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Managing change in the sales force
Paolo Guenzi

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Learning objectives

After reading this chapter, you should be able to:

- Recognize the critical importance of managing change in the sales force today.
- Understand how to apply change management models in a sales force context.
- Understand critical barriers to change.
- Know the key factors needed to implement change management initiatives successfully in the sales force.

Chapter outline

Sales managers are often in charge of implementing strategic change in the field at the level of the salesperson-customer interface. This task is usually very challenging for a number of reasons and these will be discussed in this chapter. With the intention of enabling sales executives to gain useful insights into the issue of change management in the Sales function, this chapter is structured as follows. First, to stimulate readers’ attention, a case problem is presented. Second, the concept of change management and the different types of organizational change are introduced. Third, the most relevant models regarding change management are reviewed. Fourth, the specific aspects and key success factors in managing change in the sales force are examined. Then, the case presented at the beginning of the chapter is discussed in detail. Finally, several key points in managing change are offered.
Bosch Automotive Aftermarket (BAA), Italy

In 1886, Robert Bosch founded the Workshop for Precision Mechanics and Electrical Engineering in Stuttgart. Today, the Bosch Group is a global supplier of technology and technological services. The Bosch Group comprises Robert Bosch GmbH and its more than 300 subsidiaries and regional companies in over 60 countries. If its sales and service partners are included, then Bosch is represented in roughly 150 countries. Each year, Bosch spends more than €3.5 billion (8 per cent of its sales revenue) on research and development, and applies for over 3,000 patents worldwide.

In the areas of automotive and industrial technology, consumer goods and building technology, some 280,000 associates generated sales of €45.1 billion in 2008.

The automotive market is Bosch's core business and consists of three interrelated markets. The first is Original Equipment, in which Bosch is a worldwide leader in gasoline systems, diesel fuel injection systems, chassis systems brakes and chassis systems control, energy and body systems, radio navigation systems and car radios, and automotive electronics. The second is the spare parts market provided to car manufacturers and sold with their brand. The third is the independent Automotive Aftermarket, where all products are sold under the Bosch brand to end-users (i.e. car drivers) through car repair shops, spare parts retailers, etc.

The Automotive Aftermarket division supplies spare parts and information for Bosch products and systems, sells workshop and car accessories and provides after-sales service for Bosch products. Within the Automotive Technology business unit, the Automotive Aftermarket division is responsible for the supply, sales and logistics of automotive parts for after-sales service, as well as diagnostics and workshop equipment (e.g. testers), technical information, training and consulting for car repair shops. Moreover, it is responsible for the Bosch Car Service concept and global technical after-sales service for automotive products and systems from Bosch. The global team comprises some 3,700 people worldwide, working in the division, in the regional subsidiaries and in the agencies located in 132 countries.

The Italian Bosch Automotive Aftermarket (BAA) division is characterized by a complex distribution system, whose main players are:

- wholesalers (first-level customers);
- spare parts retailers (5,000 outlets in Italy), which are considered second-level customers;
- car repair shops (about 40,000 in Italy), considered third-level customers.

This structure has resulted in difficulties in coordinating what is increasingly a multi-product, multi-client market. As a consequence, the company wanted to increase coordination and cross-functional integration, with the specific goals of increasing flexibility, reducing response time and improving customer service.

The Italian BAA Division sells a broad range of automotive spare parts (windscreen wipers, fuel, oil and air filters, batteries, spark and glow plugs, ignition coils and cables, drive belts, etc.) and diagnostics equipment for repair shops (such as engine system testing, emissions analysis, brake testing, chassis geometry testing, power measurement, etc.). It also offers a number of services: one example is ESI (Electronic Service Information), that is a broad range of CD-Roms with a huge amount of information and technical data on the automotive industry and products. ESI help the owners of repair shops to access all the information required to do their job. These CDs provide information on Bosch products, working times, suggestions and tips for planning activities and how to optimize the use of diagnostics software. The Italian BAA Division is also involved in many special projects; for example Bosch Car Service, which is a sort of franchising network of specialized repair shops certified by the Bosch brand.
The strategic change

Historically, BAA sold to first-level wholesalers as well as second-level spare parts retailers and third-level repair shops. In 2001, it radically changed its distribution strategy, and decided to focus exclusively on 150 big and well-structured first-level wholesalers. These customers, which were chosen as those with the highest competencies and resources, were divided into different categories.

1. Bosch Dealer: medium-size companies with their own inventories and a well-structured organization, usually with multiple branches across Italy. They have their own sales force and technical assistance personnel to servicing their downstream customers. They sell almost exclusively Bosch branded products.
2. Bosch Partner: smaller firms with a narrower assortment of Bosch products, and with lower-level technical, commercial and financial resources and requirements.
3. Bosch Distributor: multi-brand wholesalers, whose offer consists of products manufactured by different suppliers.
4. Special Channels (e.g. oil producers, local public transportation companies, etc.).

In short, BAA decided to focus on a relatively small number of first-level customers only, and to delegate the management of all relationships with second- and third-level spare part retailers and repair shops to these wholesalers. This implied for BAA salespeople a radical switch from a sell-in to a sell-out approach.

