Viewpoints

Q&A

Sales Models: Transitioning From Sales Stars to a Sales Machine

Autonomous Sales Superstars Versus Team-Oriented, Process-Driven Sales

With two very different selling models prevalent across industries, competitive pressures are leading many employers to examine whether the model they've been using for years is still appropriate for the company's operations and aligned with its strategic goals. Some are clinging to the way they've done it for years, while others are switching models but finding the transition to be somewhat rocky.

A long-popular sales model relies on high-performing salespeople who have relative independence in managing their sales methods and their customer relationships. In this model, the company's top line depends on the continued high performance of these sales stars: people who built the company's early successes and brought in its largest and longest-term customers. More mature businesses often favor a different model — one that functions like a machine, with salespeople executing a well-defined sales process that reliably enables both new and seasoned salespeople to generate predictable sales results.

Which is right for your organization: the sales stars model or a sales machine? And what challenges will you face if you decide to switch? In this roundtable discussion, Towers Watson experts in sales talent and rewards compare the two selling models and provide advice for sales leaders.

Q Clarkson: Let's begin by examining the elements of two successful sales models — the sales stars model and the sales machine — and the most significant differences between them. Mark, can you start us off?

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Mark Flavin, Director and Global Practice Leader, Sales Effectiveness and Rewards

Donya Rose, Director, Sales Effectiveness and Rewards

A Flavin: Okay, first let's look at the sales stars model. The employer encourages the sales force to figure out who to sell to and how to sell. It's up to the salespeople to learn how to be successful. With this model, salespeople "own" their customer relationships. Also, the sales role is quite broad: The salespeople not only sell, but also educate and service. They manage every aspect of the customer relationship. Customers very often base their buying decision on the salespeople more than on the company behind them.

Real estate agents are good examples of sales stars. They each have their own brand, and they use their name to go out and sell. This model is also used by many small businesses and start-ups with relatively small sales forces. These employers hire stars who can be very successful with minimal direction, oversight and structure.

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In contrast, a sales machine really does function like a machine. There’s a highly codified process for everything from recruiting to career advancement, performance management, sales and sales management, and territory deployment. The salespeople, who tend to have specialized roles, get a lot of support from the organization.

With a sales machine, the company owns the customer relationships, and there’s often a team approach to selling. This model tends to work very well in large, sophisticated companies like GE, IBM and big pharmaceutical companies. These types of organizations often hire large numbers of recruits, put them through formalized training programs and then deploy them to operate in a highly consistent manner.

But some smaller, younger companies also take the sales machine approach, for example, small medical device companies and specialty chemical companies, as well as organizations in agriculture.

So those are two very different sales models, and they’re used successfully in different types of companies for different reasons.

Q Clarkson: Donya, can you give us more examples of the different environments Mark mentioned? Also, what complexities are inherent in each of the two models?

A Rose: The sales stars model is commonly found in early-stage businesses with relatively small sales forces. As they typically don’t yet have systems or processes in place for sales and sales management, these employers like the simplicity of that model.

The sales machine model is much more complex: The machine has many moving parts that must interoperate smoothly, and creating it involves a lot of decision making and collaboration. At the outset, the sales organization must identify the specialized sales roles that will best serve the business and its customer base. It might also segment the customer base and assign responsibility to various segments, and there could be specialized roles to handle various stages of the sales cycle. This model can definitely be worth the necessary investment of time and energy, but usually only if the organization has significant scale.

Although creating the machine is complex, once the business has determined how to stratify customers and identified the parts of the sales process, then selling becomes far less complex with this model. The salespeople have fairly tight guardrails and a reliable process. If the process has been designed well, they can execute the process and very likely get solid results. So from the salesperson’s point of view, the sales machine may feel less complex than the sales stars model. But again, creating that machine can be fairly challenging for the employer.

Of the two models, the sales stars model is simpler to set up. But at some point, that model becomes complicated, too. There may come a time when salespeople are dancing on each other’s toes, if you will. For example, when one salesperson is working at the corporate headquarters of a national account and needs the help of another salesperson at a local division of that same organization, there could be problems determining the sales crediting. The two salespeople might not know how they’re supposed to collaborate and who will get credit for the sale. At that point, the sales stars model stops being simple and starts to fail at meeting the needs of the business.

Q Clarkson: So it sounds like the sales stars model lacks structure. The good salespeople will produce, and the poor performers will just disappear. The employer’s approach to sales management might be to hire talent, hope they can sell and let them manage themselves.

On the other hand, the sales machine seems to require a lot more energy and discipline from the organization to make sure it’s well structured. Also, if the roles become more specialized, the employer will need to hire the right talent for the right roles.

How does an organization know whether its sales stars approach has become a burden?

A Flavin: That’s a good question, because I’ve seen many employers hang onto the sales stars model too long. When that model is used with very large sales territories, the organization sometimes stops growing. The compensation structure generally doesn’t allow the employer to reduce the stars’ income. That can result in salespeople whose income is meeting their needs, but at a level of performance that’s not meeting the needs of the business. These individuals could even be shrinking their territory as they move toward retirement.

