



ZS Interview: Why Sales Executives May Need to Transform Their Thinking and Sales Forces

By Mike Moorman



As the economy has begun to awaken, executives across industries are scrutinizing their sales forces in hopes that they can capitalize on the upswing in purchasing.

However, these executives may not feel comfortable with what they see. Buyers are more sophisticated and empowered than ever, and sales forces are often poorly equipped to sell to such buyers, hampering profitable organic growth.

For some sales forces, continuous improvement approaches will allow the organization to close the gap. Others need a more fundamental transformation of sales strategy and sales force capabilities.

Mike Moorman, Principal of ZS Go-to-Market Strategy and Transformation practice, talked about common issues he's seeing across selling organizations and why many companies need to transform their sales strategies and capabilities.

Q: Why should companies consider transforming their sales forces?

MIKE MOORMAN: I can't think of a B2B industry that isn't having to find ways to improve the sales force in order to achieve the profitable organic growth required of them. Buyers have rapidly become more sophisticated and demanding, competition has increased, markets have matured, vendor segmentation and consolidation continue, and the duration that products and services remain differentiated has become shorter.

At the same time, the investment many organizations have made in their sales force hasn't kept pace with these changes. The sales organization of today is arguably one of the most complex and sophisticated functions in any business. Many sales organizations are suffering one or more sales strategy and capability shortcomings that will undermine their company's organic growth.



Q: What are the main areas that sales leaders are trying to transform?

MIKE: For some organizations, the issue is becoming more customer-centric. They are rethinking how they segment customers, how they differentiate value propositions and how they sell. When well designed and executed, hybrid sales force structures that incorporate multiple sales models—such as strategic account management teams, traditional field sales and inside sales—are becoming more the norm. These models are helping break down silos that limit growth with top customers, while also achieving cost-effective ways to grow midsize and small accounts. And customer-focused sales processes are resulting in greater customer value while also increasing revenue and profits.

Other companies are focusing on deploying the right sales resource at the right time against the right opportunities. Others are focused on transforming complacent sales forces that spend too much time on the wrong activities into performance-focused, highly accountable sales forces.

Q: Are there differences across industries?

MIKE: There are some. For example, high-tech sales forces tend to be further along in their B2B solution-selling capabilities than many industrial manufacturing or life-sciences sales forces. Likewise, many large engineering and technology manufacturing companies have advanced strategic account-management capabilities. On the flipside, life-sciences sales forces are generally far ahead in sales force sizing and deployment optimization.

Having said that, the variance in sales force effectiveness is quite high within industries, which contributes to the high variance in performance.

Q: Overall, are executives attuned to the need to evaluate and potentially transform their sales organizations?

MIKE: The awareness is increasing. Executives realize that they can only cut costs for so long. At some point, they are going to have to focus on the revenue side of the equation. For companies focused on organic growth, this often means the sales force.

Even for companies that are largely focused on M&A, integrating sales forces can play a major role in the return on investment. Most mergers are predicated more on revenue than cost synergies. When the sales forces aren't correctly integrated, these revenue synergies are lost.

A big challenge is that quite a few executives are relatively naive when it comes to sales force effectiveness. Many have never been in sales, and business schools have only recently incorporated sales into their core curriculums. It is shocking how many business leaders fall into the trap of believing that a dose of training and a new compensation plan are the answer to their sales force problems. There are at least 30 core drivers of sales force effectiveness. Rarely will training and compensation alone achieve anywhere near the impact that executives are seeking.

The other fatal error is falling into the trap of “we do that.” The important question is “how well are we doing it?”

Q: Do changes in one of these drivers precipitate changes elsewhere?

MIKE: Changes in one dimension can create a domino effect. For instance, for sales force structure changes to be successful, the sales force must be resized per new roles, territories must then be redesigned, competency models must be realigned with the new roles, people must be evaluated and placed in positions and territories, and compensation plans must be realigned. Transforming the sales force requires deep knowledge in the interdependencies within the system.

Q: Why are sales force transformations particularly challenging?

MIKE: Sales forces operate in a unique environment relative to other employees. Keep in mind that many sales people are remote workers who are often working alone. They have literally to compete every day. And they often have incentive plans that pay them for individual performance.

These factors mean salespeople are not going to change behaviors easily from what has worked in the past. They will only do so when they understand how the changes are different than what they do today, and are confident that making the changes will result in better outcomes.