The Italian BAA Division had four departments:

1. Sales: The Chief Sales Manager was the head of 15 employed salespeople (‘Area Managers’) and about 100 independent sales reps. Their main responsibilities were: supporting the growth of customers; supporting the launch of new products in the market; broadening and deepening the range of BAA products supplied to customers at all levels in the distribution channel; applying discounts and differentiating commercial conditions (such as payment terms, financial support, etc.) for individual customers.
2. Marketing: One Marketing Manager headed about 15 people. They were mainly Product Managers, Trade Marketing Managers and Communication Managers. Their main responsibilities were: product management (positioning, pricing, advertising, etc.), driving through development of specific marketing plans for different product lines; market research, sales forecasts, customer satisfaction analysis; supporting the sales force through the provision of technical information on all products, reports on market and financial performance of different products, making support calls to customers, etc.; designing and producing all promotional literature (e.g. catalogues, leaflets, point-of-sale materials); launching new products in the market.
3. Sales Administration: One manager and ten people were in charge of the administration of all payments, invoices, order processing and customer service. Among other things, they had to check the orders (e.g. adequacy of financial conditions, promotional prices), provide all first-level customers with information on price lists, discounts, stock availability and order processing, manage returns and delivery errors, manage claims, which in most cases have to do with logistics and delivery time, call on first-level customers to install software and systems for data processing and order fulfilment, as well as provide information on procedures for data processing, order processing, stock-keeping and logistics.
4. Technical Support: This department was very important for BAA. Technicians in the department focused on the provision of technical services to first-level customers. Their main responsibilities were: managing technical training for all customers; providing continuous telephone support to all technicians of customers; contributing to creating, organizing and training all those in the 500 repair shops involved in the Bosch Car Service project; managing all aspects of guarantees.
The radical change in BAA distribution strategy implied switching from the traditional selling approach to a Partnership approach based on the identification and implementation of win-win strategies with customers. As a consequence, Area Managers had to become Relationship Managers adopting a consultative approach with first-level customers, developing specific business plans and creating added value for the customers.

Traditionally, the Marketing function mainly targeted end-users (car drivers) and focused on brand management and communication strategies, while the Sales department focused on distributors. Moreover, the Marketing function tried to implement strictly the standard guidelines provided by the German headquarters, while the Sales department called for local adaptation to the characteristics and needs of the Italian market.

As a consequence, conflicts and problems of poor coordination were quite frequent. A change management project was needed to properly implement the new Partnership approach. This implied designing a set of interconnected activities, as well as identifying and overcoming a number of potential barriers to change.

**Introduction: what is change management?**

The pace of change has never been greater than in the current business environment, where change comes in all shapes, forms and sizes.

Change management has been defined as ‘the process of continually renewing an organization’s direction, structure, and capabilities to serve the ever-changing needs of external and internal customers’ (Moran and Brightman 2001, p. 111).

Balogun and Hope Hailey (2004) report a failure rate of around 70 per cent of all change programmes initiated. This poor success rate indicates the fundamental lack of a valid framework of how to implement and manage organizational change, as what is currently available to academics and practitioners is a wide range of contradictory and confusing theories and approaches (Burnes 2004).

First of all, managers should recognize that there are different types of change, requiring different approaches. According to By (2005), three categories of change can be identified, characterized by the rate of occurrence, by how it comes about and by scale (see Figure 1.1).

In terms of rate of occurrence, a typical distinction is between continuous (or incremental) and discontinuous (or radical) change. Discontinuous change is change which is marked by rapid shifts in either strategy, structure or culture, or in all three (Grundy 1993). Contrastingly, continuous (or incremental) change can be defined as the ability to change continuously in a fundamental manner so as to keep up with the fast-moving pace of change (Burnes 2004). Advocates of this type of change argue that change is best implemented through successive, limited, and negotiated shifts.

As for how change comes about, a distinction is made between planned change and emergent change. The planned approach model of change is mainly top-down driven, and is rooted in the managers’ belief that the company needs to discard old behaviours, structures, processes and culture before successfully adopting new approaches (Bamford and Forrester 2003). Such directive approaches may work well in situations of crisis, where major and rapid changes are required and there is no scope for widespread consultation or involvement.

In contrast with this, the emergent approach tends to see change driven from the bottom up (Bamford and Forrester 2003; Burnes 2004). In this perspective, change is
also interpreted as a process of learning, whereby strategy development and change emerge from the way a company as a whole acquires, interprets and processes information about the environment in which it operates (Dunphy and Stace 1993). The approach stresses the promotion of ‘extensive and in-depth understanding of strategy, structure, systems, people, style and culture, and how these can function either as sources of inertia that can block change, or alternatively, as levers to encourage an effective change process’ (Burnes 1996, p. 14). Therefore, the emergent approach to change suggests that managers should focus their attention on building change readiness and facilitating for change, rather than providing specific pre-planned steps for each change project and initiative.

Finally, different types of change can be identified depending on scale, that is a combination of the number of entities involved (e.g. a single department or the whole organization) and the type of change (incremental versus radical). Based on this, the BAA case represents a situation of corporate transformation, where change is clearly radical and involves the whole organization. In this perspective, sales managers’ decisions affect and are affected by decisions made by the top management and by other departments’ managers: in the light of such interdependence, integration and coordination of choices and efforts is crucial.

