

Marketing & Sales Practice

Executive quick take: A guide to implementing marketing-and-sales transformations that unlock sustainable growth

Above-market growth in today's competitive environment means becoming more flexible and agile and adopting multiple marketing strategies.

by Ralph Breuer, Kedar Naik, Bogdan Toma, and Martina Yanni



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The companies that are most successful at driving growth pursue multiple strategies at the same time. Developing this level of corporate dexterity, however, requires significant changes to how most companies run their marketing and sales functions today. Given the complex forces at work (see sidebar) and the challenges specific to a commercial transformation—

from the need to bridge multiple functions across the organization to rapidly changing customer expectations—implementing change at scale has become increasingly difficult.

In fact, some 67 percent of respondents to a recent survey¹ agreed that implementation

¹ The Global Implementation Survey included 1,400+ executives, including 500+ C-level executives from 90 countries and 600+ from companies with revenues of > US \$1 billion.

Sidebar

Unique challenges of a marketing-and-sales transformation

The year-two impact

Many growth initiatives can deliver impact quickly by allocating funds to double down on growth winners or by optimizing commercial functions. However, some of these depend heavily on organizational agility and the will to change ways of working. Furthermore, such drastic change can generate negative bottom-line impact in year one before delivering positive results in year two. This can lead to skepticism in the broader organization.

Organizational readiness

A successful marketing-and-sales transformation depends on each company's initial flexibility and readiness to make change. Delivering on growth initiatives at the desired pace will require new capabilities and talent, such as expanded digital marketing or new agency relationships, as well as upgrades to existing systems. It is also hard to tie these initiatives to a single function. Understanding this, and adapting a traditional transformation process, is meaningful.

External factors

The competitive landscape, particularly competitors' capacity to adapt faster and/or to grasp new opportunities, is also key. Speed wins, and while some companies perfect their offering, others have already released products or services and have earned sales and market shares. Therefore, a successful transformation should incorporate agile marketing principles.

The role of technology

Technology plays a core role in customer's lives. Ideally, therefore, marketing and technology should work together and be integrated into the business. It is crucial to insource talent and capabilities as a mid- and long-term objective. However, since this might take time to achieve, marketing-and-sales transformations often require short-term partnering with marketing-technology companies such as Google or Facebook and other vendors.

People and teams

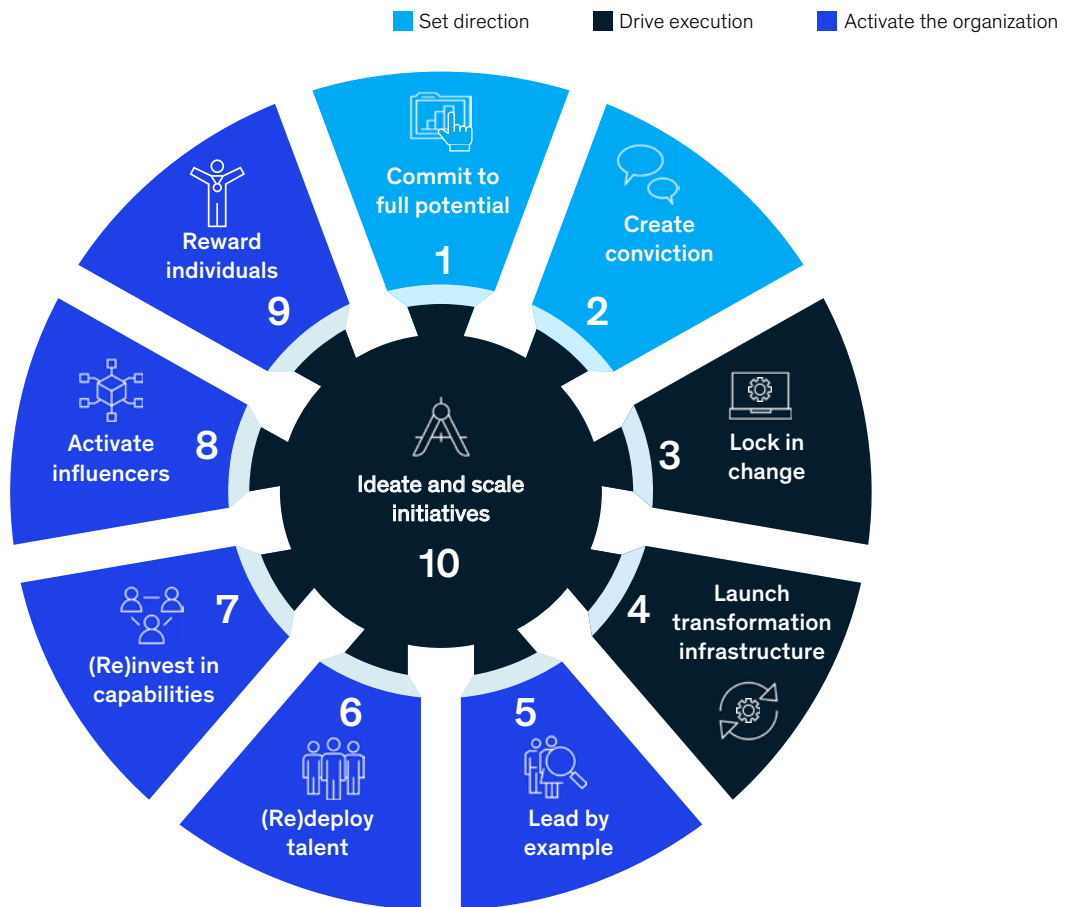
Commercial transformations, especially sales transformations, have a large human component. Sales teams need to align on the new strategy and the new way of doing things, which can be challenging when teams are spread across regions and countries.

