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CASE STUDY

Think Big, Start Small, Scale Fast

By Dr. Isabella-Afra Holst

Marketing,
COMPAREX Informationssysteme GmbH

and Andreas Goldmann

Partner,
NewLeaf Partners

and Patricia McCracken

Partner,
NewLeaf Partners



An expert in the design and implementation of cost-effective IT solutions, COMPAREX Informationssysteme GmbH is one of the largest infrastructure integrators in Europe. Through its alliance partnerships with such industry leaders as EMC, HP, IBM and Sun, the company offers a broad range of platform-independent solutions: storage networking, high availability, consolidation, migration, e-business infrastructures and printing. But this wasn't always the case. Once a sole supplier of Hitachi equipment, the company underwent a transformation when faced with the need to make a dramatic change in its business—a transformation that caused one of its partner executives to observe, "I have never seen a company transition from a value-added reseller to a systems integrator more rapidly."

For 15 years, COMPAREX enjoyed the enviable position of serving as Hitachi's sole supplier in Europe. Due to an exclusive contract, the German-based firm could rely on a steady stream of business. "It was like a closed club," says Roland Schwyer, Head of Sales and a member of COMPAREX's Executive Committee / Board.

All of that changed near the end of 2000 when Hitachi began distributing

through other competitors in addition to COMPAREX. Abruptly, its supplier business model disappeared and the company needed a new model to fill that void.

COMPAREX sought out turnaround specialist Schwyer—selected because of his experience in sales transformation at Alcatel and Dimension Data. In

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March 2002 when Schwyer officially joined the team, COMPAREX faced four major challenges:

- "Almost overnight we had to transform from a point-to-point supplier model to a systems integrator," recalls Schwyer. "Suddenly there were new players in the game: customer, partner and systems integrator. This was absolutely new for our company; there

was no experience or mindset in place to deal with the situation."

- General management had changed twice in recent years and more than 80% of the sales force had joined COMPAREX in less than two years, causing a lack of trust in leadership in the field.
- COMPAREX had been deriving more than 95% of revenue from 5% of its customers. "This situation is not a problem if you are a manufacturer," Schwyer observes, "however, if you are a systems integrator, it is a ticking bomb."
- Organisationally, the company was decentralised with branch offices operating independently. This decentralised model created several negative issues:
 - Strategic customers felt they were dealing with different companies versus having one unique buying experience;
 - Lack of synergy did not allow COMPAREX to achieve economies of scale; and
 - Inconsistencies of style did not yield a strong brand image.

From Value-Added Reseller to Infrastructure Integrator

In his approach to change management at COMPAREX, Schweyer followed a four-step process that he had found effective in previous turnarounds:

- Understand the situation;
- Craft the vision;
- Set and communicate goals; and
- Implement the change.

Schweyer began doing intensive research as soon as he accepted the position, putting this process into effect even before his official start date. He then devoted his first four weeks on the job to traveling across Germany and talking with branch sales managers to gather information, build awareness of the necessity for change and plant seeds for the transition ahead.

Based on front line intelligence gathered and the imperative to take drastic actions in moving the company beyond order-taking to high performance selling, the COMPAREX executive team designed a vision for establishing COMPAREX as the leading infrastructure integrator in Europe.

"Our vision centered on the notion of creating alignment around customers and solutions across the company, especially across the sales organisation," Schweyer says. "To help execute this vision, we decided to use a balanced scorecard for sales to blend financial and non-financial measures. We tracked the ratio of service business growth against product sales, the sales pipeline, the cost of our offering processes and the number of review meetings between sales managers and account managers. These four perspectives provide the framework for monitoring health and progress beyond just the numbers. Turning this balanced scorecard into actionable plans is what led us to the concept of executing a Named Accounts Programme."

To track progress, COMPAREX insisted that metrics become an essential element of plans for the Named Accounts Programme that was taking shape. Collaborating with sales consulting firm NewLeaf Partners, Schweyer established a long-term plan with 90-day milestones and detailed tasks to ensure an aggressive but methodical rollout.

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COMPAREX from a dangerously comfortable value-added reseller to a highly competitive infrastructure integrator. "Small steps reinforced with positive results are the best way to ensure success in any change management effort," Schweyer says.