Models to manage change successfully

Models of change management can be divided into two categories: some models identify key success factors, whereas others take a process perspective and typically identify a sequence of steps that should be followed.

Models based on key success factors

A popular framework for managing change in organizations is McKinsey’s 7S model, which is a way of thinking about development or remodelling of companies. Its name comes from the seven factors that McKinsey found essential in the context of organization development: strategy, skills, shared values, structure, systems, staff and style.
Normally, when a company sets out to change its organization, the seven Ss are dealt with in a given sequence. In the first phase the strategy is usually determined. The next step is to define what the organization must be especially good at in order to be able to implement its strategy, in other words, what skills it must develop or otherwise acquire. The final step is to determine what changes are needed in the other five factors to make the change a successful one.

Strategy tells a company how it must adapt itself to its environment and use its organizational potential, whereas the analysis of skills answers the question of how the strategy ought to be implemented. These skills define the changes that need to be made in the other five Ss: structure, systems, staff, style and shared values.

A company’s structure refers to the way business areas, divisions and units are grouped in relation to each other. This is perhaps the most visible factor in the organization, and that is why it is often tempting to begin by changing the structure.

Systems can be defined as the procedures or processes which exist in a company and which involve many people for the purpose of identifying important issues, getting things done or making decisions. Systems provide management with powerful tools for making changes in the organization.

The staff factor is concerned with the question of what kind of people the company needs. It refers to the total know-how possessed by the people in the organization.

Style consists of the leaders’ personal symbolic actions. Leadership and management style is not necessarily a matter of personal style but of what the executives in the organization do, how they use their personal signalling system.

Shared values, finally, refer to one or more guiding themes of the organization’s culture, things that everybody is aware of as being specially important and crucial to the survival and success of the organization.

According to Beer et al. (1990), three interrelated critical factors to manage change successfully are:

1. coordination: teamwork must be stimulated by properly redesigning structures and processes;
2. commitment: people must be motivated to change, especially through rewards and incentives;
3. competencies: new skills and capabilities should be developed, especially by investing in training and coaching.

By successfully leveraging these factors, managers should effect three types of responses of personnel:

1. cognitive responses: people should know why the change is needed, what has to be changed and how, who is responsible for change, etc.;
2. affective responses: people should accept the change and feel motivated to change; this implies agreeing upon the why, what and how specified above;
3. behavioural responses: the ultimate goal of change processes is to modify what people do and how they do it.

However, Laabs (1996) reported that 20 per cent of people in an organization are change-friendly, 50 per cent are ‘fence sitters’ and 30 per cent resist or even deliberately try to make the initiative fail.
Therefore, change leaders should recognize that it is important to proactively manage the meanings their organization’s members attach to change. Such meanings can be interpreted in terms of shared mental models, that is, common perceptions, beliefs and priorities that may help successful change implementation. Since change implies uncertainty and ambiguity, the input of management into the beliefs their workforces hold is especially important when companies undergo radical changes. In doing this, change leaders should carefully avoid their efforts being perceived as brainwashing or manipulative mind control. Rather, ideally, they should use open and clear communication based on facts and data.

In short, leaders should manage meanings in order to:

- create shared perceptions and interpretations so that members’ actions are guided by a common definition of the situation;
- justify their actions and the changes they introduce to the organization;
- recruit followers and motivate members of the organization to support their actions.

The management of meanings by strategic leaders primarily involves shaping organization members’ perceptions and interpretations about: (1) the environment; (2) the state of the organization and its performance; (3) the organization’s vision and goals; (4) the appropriateness of various means, decisions, and actions employed by the organization to achieve its goals; and (5) the ability of the organization to make progress toward meaningful goals.

Neal and Tromley (1995) suggest that a sales organization considering any change initiative should consider three factors:

1. Culture: when radical changes are expected, culture change is needed. Culture consists of the set of values, beliefs and assumptions underlying the behaviour of individuals.
2. Social systems: to change the behaviour of personnel, companies can invest in recruiting, training and reward systems. Recruiting new hires and selecting the adequate ‘survivors’ in downsizing initiatives is especially important for change leaders, whose leadership style should fit the new culture of the organization.
3. Technology and work design: technology change can strongly support organizational change, which mainly implies redesigning structures and processes, e.g. by introducing teams.

Sirkin, Keenan and Jackson (2005) suggested the duration, integrity, commitment, effort (DICE) model, which identifies the four ‘hard’ variables representing the key success factors in more than 1,000 change management initiatives monitored by the Boston Consulting Group worldwide. These four variables are:

1. Duration: the authors argue that it is essential to formally review the transformation project frequently (at least bimonthly) by scheduling milestones and assessing whether the target has been reached. Carefully monitoring the change project’s progress implies providing reports, determining whether achieving the milestones has had the desired impact on the company, discussing the problems, determining improvements, etc.
2. Performance Integrity: members of the change management project teams should possess adequate skills and traits. This is usually difficult to obtain since in most companies senior executives are reluctant to allow star performers to join the team. In addition to this, the team should be cohesive and well led. This requires defining clear roles and responsibilities, as well as finding the right team leaders: ideally they should tolerate ambiguity, possess good problem-solving skills, be results oriented, methodical, organizational savvy and willing to accept responsibility.