is more important today than it was three years ago. And fewer than 37 percent said they had successfully improved and sustained performance throughout the implementation phase.

We have identified ten essential elements of execution and change management that differentiate successful marketing-and-sales transformations from the rest (see exhibit). What follows is an overview of how six of the most important elements work.

Exhibit

Ten modules of essential and pragmatic actions are required to accelerate execution and change management.



Note: All 10 modules are required to drive and sustain a successful transformation—regardless of context or industry—but how, to what degree, and in what sequence they need to be applied can vary based on transformation type.

Set the direction

Once a company's strengths and challenges are clearly understood, leadership can better define realistic goals and commit to a strategy for meeting them.



01. Commit to full potential

3.4x

more chances
of success
with a clear
goal for both
performance and
health

3x

better
performance in
the stock market,
when companies
are healthy

9%

increase of
EBITA after
one year, when
companies focus
on health

3.7x

more chances
of success
where there is
a compelling
change story¹

3.2x

more chances
of success when
sources of value/
baseline are
agreed upon

¹ Represents the nine-year average of total return to shareholders (TRS) for healthy companies vs. unhealthy companies within McKinsey's database.

Source: McKinsey Global Implementation Survey, 2017 edition

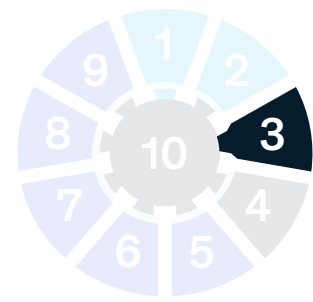
Elements of implementation

Aligning leadership around transformation goals is one of the most crucial steps of a marketing-and-sales transformation. Key elements of achieving that include:

- Define clearly the “future state” of your marketing-and-sales function and how to get there, but also ensure you clarify how it connects to the strategic business vision and performance goals.
- Ensure a common understanding by stating explicitly which capabilities, skills, and talent are currently available, the state of the organization's overall health, how it is run, and what critical mind-set and behavioral shifts need to be prioritized to drive change.
- Articulate and communicate a compelling change story to inspire both leaders and team members with a call to action, whether your transformation is about gaining market leadership, creating a distinctive brand image, or developing a new customer base.