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Also, some organizations with this model become unable to drive strategic priorities into the sales force. For example, new or strategic products don't get the attention they should, or a solution doesn't migrate throughout the sales team. It can be very difficult to focus the salespeople's attention on anything beyond what they think is important. Also, the sales stars model can have high turnover rates that make it very expensive as the business grows. So the sales stars model may become unaffordable over a long period.

When there's a sense that the business has lost control of the sales force, there's no real impetus to grow or strong imperative to drive strategic priorities, and/or turnover is a problem, it might be time to switch sales models.

Q Clarkson: Many organizations with the sales stars model eventually reach a point at which the model no longer works for them. Other employers may continue to use the sales star model successfully — including some very large, very successful companies. Can an organization use both selling models simultaneously? Can the two models coexist?

A Rose: In many companies, the stars create considerable value for the business, and the sales stars model could work for some of these organizations over a long period. The question the business should ask is: Do we want our organization to own the customer relationship, or are we better served by having these great stars be responsible for that relationship?

Financial services companies have gotten to great places using the sales stars model. Why has it worked for them? Mostly because the compensation plan in those companies has produced what's needed. In that model, compensation is an extremely important component of sales force management. Salespeople are far more responsive to compensation opportunities than to statements leaders might make about strategy and priorities. When a company using the sales stars model has a mechanism in the compensation plan for focusing salespeople's efforts, that model can work for a long time.

Another essential element in financial services companies is oversight. If sales are very lucrative for the salespeople, they could be tempted to step outside the lines and do things the company wouldn't want them to. A good way to manage this risk is to have people in the background making the appropriate boundaries very clear to the sales force. Some of the rules may be built into the systems and processes, and others are conveyed via careful training and monitoring. In some cases, salespeople must hold a license that they could lose in the case of misconduct. All of this provides effective guardrails to keep people from going where they shouldn't.

Flavin: Yes, also in the insurance industry, the sales stars model can work very well. In both financial services and insurance, there are strict compliance aspects. Complying with rules is the table stakes. But beyond that, the sales team has control because the salespeople are the company's channel to the market. It's almost like the employers have told the salespeople, "Do whatever you need to do, and we hope you all get rich on sales commissions. But if you don't make enough money, you'll work yourself out of the organization because you can't live on the salary we're paying you."

I think the companies that can operate that way are those with relatively straightforward products or services. In businesses that have a great deal of product and solution complexity, the employer needs to have more control, and the sales stars model breaks down.

Rose: Yes, the sales stars model works best for companies with very well-understood product offerings that are somewhat like commodities. The products are well known across the industry and aren't very differentiated from one company to the next, so the differentiation is in the salespeople.

Q Clarkson: I know of a company that sells fertilizers, seed and crop protection products to farmers. It appears to have the characteristics of a mature market, a business with single-digit annual growth and many competitors with fragmented shares. It has a fairly well-defined sales process, supported by a rigorous, data-rich CRM system that even tracks daily customer contacts.

Yet, their most successful salespeople have built very strong customer relationships to the point of being regarded by customers as personal, trusted advisors on how best to optimize yield per acre. So despite the maturity of the business, it's quite possible that the company could lose customers if the salespeople were to change employers. In this case, retaining the stars could be very important.

When an employer sees the need to shift from the sales stars model to a sales machine, what happens to the salespeople who essentially built the company's revenue base through their early successes?

A **Flavin:** In most organizations I've worked with, there's a strong imperative to retain those people.

When the company shifts to the sales machine model, the stars feel that the employer is taking control of their sales territory, taking away their accounts and telling them who to call on. The organization is changing its compensation arrangement, probably making it less variable and reducing how much they can make on the upside. And it's telling them they must follow a formal sales process and use the CRM system.

But the employer can keep these stars if it can allow them to remain relatively whole from a compensation perspective, grandfather them and build bridge plans, and demonstrate how successful they can be within the new model. The stars might stay even though they know intuitively that the legacy model has become obsolete. In that case, the employer may choose to protect them financially, and could build a compelling case for the change by explaining how the new model can help them be more successful over time.

Rose: I'll add something else that helps to make the retention of stars more likely: Include them in designing the machine. That is, ask the stars who've been smashingly successful to come to the table and help figure out how to reproduce their success. I think that's huge.

But sometimes a few of the salespeople who've brought in a great deal of revenue can be somewhat hard to deal with because they feel entitled to special treatment. Often those people don't make it through the transition to a new sales model. While losing them can be scary for the business, the company can recover and be just fine without them if the transition is done carefully.

Clarkson: Sometimes when an organization gets to the point at which the sales stars model no longer makes sense, a few of the stars will go off in search of an organization that's where the company was five or 10 years earlier and is looking for exactly that type of salesperson. The star looks for an opportunity to be a star in that next start-up because it's in their DNA; it's their skill set, and it's what they love to do.