3. Commitment of both senior executives and the staff members most affected by change. Managerial support mainly consists in communication processes: the authors recommend, as a rule of thumb, that top executives should be talking up a change initiative at least three times more than they think they need.

4. Effort: companies should carefully consider the additional workload required of employees to cope with the change process. Employees are usually busy with their day-to-day activities and if their workload increases too much the change project will probably fail. The authors suggest that since no one's workload should increase by more than 10 per cent, the company could decide to take away some of the regular work, especially for those employees playing a key role in the transformation process.

**Figure 1.2** Steps of successful change management processes

Source: adapted from Kotter (1995).
Process models

Kotter (1995) suggested that successful change management processes are the result of a series of eight sequential and interrelated phases (see Figure 1.2):

1. establishing a great sense of urgency, in such a way that most people in the organization see the current situation as more dangerous that launching into the unknown. This goal can sometimes be accomplished by deliberately creating situations of crisis. As a rule of thumb, Kotter states that about 75 per cent of a company’s management should honestly be convinced that business as usual is completely unacceptable;

2. creating a powerful guiding coalition to achieve the critical mass needed to win over the opposition. Power of the coalition should not be interpreted in terms of the hierarchical level of its members. Rather, power is typically a combination of titles, information, expertise, reputation and relationships, because the coalition should always include members that are not part of senior management;

3. creating a vision clarifying the direction in which the organization needs to move and, ideally, the strategy developed for achieving the vision. The vision should be simple, easy to understand and communicate and capable of creating interest. Without this vision, priorities are not clear and plans, directives and projects may be confusing and perceived as incompatible: the vision should be the unifying focus of all programmes;

4. communicating the vision and eventually the strategy to achieve it. Every possible communication channel should be used to make employees perceive that the change is useful and possible. Two-way exchange of information is sometimes extremely important in allowing the collection of feedback from personnel before it is too late. It is also important that change leaders teach by example and behave consistently with the undergoing change: by walking the talk they should try to become a living symbol of the new values, attitudes and behaviours that are requested from employees;

5. removing obstacles to the new vision, such as inadequate organizational structures or reward systems that create conflict between the new vision and employees’ self-interest;

6. orchestrating and creating short-term wins. Meeting and celebrating short-term goals helps boost the credibility of the renewal process, keeping the urgency level high and forcing detailed analytical thinking that can clarify or revise the vision. Since big transformations take time, without some short-term success many people are at risk of giving up and losing faith in the change process. Therefore, change leaders should deliberately plan for visible and measurable performance improvements, create these improvements and recognize and reward employees involved in them;

7. avoiding declaring victory too soon. Rather, successful change leaders typically use the credibility gained through short-term wins to raise the bar further and start renewal projects that are even bigger in scope than the initial ones;

8. anchoring changes in the corporate culture to make them last as long as possible. New behaviours should be rooted in shared values and norms of conduct so that they are not subject to early degradation. To institutionalize change, companies
should continuously and deliberately show people how their own, individual new
behaviours and attitudes have helped the company improve performance. Furthermore, organizations should manage the succession to the next generation of top management by promoting change champions.

Claret, Mauger and Roegner (2006) developed a model which emphasizes four critical processes to implement change projects successfully:

1. managing communications to clarify the reasons for change and the expectations about the individual goals, tasks and behaviours. Special attention should be given to the provision of customized, innovative and two-way information exchange. People affected by change should know what they need to change and why;
2. giving role models to all people affected by change: top managers’ actions are particularly relevant here because followers should see their leaders and peers walk the talk;
3. developing new skills and competencies in those affected by change in such a way that they feel they are ready and well prepared to deal with the challenges of the new context;
4. reinforcing change by creating the supporting conditions needed to modify processes and individual behaviours. Examples of such conditions are incentives, rewards and information systems.

In addition to this, all members of the organization should develop a personal insight in order to identify their individual fears standing in the way of change.

Managing change in the sales force

Hurley (1998) suggests a number of reasons why managing change in sales organizations is ‘special’.

First, since salespeople are boundary spanners and the Sales department as a whole manages direct interactions with accounts, customers may be alienated by the disruption associated with change and take away their business. Hence, changes in sales organizations can be extremely risky, and properly communicating the change to customers is a critical success factor.

Second, salespeople typically spend most of their time in the field in different territories. Therefore, compared to change involving other departments, the existence of many different people, locations and levels creates more challenges in establishing momentum for change among a critical mass of the sales organization.

Third, since salespeople’s remuneration is typically largely related to market performance, change directly threatens the level or variability of sales force income. As a consequence, compared to other personnel, salespersons may be more reluctant to change, because unlike other employees in the organization they have to take upon themselves the risk of losing money.

Finally, salespeople are, generally speaking, very practical and tactically oriented: hence they may feel discomfort with the abstractness and uncertainty that radical change entails.
Starting from these considerations, Hurley (1998) proposes some general rules for managing change in sales organizations:

1. the vision of the future relationship with customers should be clear and grounded in good market analysis;
2. expectations about earnings during the change process should be carefully managed;
3. complex and abstract ideas in the vision should be translated as much as possible into concrete behaviours and actionable programmes;
4. the vision and the rationale for change should be communicated clearly and completely across all levels and locations;
5. salespeople's resistance to change should be reduced by involving them in the process;
6. change progress should be measured and monitored continuously;
7. specific change management structures should be created (e.g. task forces);
8. change leaders should be empowered at all levels/locations;
9. multiple parts/processes of the systems should be changed in an integrated and consistent manner.