Example: Service-company industry leader

Context	Actions	What made the difference
<p>Strong reduction of growth rate</p> <p>M&A activity among competitors</p>	<p>Discussed objectives, baseline, and the current status of the organization with full management up to N-2 level and of teams</p>	<p>Creation process allowed the cross-functional leadership team to clarify objectives and priorities and to monitor progress during regular performance reviews (with a focus on what was most relevant to specific departments)</p> <p>Holistic transformation, including marketing and sales achieving 70 percent of the total forecast impact</p>
	<p>Identified reasons for loss of competitiveness; agreed on strategic objective (regain market leadership); articulated plan for value proposition, efficiency and effectiveness, leadership, team behavior, and culture</p>	
	<p>Articulated a bottom-up plan based on strengths and potential of clear growth objectives and key pillars, such as acquisition of new customers, retention of current customer base, and increased customer spending</p> <p>Broke down growth objectives into detailed initiatives with operational key performance indicators (KPIs)—for example, improve upsell ratio to specific segment of customers, increase monthly retention and reactivation rate, boost cross-sell rate across product lines—and a forecast of earnings before interest and taxes (EBIT) impact</p>	



Drive execution

Successful companies act aggressively in pursuit of change. Crucial to their efforts are the right talent, cross-functional collaboration, and agile ways of working.

03. Lock in change

3.5x

more chances of success
when pragmatically
prioritizing and sequencing

3.5x

more chances of success
when transparently tracking
impact

3.5x

more chances of success
when using continuous
improvement and
rapid iterations during
implementation

Source: McKinsey Global Implementation Survey, 2017 edition

Elements of implementation

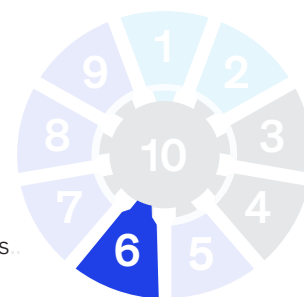
Designing, launching, and implementing pragmatic initiatives must remain a reliable yet evolving process, empowering teams to test, track impact, and adjust as needed.

Example: Retail- and wholesale-apparel company

Context	Actions	What made the difference
Goal of customer-experience transformation to expand direct-to-consumer (DTC) sales from 1 to 30 percent in five years	Moved from traditional B2B behavior to a customer-centric mind-set, focusing on seamless customer experience across touchpoints from brand awareness to final sale	Close collaboration between design, development, and digital marketing in conducting qualitative and quantitative tests with customers in closed-loop cycles
Objective included developing a customer-centric mind-set and quickly implementing pragmatic initiatives developed by agile teams as a minimum viable product. In the long term, seamlessly integrated e-commerce into a forward-facing omnichannel journey to maintain a distinct customer experience online	<p>Built new e-commerce platforms by recruiting and developing digital talent and setting up agile ways of working</p> <p>Launched a minimum viable product (MVP) e-commerce site within six weeks, followed by full launch in several countries after only six months</p>	<p>Regular, open feedback; bringing together experts from various fields, while still empowering the team to make the main decisions</p> <p>Fundamental changes, including talent development and hiring, as well as changes to the way innovative teams interacted with the rest of the organization</p>

Activate the organization

Once initial strategies have been tested and fine-tuned, success depends on mobilizing support for the transformation from the C-suite to the front lines.



06. (Re)deploy talent

3.2x

more chances of success with carefully selected team

3.1x

more chances of success when skills are developed and the right program resources are available

Source: McKinsey Global Implementation Survey, 2017 edition

Elements of implementation

There are four layers involved in linking talent to value.

- Understand the organization's value agenda and break it down across business units and functions so that everyone understands their role in meeting the aspiration.
- Identify the most important roles. This means, for example, creating a rank-ordered list of 25 to 40 roles that have disproportionate impact on the value of the transformation and clearly defining the critical jobs to be done by each.
- Assign the right talent to each role, either by hiring it externally or identifying it internally, to drive the transformation at the required pace and quality. This is particularly critical in a commercial transformation, due to the length of execution.
- Create a process for managing roles in real time and aligning talent systems in service to the transformation's value agenda.

Example: Global entertainment company

Context	Actions	What made the difference
Goal: Large-scale, cross-functional transformation, including specialized marketing-technology talent	Analyzed the skills required, reallocated developers from the internal technology team Hired managers with high-level marketing-technology stack experience who could also explain use cases to be addressed	Combination of internal/external approaches to creating a structured marketing-technology road map Implementing quick wins with high value, such as a customer-data platform and an attribution model



07. (Re)invest in capabilities

2.2x

higher EBITDA¹ when a company focuses on developing a specific set of capabilities²

5.4x

better chances to effect change with a strong leadership pipeline

2.8x

more chances of success when sustainability is a focus from the beginning

¹ Earnings before interest, taxes, depreciation, and amortization; McKinsey Academy; McKinsey Capability Building; Scott Keller and Colin Price, *Performance and Health: An Evidence-Based Approach to Transforming Your Organization*, McKinsey & Company, 2010.