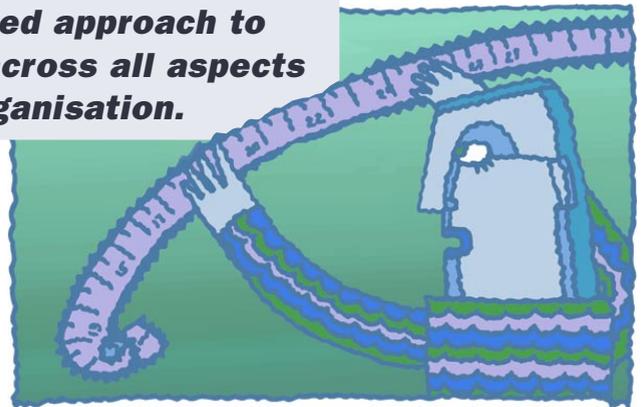
The first 90-day objective was a dramatic one, intended to signal the force and intensity driving the Named Accounts Programme. "We terminated all contracts with the sales force and created new ones based on the Named Accounts concept," Schweyer says. "This was a significant change since, in the past, we had no exact sales strategy. It was a little bit Named Account, a little bit geographic, a little bit relationship management, but there was no fixed strategy."

The new approach followed a highly structured format, as Schweyer explains, "Using factors like strategy match and

accessible volume growth potential to determine the attractiveness of the account as well as factors such as product and service requirements to define our business strength, the branch sales managers identified a set of Named Accounts and distributed these among 70 account managers. To ensure the right focus, commissions were paid only for sales that came from assigned accounts."

What You Measure Is What You Get

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measurement across all aspects of the sales organisation. "We now have two main reporting structures that together provide a clear view of both the past and the future," Schweyer says.

The first report COMPAREX initiated was a **Sales Pipeline Report**. It is a combination of two reports: one tracks budget against actual revenue and order backlog, which provides a spotlight on immediate status; another monitors activity over the coming six to nine months. Together, these reports provide sales management with a clear indication of both current and future revenue generation.

"At first, in the interests of keeping

Secrets to Success



- Establish headquarters as a place to go for help. With any new system, mistakes and missteps are inevitable. By spending time in constructive reviews and jumping in when needed, senior managers turn fear into trust, which builds the credibility and confidence required to deliver high-performance account management.
- Clarify roles and responsibilities. COMPAREX made the Named Accounts Programme concepts and sales tasks clear in a very short time through a multi-channelled communications outreach.
- Gain commitment for change. "Before you embark on any kind of serious change management, it is important to have a small, dedicated team with a strong 'esprit de corps' that will do everything necessary to ensure success," Schweyer says.
- Narrow the focus of account managers. "The most successful account managers are those with fewer, not more, customers," Schweyer notes. "A maximum of five to ten customers is best, no more. Account managers who think they can handle 20 or 25 accounts, forget it!"
- Measure everything that is important. Schweyer recommends both top-down and bottom-up measurement in a rigorous balanced scorecard context that monitors both financial and non-financial factors.
- Practice and encourage open, direct, ongoing communication. In hindsight, which, as we know, is always 20 / 20, Schweyer reflects on one thing he would now do differently. "The mistake we made was in only applying the balanced scorecard to sales. I think it would be better to implement a balanced scorecard for the whole company. We are now in a position to be able to create both push and pull. We are able to sell solutions and we have account control. It would be even better if the entire company had the same discipline as sales."

things simple, we thought this would be enough to lead the organisation," Schweyer says. "Rather quickly, however, we discovered that this revenue-weighted approach was causing the sales force to focus on sales, with no regard for profit and margins. That's when we introduced the Gross Margin Pipeline Report."

The **Gross Margin Pipeline Report** is an in-depth extract of the Sales Pipeline Report, which focuses on costs versus revenue. Set in place to give the sales organisation an entrepreneurial mindset, it highlights the importance of profits and contributions to both bottom and top-line results. "This is a critical success factor for turning around a business," Schweyer points out. "No matter how strong sales are, if profitability is not managed, you will not survive."

The way COMPAREX implements and manages measurement is itself a powerful signal of the importance the total picture provides.

"Every quarter the President of the company and I visit branches to review and discuss results of the balanced scorecard," Schweyer says. "We include the entire management team in each session – branch manager, sales manager, service manager and financial chief – since everybody is responsible for the parameters and targets.

This is very important as it demonstrates our commitment regarding discipline and measurement of all concepts."

Coaching for Commitment

Executive support and coaching are the "icing on the cake" of Schweyer's turnaround strategy. "Measurement is far more powerful when used to gain commitment, not to control," Schweyer says. "Salespeople are too busy to complete reports unless the results of those reports are used effectively. The value in reporting comes from management analysing reports and using results of the analysis as a baseline for coaching and improving the sales process."

COMPAREX's management team demonstrates commitment in several visible ways:

- Once each quarter, Schweyer conducts performance reviews with each of the 70 account managers. "In these sessions, we discuss what happened over the past quarter in the top five projects, as well as what's ahead for the next two quarters," Schweyer says. "If the account managers are doing their work well and concentrating on the top five projects, this means we cover more than 90% of the business."
- Every Monday morning from 9.00 until noon, Schweyer conducts calls with the regional sales managers. In back-to-back conversations, managers provide in-depth coverage of the top five to ten opportunities as set in the quarterly performance review in each region. From these weekly reviews, senior management stays on top of business performance.