Managing change in a sales force typically implies modifying the organization, execution and evaluation of the selling effort.

Change management programmes in the sales force have frequently been driven by Total Quality Management (TQM) and Re-engineering projects, that is, by situations of corporate transformation where revolutionary change is linked to a guiding overall vision. Many TQM and Re-engineering efforts have been failures. Among the key success factors for such initiatives, the most frequently cited ones are adequate leadership, commitment from the top, a supportive structure, employees' involvement, communications management, education and training, the use of measurement and analytical techniques for redesigning critical processes and the adoption of adequate reward and recognition systems.

According to a survey on sales organization reinvention change initiatives reported in Colletti and Chonko (1997), the most frequently cited objectives of sales force reinvention are improving sales productivity, improving sales coverage to current customers and growing overall sales. The expected results are not only to grow revenues, but also to improve customer satisfaction and increase profit margins. To do this, companies mainly change the field organization structure, customer segmentation, sales jobs, training and performance measurement systems. They typically do not change recruitment policies, sales channels and compensation packages. Interestingly, the most difficult aspects to manage have to do with change implementation at the level of processes and people.

Colletti and Chonko (1997) recommend that companies follow a five-step process to implement sales change programmes successfully (see Figure 1.3):

1. assessment of the current external situation (e.g. changes occurring in customers, competitors, macro-environment) and internal context (e.g. changes in strategy, available resources, etc.);
2. redesign of sales leadership, strategy, tasks, structures and processes, which implies articulating and disseminating a clear vision of the desired new situation;
3. modification of measurement systems: companies should change what to measure and how to measure. A typical example is the effort made to calculate customer profitability to see if the company is focusing on the right accounts, as well as to estimate the return on time invested, in order to make sure that salespeople are spending their time on the right activities. Measurement is extremely important in change initiatives for several reasons. First, accurate measurement procedures can help justify why the change is needed by providing measurable goals to be accomplished. Second, if the impact of change on results can be measured, empirical testing can reveal what works well or not in the change, thus facilitating learning and continuous improvement. Third, having measurable measures of success provides opportunities for energizing the improvement process: in fact people feel motivated by reaching quantifiable measures of performance, and demonstrating the capacity to succeed reinforces employees’ perceptions of their ability to succeed in the future;

4. development of sales support programmes, such as training, rewards, customer relationship management, supervision and coaching, Marketing and Sales integration, etc.

5. change implementation: the time needed largely depends on size and complexity of the sales organization, time pressure, type of change, etc. Generally speaking, since actual implementation mainly occurs at the individual level, it is critical that the sales force ‘buys in’ to the change management programme from its earliest stages and is continuously motivated and reinforced to accept change.

Figure 1.3 A five-step process to successfully manage change in the sales force
Source: adapted from Colletti and Chonko (1997).
At the level of individual salespeople, Chonko et al. (2002) suggested that two requisite conditions for change are sales force perceptions of the organization’s readiness for change and the learning orientation of the sales force.

Perceived organizational readiness for change is the cognitive precursor of either behavioural resistance to or support for change. Such perception embodies the individual salesperson's belief that the change is useful and that the organization possesses the ability to implement the change successfully.

Individual learning orientation of salespeople is reflected in their attitude towards questioning extant knowledge, challenging preconceived ideas and assumptions and actively seeking information.

Chonko et al. (2002) posited that in times of change both perceptions of organizational readiness for change and individual learning orientation positively affect individual performance and overall corporate outcomes. According to the authors, perceptions of organizational readiness for change and individual learning orientation can be positively affected by the company's culture, organization climate and policies.

As for corporate culture, it is argued that perceived readiness for change is higher in companies whose main values are market orientation and entrepreneurship. Market orientation is characterized by a continuous effort to create customer value, to collect and disseminate customer and competitor information, and by organization-wide responsiveness to customer needs. Entrepreneurship is characterized by risk tolerance, support for proactivity, receptivity to innovation and resistance to bureaucracy. Market orientation and entrepreneurship can also affect salespeople’s model of learning: in companies where the former prevails, the sales force should mainly use exploitation (i.e. focus on incremental improvements), whereas where the latter prevails, situation exploration (i.e. focus on radically new approaches) should be the preferred learning style.

Organizational climate reflects the level of organizational support, openness of the organization, supervisory style, quality of relationships and conflict among members.

Perceived organizational readiness for change can be improved by many elements of the organizational structure, such as the use of a facilitative leadership style seeking to inculcate a clear vision within sales subordinates, decentralized strategic planning and the adoption of an organic structure, i.e. a decentralized organizational architecture with fluid job responsibilities and strong lateral communications. In fact all these elements, together with informal leadership support, that is the encouragement and consideration salespeople receive from their colleagues, increase flexibility, facilitate communication flow and stimulate emergent processes.

Finally, salespeople’s perceptions about organizational readiness for change can be fostered by organizational policies like investment in training and willingness to change reward and compensation systems when the posited change affects the salesperson’s job. In fact, the individual salesperson’s ability and motivation to modify their behaviours so as to implement change successfully largely depends on their possibility of acquiring the new competencies and skills required in the new situation, as well on the creation of incentives and compensation schemes seen as consistent with the new requirements.
CASE PROBLEM REVISITED

BAA Italy: what happened?

