How to make sales force mergers work

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Summary

Mergers provide an opportunity to create a new and superior selling organisation. Unfortunately, says Andris Zoltners, the opportunity is often missed. There are several reasons for this. One is a "conquer" mentality on the part of the stronger company. Instead of the best of both sales force cultures being blended, one dominates, even though it is unlikely to be suitable for the expanded product line or customer base. This is exacerbated by pressure to make cost savings quickly, which means that insufficient effort is devoted to crafting the new selling organisation. Another cost-driven error is to downsize the sales force in proportion with the rest of the company; but because the sales force drives the top line, there is a disproportionate effect on sales revenue. The author reviews these and other problems in detail and provides guidelines for overcoming them.

It has been a remarkable year for the merger and acquisition industry. In the first six months of 1998 deals worth a total of $1,200bn were announced worldwide. This compares with $1,600bn in all of 1997. In the US alone there were $813bn in the first six months of 1998, compared with $920bn in all of 1997.

Mergers and acquisitions involving separate companies are called external mergers. Internal mergers occur when divisions or product groups within the same company merge to rationalise resources or deliver more value to a common set of customers. These happen at least as often as external mergers. The total business affected by both internal and external mergers easily doubles the 1998 six-month deal figure of $1,200bn.

Mergers and acquisitions force organisations to blend. No one is spared—certainly not the sales forces. Corporate mergers and acquisitions usually require significant cost reductions. Individual sales forces are scrutinised to make sure that they contribute to these savings.

A sales force merger creates significant opportunities for the company.

Status quo is usually not an option when selling organisations are merged. Mergers imply change. The product portfolio is expanded and new market segments are added. The customer attraction and retention process is redefined. The new organisation is resized and restructured and selling support systems change accordingly. A new sales force is created.

Sales force mergers provide an opportunity to create a vital, highly productive selling organisation. Unfortunately, it is sales force creation with baggage—each existing force brings its history, style and people to the integration.
Integration can take one of two very different paths. First, the selling organisations can be pasted together as quickly and cost effectively as possible. Financial objectives are jeopardised if cost savings are not realised and "feet are not on the street" very soon. Or second, the company can try to design the most appropriate sales force for the merged product portfolio and the redefined customer base.

The first path is reactive; the second path is proactive. The first path usually results in a contest—over who will survive—whereas the second starts from scratch and views the merger as an opportunity to create a sales force that will add the most value to the company and its customers. The best merger combines elements of both—proactive creation accomplished quickly.

Regardless of which path a company takes, it will need to make a number of decisions and develop a number of support systems and processes for the new sales force. The most important of these are listed in Table 1 (facing page).

Since each organisation in the merger already has a sales force with an established culture, selling process and sales support process, the merged organisation should at least adopt the best practices from each participant. The best strategy is to approach the merger as a sales force creation and develop a selling organisation that is better than the sum of the parts. Regrettably, most organisations settle for less.

The sales force merger opportunity is rarely realised in the short term.
Sales force merger results do not usually meet the company's expectations in the short term. Figure 1 sets out some of the most common reasons for this.

There is a tendency to downsize too much. A merger typically promises at least two benefits. First, the organisation will realise market synergies and, second, it will achieve cost savings. Since cost savings are always easier to see and measure, companies are under significant pressure to downsize the entire organisation aggressively.

Since everyone must "share the pain", the sales force is a prime candidate for downsizing as well. Further, the company needs to realise the cost saving immediately. This logic overlooks a fundamental fact about the sales force: the sales force drives the top line. Excessive downsizing results in an immediate sales loss and jeopardises future product and customer development needs.

There tends to be a "conquer" mentality. A sales force merger affects everyone. Change is in the air. Downsizing is anticipated. "The sales force is scared stiff" is a common refrain.

Figure 1: Sales force mergers

- There is a tendency to downsize too much
- There tends to be a "conquer" mentality
- Information is not shared and the company slows down communication
- Sales force integration takes too long
- Key people leave for other companies
- Customer relationships are jeopardised because there is too much disruption
- The newly merged sales force is not as good as the best of the pre-merger sales force
- Many companies lose market share during and immediately following a merger
Survival is usually at the expense of someone else in a merger environment, especially when downsizing is taking place. The acquiring company or the stronger company usually survives and wins. Consequently, its people assume positions of power, design the resulting sales force and establish its culture.

Since decisions need to be made quickly, the new sales force is usually compatible with the history and habits of the "winners". People in the acquired company either leave or accept less powerful positions. The conqueror's sales force becomes the new sales force. Practicable ways of improving the sales force are not fully evaluated, even though the conqueror's sales force design and systems are usually not appropriate for the expanded product line and customer base.

*Information is not shared and the company slows down communication.* Rumours start as soon as the deal is announced and spread quickly, while accurate information is communicated much more slowly. Typically, this is because there is nothing to tell until leadership is established and integration teams are organised. This can take time. Meanwhile the sales force waits, anticipates and worries.
Information flows slowly even after the integration teams are assembled. There are two main reasons for this. One is that management does not want to give employees false expectations and thus guards information until its decisions are final. Besides, if employees learn details of the decision making process, managers may lose the flexibility to make exceptions to the "rules" they are using.

The other reason is that management does not want to involve the field in the decision process. This could be because managers themselves are unsure as to the structure of the process. They may also believe that employees lack strategic vision and will put their own interests above the company's—especially if it looks like there will be "winners" and "losers".