There is also unique risk to company revenues and profits when transforming the sales force. The sales force is the interface with the customer. Identifying and mitigating these risks requires significant sales force transformation experience.

Q: Why won't tried-and-true sales force strategies work anymore?

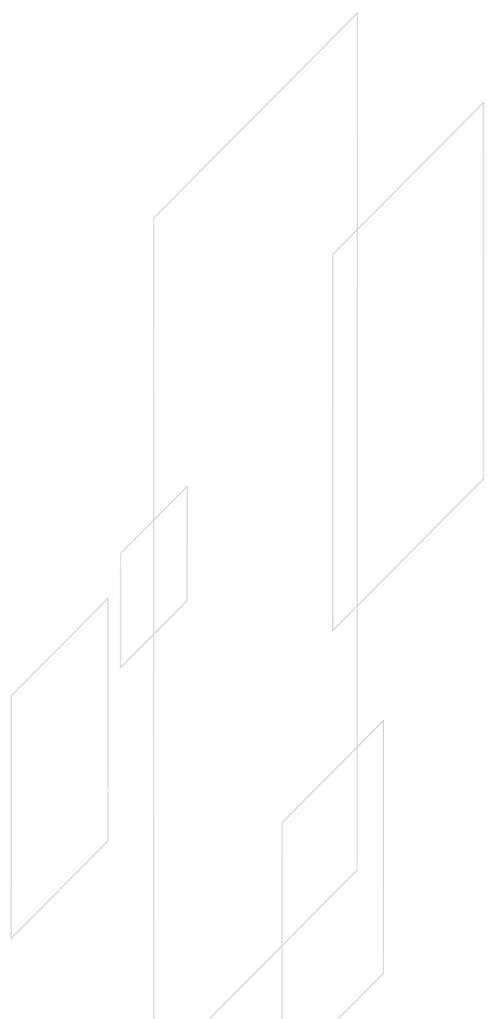
MIKE: The leading practices of professional selling have evolved more in the last 15 years than in the prior 50. The knowledge and skills required to succeed with today's buyers are very different than the knowledge and skills required in the past. Age-old practices predicated on strong social relationships, pitches based on product features, and price haggling don't work well with sophisticated buyers.

And buyers are becoming less interested in spending time with salespeople who are information providers—they can get that information online. Buyers are seeking salespeople who bring new ideas and can effectively tailor, communicate and prove a unique value proposition in the language of finance. The business acumen required to sell in today's markets is much greater than in the past. Unfortunately, many salespeople successful in the past don't have the capabilities to make the transition.

Q: So what are the common denominators of success?

MIKE: The first thing to recognize is that the goal is profitable growth, not a "bright and shiny" sales force. The most successful transformations are grounded in a strong understanding of the company's key growth opportunities and the specific aspects of strategy and capabilities that must be addressed to realize those specific opportunities.

Successful sales leaders identify the right issues to address and the interdependencies between them. They develop and execute a systematic and complete work plan. They effectively address change barriers such as "we already do that" and "won't work here." They make decisions based on facts and leading analytical techniques. They proactively manage transition risks at all stages of the initiative. And they rigorously implement.



ZS at a Glance

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About the Expert



Mike Moorman is Principal of ZS's Go-to-Market Strategy and Transformation practice, and has consulted with more than 40 organizations in the high-tech, transportation, financial services, industrial products, media and publishing, telecommunications, consumer goods, energy and health-care industries. Mike's primary expertise is in B2B sales force strategy and effectiveness, strategic marketing and change management.

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Q: Do companies often try to do too much at once?

MIKE: A “big bang” transformation is always a risk and in many cases a mistake. The degree of change associated with transformations varies from one company to the next, as does the capability to manage that change. Often, it is important to stage the change with initial focus on specific customer segments, product or service groups, or geographies representing the greatest opportunity. Early successes build enthusiasm to do more.

Q: What are the outcomes from a successful sales force transformation?

MIKE: I've worked with companies that have achieved greater than 20% growth by investing in their sales force, and many others that have realized 10%. For especially large companies, the percent growth is usually smaller, but the absolute dollars can be quite large.

Of course, the sword cuts both ways. Poorly managed transformations can result in declines in revenues and profit that take years to recover from. The good news is that there are tried-and-true approaches to successful sales force transformation that can have a major positive impact on top-line and bottom-line performance.