In the following the case is used as an illustrative example of how McKinsey's 7S framework can be applied to the managing of change in organizations.

Strategy

Radical changes entail substantial modifications of corporate strategies and goals. New strategies should be clear and easy to communicate, and new goals should be easy to justify, quantify and measure. These key success factors are apparent in the words of Paolo Colabucci, Sales Manager at BAA Italy at that time.

From a strategic standpoint, change was driven by two main goals.

The first one was to cut costs by reducing managerial complexity. For example, from the administrative standpoint, Bosch had to manage thousands of invoices every month and had a huge list of insolvent customers.

The second goal was to increase revenues by targeting big dealers which could sell and provide service support for the whole set of Bosch products, especially technical goods, which could not be either purchased or distributed by small-medium sized distributors, due to the lack of qualified technical staff or the pretty big warehouse and financial requirements.

In the process of change it was crucial to share our vision and to clearly communicate our goals to customers and employees alike. You might discuss methods, timing and tactics, but the vision must be definitely shared. In addition to this, it was of fundamental importance to root our vision of the future and our goals into hard data and objective facts. We had to support our view concretely by showing research, figures and trend analysis to justify why we thought we had to go that way.

Skills needed to successfully redesign and manage key processes

Generally speaking, in change management initiatives companies should analyse and redesign critical processes when needed, especially so as to identify the critical skills needed to implement the change successfully. Such processes may be both back-office activities and customer interaction management on the front line. For example, BAA Italy mapped and redesigned some critical processes, in order to clarify roles and responsibilities, the goal being to reduce ambiguity and conflicts. Therefore, after identifying key processes the company developed for each of them the responsibility, approval, support, information and control (RASIC) matrix, which clearly indicated, for each phase of the process under investigation, the people involved in terms of Responsibility, Approval, Support, Information and Control.

In line with the literature on change management, the BAA Italy case also supports the critical role played by communication processes both with internal (subordinates, colleagues from other departments, etc.) and external counterparts (e.g. customers). As pointed out by Colabucci:

We let everybody – including customers – know about our real sales and product targets. We also wanted to inform everybody about the results of the change process. So, for instance, we immediately bought a maxi-LCD screen (which cost €10,000 at the time)… it took me three
months to have such investment approved!) placed right there at the entrance of our building, so that everyday everybody could see at once what the target for each channel and line of products was, together with sales progress made daily. So everyone could know exactly what was happening. We also developed an intranet connecting all members of the sales force so that anyone could see their colleagues’ results. Of course, they all remained anonymous. This was not meant to create jealousy or the like, but to let anyone have benchmarks and a clear picture of the situation. The same was true for customers who could see how they were growing compared to others: again, this was done anonymously. This gave rise to a virtuous cycle simply by letting information circulate. Everyone knew exactly what they had to do and by when and also what the others were expected to do and the progress the others were making.

This was an important achievement in a context where traditionally such type of transparency was not accepted. That was a really hard struggle... but it really turned out to be a key factor.

In some cases, changes in processes were only short term, tactically-oriented. For example, pricing and discount policies were made very flexible at the beginning of the change initiative. This decision was taken so as to support the change process by orchestrating some early wins when needed. In fact, the company wanted to keep performance high in the short term to reinforce employees’ and customers’ commitment.

Shared values and culture

When the change management process started, Bosch was changing its priorities in terms of key corporate values. Moral integrity had always been a top priority, together with securing their employees’ work but now value number one had become an entrepreneurial spirit and a spirit of initiative: the company wanted personal contribution from its employees. This called for, among other things, an empowering leadership style, a reduction of bureaucracy in many business processes and higher job mobility coupled with more meritocratic career advancement opportunities. Also, the strategic change at BAA Italy called for a stronger market-oriented culture.

To change the corporate culture, one should start from the top: it is of fundamental importance that top managers accept, witness and spread across the whole company the key values of the new culture. To do this, members of the board needed to demonstrate and embody such values by showing consistent actions, i.e. by modifying their everyday decisions and behaviours. This is not easy to accomplish. This is how Paolo Colabucci, Sales Manager at BAA Italy, stimulated in the CEO the shift from a product-oriented culture to a customer-oriented culture, which was a necessary precondition to successfully implement the change:

I repeatedly said that we were a product-oriented company rather than a customer-oriented one. This made the CEO criticize me. He said ‘How do you dare make such an accusation?’, to which I replied: ‘I just have a question for you: how many customers do we have, and how many product codes do we deal with?’ Well, he knew about product codes but had no idea about customers. So I told him: ‘That’s the way it is, I know how many customers we have, while you don’t. Yet, you know how many product codes we deal with. This means that you focus on logistics and products while you don’t care about customers so much. Well... I guess you should’. Since he was a smart person he realized I was right: we were not truly customer-oriented. So he started being sort of obsessed with it. He started asking everybody, ‘How many customers do we have?’ He had changed his mindset completely, and this is how some changes in mentality were introduced. In turn, this gave rise to radical changes in many key processes. For example, we completely redesigned information systems to calculate each customer’s profitability. Before the change, we had no information about it, since sales statistics were organized only by product.
This statement clearly points out that major modifications in the company culture must be accompanied by substantial modifications in support systems (e.g. information systems), otherwise it is extremely difficult to implement change in practice.