External communication slows down as well. This is a more dangerous communication interruption. Customers begin to worry about whether their needs will continue to be met after the merger.

Sales force integration takes too long. The integration process requires leaders to be chosen, integration teams to be formed, sales force design questions to be answered and all members of the new force to be selected. These activities consume a lot of time. Meanwhile an entire sales force waits in anticipation.

Morale degenerates proportionately with the length of the integration process. Customers get overlooked. Aggressive competitors try to steal the best people and poach customers.

Key people leave for other companies. There is a vigorous market for the best people in any industry. Recruiters recognise the vulnerability of salespeople working for an organisation that is merging and possibly downsizing, and they start calling immediately. The best people leave when they get good outside offers because there is too much uncertainty over their options in the newly merged organisation. Companies offeringexit packages to accelerate downsizing often provide the extra nudge their good performers need to leave. It is essential for the integration process to establish incentives to keep the best performers.

Customer relationships are jeopardised because there is too much disruption. Downsizing and restructuring create disruption. Salespeople may be required to change the products that they sell or the customer segments that they sell to. They may be asked to perform different selling tasks—hunters may be asked to farm and farmers to hunt. Relationship sellers may be asked to become technical sellers, and technical sellers may be asked to become more intuitive.

Customers may have become comfortable with "their" salesperson. Frequently, customers feel they have trained their salesperson on their business and how they use the sellers' products. A new salesperson will require an investment of time and energy and hence creates apprehension for the customer.

Because a lot of accounts are reassigned during a sales force merger, customer frustration is to be expected. This is especially true when a customer greets a salesperson from the other side of the merger who does not have the knowledge needed to communicate effectively with the customer. The merged selling organisation must try to minimise the reassignment of key customers. Where customers do have to be reassigned, it must craft an effective account transition programme to protect them.
The newly merged sales force is not as good as the best of the pre-merger sales forces. The pre-merger sales forces have a history of adapting to their environments. They have been redesigned many times in response to product launches, new market segments, customer consolidations, new distribution channel options, new technologies, competitive attacks and government regulations.

Table 2

A sales force integration advisor

Sales force strategy
- Implement the strategies that gave impetus to the merger.
- Focus on strategic revenue synergies as well as cost reduction.

Focus on the customer
- Focus on customer needs when making critical decisions about the integrated organisation.
- Resolve conflicts by assessing the impact on customers and striving for the most efficient and effective coverage of those customers.
- Create short-term goals and contests to maintain customer focus.

Cross-company teams
- Develop cross-company teams with clearly defined roles and responsibilities.
- Encourage a "merger" as opposed to "conquer" mentality during the integration process.
- Encourage input and objective, critical assessment from both companies.

Establish strong leadership
- Identify leaders and managers with a "can do" attitude for key post-integration positions.
- Target the involvement of key individuals in the merger process.
- Staff the integration teams with individuals who are organised, task-orientated, objective and fair, and who have a positive attitude.
- Encourage tough decision making and support sub-team decisions.

Rapid transition
- Instill a sense of urgency to integrate quickly.
- Keep the focus on customers: do not let it migrate to the politics of internal change.
- Make personnel decisions as soon as possible.
- Retain good people who otherwise may get frustrated with a lengthy process.

Communicate, communicate, communicate
- Minimise unproductive rumours and speculation by providing timely, accurate information.
- Send constant messages from senior management about process, timing and progress to maximise a spirit of co-operation.
- Reduce uncertainty and overcome resistance to change.

Targeted third-party involvement
- Use outside organisations as appropriate to structure, monitor and facilitate the integration process; they can also mitigate conflict between companies.
- Use outside organisations to bring in best practice sales force expertise.

Now these sales forces will be integrated and will sell an expanded product offering to a larger customer base. Major design decisions are made quickly with a "conquer" mentality. The forces are likely to be downsized and will lose some good people. Downsizing guarantees that incremental sales will be lost. Since a sales force is only as good as its people, customer relationships will be jeopardised by the loss of key individuals. Only the best integration will yield a sales force that is, in the short term, as good as the sum of its parts.

Many companies lose market share during and immediately following a merger. The short-term market share decline can be due to many factors. The sales force’s contribution to the decline results from underinvestment in it, the loss of good people, a suboptimal design, loss of focus as people worry about losing their jobs, disruption in customer relationships, and the opportunism
of competitors. The market share will bounce back, as all of these conditions are corrected over time.

**A sales force integration process**

Figure 2 describes the steps needed to create a merged sales force. The steps are ordered sequentially in terms of the timing of their implementation. Regrettably, only the strategy, size and structure, and territory alignment and personnel selection steps are certain to be implemented in a typical merger.

**Figure 2: The sales force integration time line**

Once transition teams are formed, the company is usually under great pressure to implement the new selling organisation. Executing the three steps just mentioned will finalise the personnel decisions and put "feet on the street". The other integration steps require more sales force involvement and are usually deferred until later.

The sales force integration team has several challenges:

- Keep the best people
- Make the best decisions for each of the sales force integration steps
- Move as many of the integration steps forward in time as possible
- Create merger-related synergies

Table 2 (previous page) is intended to help sales forces plan their mergers. The advice it contains has helped many companies create good post-merger selling organisations.

The selling organisation is rarely consulted when companies decide to merge. Usually sales people first hear of the merger or acquisition when they read the morning newspaper. Yet they are called upon to participate constructively in the creation of a new sales force that may significantly alter the work that they will do for the next few years. The integration can be done well or it can be done poorly. Many careers depend on how well it is accomplished.