Selling ROI

To foster solution versus product selling, COMPAREX realised that account managers had to learn to position sales

around the profit or benefit their solution would deliver to the customer, not on features and benefits. NewLeaf Partners delivered sales training focused on helping the sales force uncover customer problems, translate those problems into financial terms and position solutions with a solid return on investment.

The goal was to avoid selling on the basis of technical concepts that are meaningless to most decision-makers, and instead demonstrate an ability to build solutions based on knowledge of the customer's priority issues and a clear understanding of the required ROI.

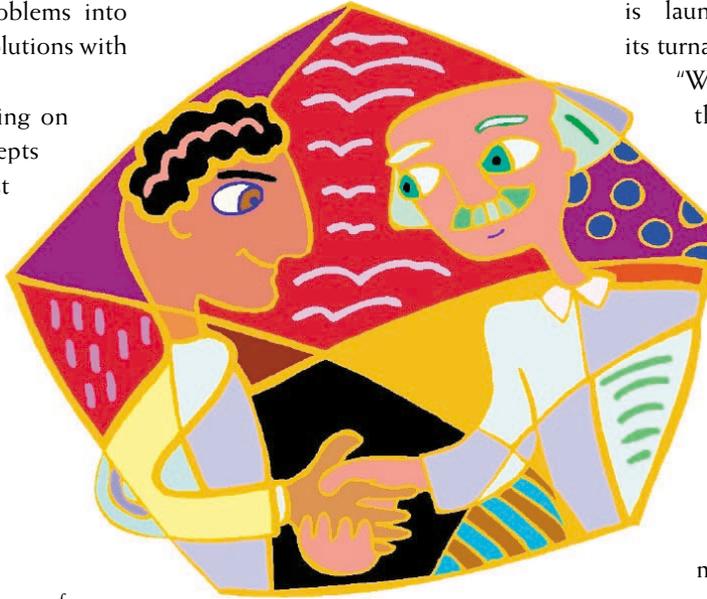
Storytelling: Creating Cultural Change

To accelerate adoption of COMPAREX's new systems integrator model and the behaviors necessary to make it work, the company needed a new way of disseminating knowledge quickly. COMPAREX worked with NewLeaf to implement storytelling as a way to document and share information both internally and externally.

To supplement training, supporting materials were created to help the salesforce guide customers through a relevant story about COMPAREX's solutions. Examples include:

- "Day in the Life": A description of life before and after the COMPAREX solution; includes a description of the situation, inhibiting factors and economic / business consequences before the COMPAREX solution was implemented and, in parallel, a description of the situation, supporting factors and ROI after the COMPAREX solution was implemented.

- Sales people were then trained to construct and tell compelling stories based on the traditional hero's journey structure using the "Day in the Life" content.



"Measurement is far more powerful when used to gain commitment, not to control."

For internal audiences, case studies capture desired new behaviors in action and are used as a way to share best practices and foster peer-to-peer learning. For external audiences, stories are told from the customer perspective, showcasing the benefits of doing business with COMPAREX.

"I am convinced that storytelling is useful to evangelise and reinforce new concepts internally, such as the importance of working effectively with partners like EMC, HP, IBM and Sun, as well as to broadcast externally our potential for delivering not just point products but solutions as well," Schweyer says.

The Next Big Thing

Now that the Named Accounts Programme concept is taking hold across the company, COMPAREX is launching the next evolution of its turnaround.

"We are ready to move from the tactical to the strategic, to move from survival to growth mode," Schweyer says. "We are following a logical progression and – now that we've established the Named Accounts Programme, are delivering effective training, storytelling and coaching – we are ready to implement Strategic Account Management (SAM)."

The move to SAM will mean more of a focus on building and maintaining long-term partnerships with key customers and that, in turn, will mean more focus on resource allocation to ensure profitability. What will not change is the relentless focus on the customer.

"We have learned an interesting lesson in implementing a customer-centric vision," Schweyer says. "It also helps improve our Alliance Partner relationships. It is much easier to collaborate effectively when there is a shared sense that doing the right thing for the customer is good for everyone's bottom line." 

Dr. Isabella-Afra Holst works in Marketing for COMPAREX Informationssysteme GmbH. Dr. Holst can be reached at +49-621-4009-776 or isabella-afra.holst@comparex.de.

Andreas Goldmann is a Partner at NewLeaf Partners. Andreas can be reached at +49-170-245-8355 or agoldmann@newleafpartners.com.

Patricia McCracken is a Partner at NewLeaf Partners. Patricia can be reached at +1-615-256-4100 or pmccracken@newleafpartners.com.