Furthermore, an important way to modify the corporate culture is to change some rituals. For example, to stimulate employees' entrepreneurship, Colabucci decided to change the way meetings were managed. This is how he describes this change:

"Traditionally, the company used to have meetings where some people said nothing at all. So I told them: 'Just don’t come next time if you have nothing to say. Even if it is rubbish you have to say it anyway.' I used to say: 'Let’s do some brainstorming because from someone’s rubbish there may stem someone else’s good idea.’

Yet, it was not so easy to encourage brainstorming in a company with a strong hierarchical culture, where everybody tended to be reluctant. So I even decided to play games like: ‘If you say nothing, you have to leave the room.’ Thus, using a little bit of ‘violence’ we could arouse creativity and people who had always kept silent until then, when forced to speak, would often contribute the best ideas.

Another example of change in rituals refers to the challenge of stimulating a culture of interdepartmental interaction and cooperation. In Colabucci’s words:

"Once there were separate dinners out for salespeople and members of the Marketing department. We started to have inter-functional meetings and dinners where they all had a chance to get to know each other.

We did the same with the colleagues from information systems, who could decree success or failure of our projects, because they could dramatically facilitate the circulation of information and the possibility to have concrete data to refer to. Therefore, for example, I often invited them to our dinner meetings where we celebrated our department’s accomplishments. I wanted to let them feel part of the team.

In addition to this, the company also started to take some people from the Sales department and move them to Marketing and vice versa.

Corporate culture can also be changed by modifying some aspects such as, for example, the company language (Homburg and Pflesser, 2000). An example of this is provided by Colabucci:

"I have abolished the word ‘manage’ from my own vocabulary, because when you are busy managing something you have already lost ground in comparison with those who are developing their business. Therefore, one should only ‘develop’. We had people in charge of ‘coordinating’ something. Well, a person who coordinates rarely has responsibilities… so we have renamed many of them ‘business development managers’ or ‘channel leaders’, which sounds more dynamic.

Even changing the dress code was a way to try to modify culture, attitudes, and behaviours. As stated by Colabucci:

"We began not to wear ties because we wanted to have people feel they were part of a team where they were expected to work hard and face a change instead of feeling like managers supposed to manage business as usual. We impoverished the formal aspect in a sense while enriching the substantial one."
Style: leadership

Change leaders must be credible, and their leadership style should incorporate personal values and personality traits which are consistent with the values of the corporate culture. For example, as stated above, a major modification of Bosch’s corporate culture was the emphasis now placed on the employees’ entrepreneurial attitudes and capabilities. This calls for a leader who stimulates and supports empowerment and risk-taking. This was clearly a characteristic of Colabucci, as demonstrated by the following statement:

I used to say: ’maybe at the beginning you do ten things, eight are wrong and two are right. Yet later it may go the other way round: you do eight right things and two wrong ones. If you stand still you might make no mistakes, but you don’t contribute to any achievement either.’ This is why I kept saying: ‘just do it, just try, we’ll surely learn from our mistakes.’

Similarly, a participative leadership style was needed to foster followers’ entrepreneurial spirit. Again, this was part of Colabucci’s style, as demonstrated by the following quote:

I remember that at first everybody said ‘Yes, Sir’, and at the end many would say ‘No, I disagree’, which helped me grow as well.

Radical changes usually require a radical discontinuity in the management team. Hence, hiring leaders from outside can be a wise choice, as witnessed by Colabucci:

For many customers it was important to interact with a new Sales Manager. I told them: ’I have nothing to do with what has been done so far. I only know that I am here to do something else.’ I was credible because, while being very competent about the products and the market, I had not contributed to building up the situation as it was. Many customers understood that Bosch really wanted to change things by introducing some new managers coming from outside. They saw me as a living proof of Bosch’s willingness to change.

On the other hand, hiring a new leader from another company may create some problems internally, because the newcomer may lack credibility. To gain credibility, the leader should be perceived as competent, honest and powerful. The company and the leaders can and should do whatever they can to improve such perceptions. In Colabucci’s words:

At the beginning some people thought: ’this guy is too young and doesn’t know the Bosch world… soon he won’t be around anymore.’ In Bosch, people who started a change process were rarely granted credibility as employees were generally not in favour of it and were bound to tradition. In fact, one of the main values for Bosch is ‘We have always done so successfully since 1890’. So it’s truly difficult to say, ’Starting tomorrow we’ll do it another way’. I had to give the impression of being given a strategic mission instead of being seen as a person who, as a latecomer coming from outside, wanted to put in hand all that had been discussed previously before introducing change processes which perhaps were not welcome and not even shared from a strategic viewpoint. I was successful especially because I was given special power on many decisions, which was highly unusual and demonstrated that I was backed by a strong commitment from the top management.

People trust you if they see that you have concrete ideas and possess the necessary competence. Fortunately, I had technical and market competence. This helped me a lot.

