to see immediate result without addressing the fundamental structural, process and procedural issues. Hence, they continue to suffer from the following common symptoms indicating they are the right candidates for sales transformation.

- 1) Unpredictable revenues month and quarter-on-quarter wise
- 2) Redundant and ineffective layers of management, adding to cost woes and dragging profits.
- 3) Fewer newer customer acquisitions
- 4) Account mining revenues either negligible or below expectations
- 5) High sales resource attrition, low morale
- 6) Picking of low quality orders under revenue pressures.
- 7) Sales majorly from one or few customers
- 8) Sales majorly from a particular segment: government, SME, etc
- 9) Renewals rate few and far

Companies with above symptoms continue to have low sales process visibility, inadequate operational controls and misalignment of sales structure and process. Sales process at various levels are diffused, information about the state of sales engagement is incomplete or subjective, and prediction of sales behaviour highly improbable. Sales reviews are at best rudimentary, often personalised, subjective and opinion driven. Sales structure and strength in terms of direct: indirect: inside is not optimized and effectiveness low.

Sales transformation framework

Drawing from world class manufacturing framework (Schonberger, 1986), we use the following framework for sales transformation.

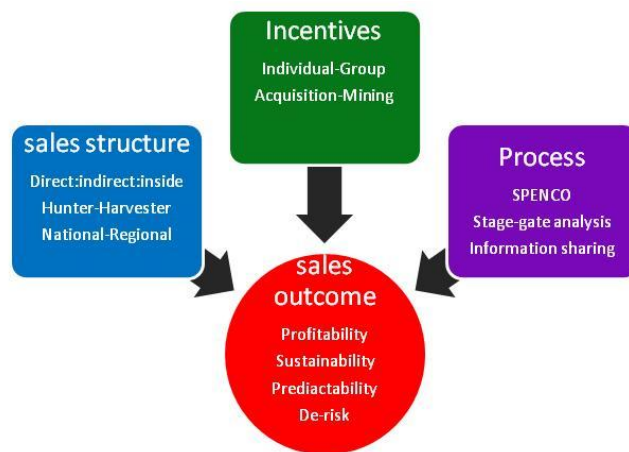


Figure 1: Sales transformation framework

The underlying tenet of sales transformation framework is that right structural alignment, adherence to process to capture the activity at each sales stage, and appropriate incentive systems help a company realize right sales outcomes (LaForge et al., 2009). Structural change may include creating a three-pronged sales engine consisting of inside: indirect: direct resources. Inside sales resources may identify suspects and qualify their needs to be further explored by direct sales resources. Indirect sales resources engage the market with the partner network. Structural change may also include the size and engagement model for acquisition vs. account mining team. Segregating customers into a) regional or national, b) relationship accounts or opportunity led accounts may further bring the focus into the structure. With respect to sales process, the change could be in terms of adopting a sales stage-gate framework such as SPENCO (suspect-prospect-engagement-negotiation-closure-order) or SPDNO (suspect-propose-demo-negotiate-order) to track and report the sales activities within an organization. The advantage of the process framework is targets can be set with respect to each intermediate stage, not just the final outcome. Incentives, rightly aligned, help the organization to motivate and stretch the sales people to perform. Incentives could be individual, group based, absolute or capped incentives, specific to acquisition or account mining, etc. Correct alignment amongst all the three parameters is required to bring out increased ownership amongst sales resources, increased Organizational responsiveness, and goal congruency across the organization (Storbacka et.al.,2009).

The key objectives of sales transformation are to: a) increase the profitability of the business, b) build sales revenues that are predictable quarter-on-quarter so that planning for resources is smooth and cost if optimized,

c) sustain the customers gained, segments and markets in a period such that Total cost of sales & Marketing (TCSM) is optimised over the customer life-cycle or sales organization has sufficient resources to consistently provide the sales leads and d) the sales funnel is de-risked. Profitability is the major sales outcome wherein the expectations are that the sales margins improve, business opportunities with low and unsustainable revenue streams are contained and options to increase profitability are explored. Sustainability refers to the ability to service particular segments of business, required investments (in terms of manpower, technology, etc) to keep the relationship going, etc. Predictability refers to the Qtr on Qtr predictability of business in terms of closures, billing and receivables. De-risking refers to mitigation across product segments, customer groups, regional markets, market segments (enterprise vs. SMB), etc.



Figure 2: PSPD framework

Sales transformation: roll out

The sales transformation process at client organization consists of four stages as shown in Figure 1. In the first stage, the emphasis is on collecting the appropriate data required to diagnose the current state of the sales organization. Based on the data, using PSPD framework appropriate solutions are configured with participation of key actors at all levels. Next a workshop to brief the changes in process, structures and measures is conducted for all stake holders involved at multiple levels. Next a beta roll out of the changes is carried out, measurements and feedback is captured continuously. Finally, the outcomes are measured, newer interventions are planned and transformation is extended to cover higher horizons and larger scope.

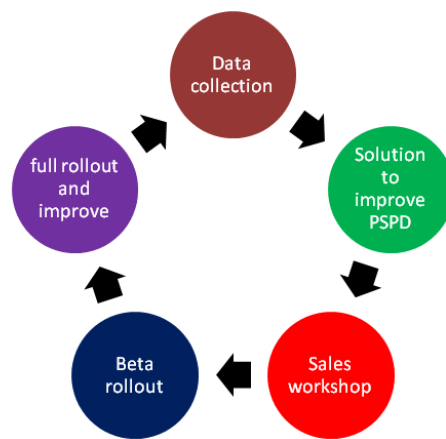


Figure 3: Sales transformation –Plan to roll out

Data and analyses stage consists of collecting data from multiple sources, in both subjective and objective form, and across different functions. Typical financial data we analyze includes sales targets, sales structure, no of customer facing Vs others, sales incentives, partner bonus and rebates, key accounts, account mining targets, etc. We also capture data about sales volume, domestic Vs international revenues, their growth in last 3 yrs, no of new customers acquired in each quarter/year, Margins achieved , Number of sales Partners, Predictable Sales, Country Spread, Market Share by Segment, Sales through Channels, etc . Data about customers such as Customer Satisfaction, Percent of Repeat business, % of revenue by the biggest customers, etc is analyzed.

To create and configure appropriate solutions, we interpret the data and analyse the same using PSPD framework. Initially several solutions are generated and grand solutions are brainstormed using either Delphi or any other system dynamics approach. Teams consisting of both client and consultant representative are explicitly probed to seek out opportunity for efficiency by adopting any of the following strategies: consolidation, elimination, outsourcing and creation.

Optimal solutions are discussed and vetoed by the transformation committee and the implementation committee consisting of members across functions and at different levels within organizations draw their implementation plans, seek investments and other approvals and own roll outs. To ensure all across the organization the understanding of what to do and to own “what next steps”, we conduct a sales workshop inviting all stake holders. These workshops discuss the most probable approach, the implications for the current approach and teams and involve the participants to come out with suggestions and solutions that can be incorporated into the sales transformation plan (Malshe, 2009).

With stake holder agreement, implementation plans, including the tracking and review mechanisms are detailed and a beta roll out is carried out. Results of Beta roll out are presented to the transformation committee and the other stake holders to initiate final roll out.

Post a predetermined period, the roll out effects are audited and shared with all concerned. Any improvement or alterations are followed to improve the efficacy of sales operations.

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