Even so, there may be other stars who realize that their desire to sell that way has dwindled and the fire is no longer raging toward the end of a career in sales. Such people may be more accepting of the transition into a less star-oriented role. In short, some stars will want to recycle themselves as stars elsewhere, while others may accommodate the organization's shift to a sales machine. But it's important to recognize the difference.

Flavin: Some employers are afraid that if they lose their sales stars, they'll lose the business. So when the sales organization migrates to a sales machine, it doesn't change the compensation structure at first out of fear of losing those people. But when the employer finally does go ahead and change the compensation program, they learn that, lo and behold, the stars who chose to leave hadn't actually owned the customer relationships. The organization owned those relationships, because their customers were loyal to the products and the company. In those cases, the employer's fears turn out to be unjustified.

Time and time again, I've seen first-line sales managers exaggerate the impact made by the top salespeople, as well as the potential negative effects of the stars' departure. This isn't to say you *want* to lose the stars, but this does beg the question: How much will we actually lose if the stars walk out the door? It might not be as much as you'd feared.

Q **Clarkson:** Mark, I totally agree. In my experience, the fear of losing the stars — and their accounts with them — is significantly overestimated. And in hindsight, in almost all cases, business leaders are surprised at how successfully they retained their stars and the customer base under a new model.

So when an organization makes the shift from the sales stars model to a sales machine, what specific talent management challenges arise?

Rose: While a company can improve its selling processes and maybe even create special compensation arrangements for retaining the stars, senior leaders must be very clear about what's expected of those salespeople going forward and how the new processes will work. Stars will be inclined to keep doing whatever made them successful. A formal change management effort is needed to reorient them to doing things differently, and that effort must be led from the top.

When it comes to hiring, a sales machine requires a different type of salesperson. With the sales stars model, the best new hires are people who've sold in the same industry for a while and have built an impressive list of contacts, with good connections and reputations outside their new company. But for a sales machine, the need is for smart, agile, fast learners with strong people skills who can work collaboratively. It's possible to find both skill sets in the same person. But if the business has been looking primarily for one and now must look for the other, they'll need to reorient their hiring.

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Changes are also needed in talent management processes, including those for onboarding, goal setting, performance management and career planning. With the sales stars model, salespeople pretty much manage their careers by themselves. They can essentially do the same job for many years, grow their income and manage their own career path. A sales machine has established paths, and salespeople direct their careers collaboratively along with their boss and their boss's boss.

Q Clarkson: When an organization realizes that the sales stars model no longer works well and decides to transition to a sales machine, there are clear implications for hiring, talent management and compensation. For your clients that make the switch, do you provide a checklist of things that need attention?

A Rose: Yes, I do provide a list, and sales goal setting is at the top. Often this transitional time is when sales goals become more relevant than ever to determining compensation. In the sales stars model, salespeople usually get a percentage of everything they sell. There might be some individual goals, but those might not actually affect how much the salespeople earn. When there's a move to a sales machine, we commonly see goal-based incentive plans, and someone who sells 90% above the goal is compensated very differently from someone who sells 10% above the goal.

I advise clients to work at understanding their historical goal setting and to start paying more attention to the goal-setting process. It's also useful to understand that it's not necessary to go in one quick step from having compensation that has very little dependence on sales goals to having compensation that's strictly dependent on goals. That transition can be made in stages.

There are ways to make the goals matter a little bit one year, a bit more the next year and even more the following year. To do this, change how much the compensation accelerates once a salesperson has exceeded the goal, and revise the threshold and the mechanics of the payout table. It's smart to let the dependency on the sales goal increase as goal setting becomes more accurate and credibility in that area improves with the sales force.

Flavin: I advise clients to have a migration plan that includes steps they'll take over time. Unless there's a crisis situation, it's usually not a good idea to shift the compensation structure from one extreme to another in one motion. Donya made a good point about integrating sales goals and increasing their emphasis gradually. The gradual method starts people going where you want them to go while allowing the goal-setting process to mature to the point at which it can withstand the stress of being tied closely to the pay plan.

Many of our multinational clients are working more consistency into their sales compensation arrangements around the world, but that doesn't mean they need to use the same selling model everywhere. For some geographies and business units — particularly emerging markets and start-up divisions — the sales stars model might work best. They can keep that model for those areas and use a sales machine for the rest of the organization.

Clarkson: To summarize, I think it's safe to say that moving from the sales stars model to a sales machine doesn't happen in one day but rather is a gradual shift. It requires the employer to consider various types of talent and think carefully about what to do with the star salespeople. Is it important to try to keep them? Are they affordable in the business model? What's the best way to treat them and retain them? The answers to these questions will affect the compensation plan, particularly as it's introduced for the more specialized sales roles needed in a sales machine.

With careful thought, strong leadership and considerable discipline, employers can find a sales machine approach to be simpler than the sales stars model. And it can help take an organization from its early growth stages to being highly successful in its more mature stages.

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