Another key success factor was that I was very clear to people. If they are not aware of what is both positive and negative about the change process, they feel confused, overpowered by ambiguity and they stand still, they just don’t move. You’ve got to be very outspoken.
The leader’s communication style is especially important in change management initiatives, since it has a strong impact on the cognitive, affective and behavioural responses of individuals affected by change. A communication style characterized by clarity and openness is usually a relevant trait of successful change leaders.

Structure

In terms of organization structure, two major modifications were made at BAA Italy. The first has to do with reduction in the sales force size. In fact, since BAA Italy would no longer manage 4,000 customers but 150, the company needed to downsize its sales force. Therefore, BAA Italy decided to relocate to dealers many members of its sales force, which reduced from 100 agents to 30. Only ten salespeople did not accept this proposal. A key variable in the successful implementation of this process was proving that everyone would earn more in their new roles. For BAA Italy, the main advantages were that agents helped convey the culture of Bosch to dealers, and that salespeople (and their customers) did not move to competitors. Agents did not lose their jobs and continued working with their customer base. Often they also had new career advancement opportunities in the dealers’ organizations. Finally, they put their portfolio of downstream customers at the disposal of dealers, who broadened their customer base and hired experienced salespeople.

The second relevant change was that the company created formal teams, thus giving rise to a matrix organization structure. In fact, Area Managers became leaders of Selling Teams, each one incorporating a couple of agents and one member from each of the other three departments: Marketing, Sales Administration and Technical Assistance.

Staff

Bosch realized that most of its employees did not possess the set of skills and competencies needed in the new scenario. At the same time, the company understood that investing in training was a necessary step to motivate people to change. In fact, many employees felt a lack of self-confidence. Empowerment also required an increase in employees’ capabilities. Therefore, most members of the organization from all four key departments were involved in inter-functional coaching, training in team-building and training to develop management skills and competencies.

In short, the training process at BAA Italy consisted of the following steps:

1. definition of the ‘ideal profile’ of Area Managers in terms of skills and competencies required by the new approach;
2. self-evaluation of Area Managers in such skills and competencies;
3. comparison of the ideal and actual profiles, leading to the identification of individual gaps in skills and competencies and areas for improvement;
4. aggregation of individual gaps and improvement priorities to identify group-level priorities (e.g. managerial competencies versus relational soft skills);
5. application of the same process to all other members of sales teams.

Systems

In addition to the above cited interventions two other modifications were important to support and successfully implement change at BAA Italy. The first involved planning: all salespeople were
provided with an information-based customer planning tool aimed at setting goals, developing projects, tracking progress, monitoring problems and creating benchmarks for every single customer.

Secondly, the company completely revised the incentive system. The challenge here was to change employees' priorities from monetary rewards to career development opportunities and professional growth. To do this, for example, the company strongly invested in cross-functional training and interdepartmental coaching, stimulated cross-functional mobility and redesigned job advancement paths.

Summary

Figure 1.4 summarizes in a model the key concepts of the 7S framework applied to change management in the sales force. It illustrates the most important success factors Sales Managers should focus their attention on.

The change management audit proposed at the end of this chapter explains the key questions managers should answer when strategically planning and executing a structured approach for managing change in the sales force.
Key Points

1. In the world of selling, companies increasingly have to deal with change.
2. Sales Managers should recognize that there are different types of change, requiring different approaches. Depending on the rate of occurrence, how change comes about and the scale of change, different priorities should be set.
3. Successful change management implies focusing on coordination, commitment and competencies. The ultimate goal is to effect cognitive, affective and behavioural responses of personnel. To do this, change leaders should proactively manage the meanings their organization’s members attach to change.
4. Many different models have been proposed to manage change successfully. Among the most important ones, it is worth mentioning the seven-step model suggested by Kotter (1995), the DICE model and McKinsey’s 7S model.
5. The key message of these models is that a structured, integrated and consistent set of interrelated changes are needed at different levels of the organization.
6. Managing change in the sales force is ‘special’ for a number of reasons. Therefore, sales managers should follow some specific ‘rules’ such as the ones suggested by Hurley (1998) and adopt a structured approach like the one suggested by Colletti and Chonko (1997).
7. The BAA Italy case is an example of the application of McKinsey’s 7S models to successful change management in the sales force.

Running a change management programme audit in your company

The following audit is intended to help Sales Managers diagnose problems in change management programmes

| Strategy | What are the goals of change? What are the most important courses of action needed to accomplish such goals? What are the reasons behind these new goals? What is the role of time in strategy implementation? What are the most important goals in the short run, and which other ones are of fundamental relevance in the long term? |
|———|———|
| Skills | Which key processes will be affected by the undergoing change? How should they be modified? |
| Shared values (culture) | Which values characterize the corporate culture now? Of the current values, which ones support change, and which ones are obstacles to change? Which new values are needed in the new scenario? How can such new values be spread across the organization? |
| Style (leadership) | Who will be the relevant change agents in the organization? What leadership style should they possess? Which characteristics should they possess? How can the company support them? |
| Structure | Should the organization of the sales force be modified? Why? How? Should the rest of the organization structure be changed? Why and how? |
Staff

What skills and competencies are needed in the new scenario? How can they best be developed? How can salespeople and other relevant employees be motivated to change? Should the company hire new salespeople or keep the current ones, trying to modify them through training, coaching, etc.?

Systems

Which systems should be modified to support change? How? For example, should information systems and incentive systems be modified? If yes, how?

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