² *McKinsey Quarterly* Transformational Change Survey, January 2010; "The science of organizational transformations," September 2015, McKinsey.com.

Source: McKinsey Global Implementation Survey, 2017 edition

Elements of implementation

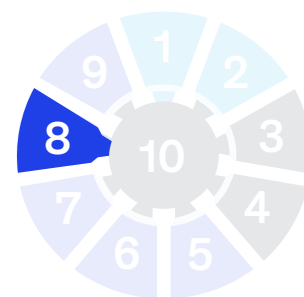
Whether you are implementing a transformation focused on digital marketing, sales, or customer experience, building essential capabilities will make the change "future-proof" by:

- bridging the "analytics and digital gap" with capabilities, tools, processes, incremental targets, and performance measures
- tailoring individual learning journeys to the skills and knowledge needed for the learner's specific job and performance outcomes over time

Example: Global telecommunications company

Context	Actions	What made the difference
Recently developed advanced analytics capability was not meeting expectations of value	Implemented an agile marketing discipline for a pilot team	Building this capability as a pilot, which allowed for immediate results, and generating positive feedback for the team responsible for it. Team then became ambassadors of change within the organization
Marketing department could make accurate customer predictions but was unable to gauge or capture the value	Developed a capability to capture value quickly, in two-week sprint cycles with defined customer segments, clear hypotheses, and KPIs to measure success	

08. Activate influencers



70%

of senior executives, on average, are typically wrong about who is most influential in their organization

68%

of employees report transformations as successful when key influencers are involved

Source: McKinsey Global Survey on Organizational Change, September 2015

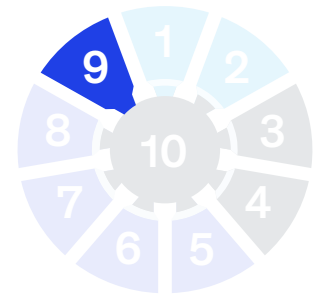
Elements of implementation

Identify local change agents to inspire the necessary change, especially where the culture is collaborative and the organization decentralized. These people use their influence and success to bring the rest of the organization along with them:

- Support your change agents' development and transformation aims in a structured approach, such as one-to-one coaching programs, business succession plans, senior-leadership exposure.
- Inspire the business by using best practices from inside and outside the organization, and provide forums where change agents can challenge and learn from each other.

Example: Global advanced-industries company, a leading power-generation-equipment manufacturer

Context	Actions	What made the difference
Sales department had recently implemented a new go-to-market model and wanted to focus on sales effectiveness	One-to-one individual coaching program for every sales manager to observe and provide feedback on huddles	More than 240 hours of coaching gave each participant the chance to put into practice new methods with one-to-one support. Helped to increase opportunities actively managed by each sales representative every week by ~\$4.5M
Goal: Company-wide transformation to drive growth and profitability; following improvements in the cost base and availability in operations, the company prioritized annual targets of 10 percent sales growth and 10 percent return on sales	<p>Introduced automotive-industry best practice of peer learning sessions to embed a culture of continuous improvement and empower sales managers</p> <p>Created course content to build learning journeys for sales representatives, managers, and leadership</p>	



09. Reward individuals

3.6x

more chances of
success with explicit
individual actions

3x

more chances of
success with explicit
individual KPIs

3.2x

more chances of
success with strong
ownership and com-
mitment at all levels
of the organization

3.2x

more chances of
success with clear
accountability during
implementation

Source: McKinsey Global Implementation Survey, 2017 edition

Elements of implementation

To maintain momentum, commitment, and motivation over time, key leaders and change agents need both mid- and long-term incentives, including:

- turning the transformation objectives into smaller segments of deliverable value, correlated with key employees' quarterly and yearly targets
- rewarding transformation champions early on, ensuring long-term value capture

Example: Online service company

Context	Actions	What made the difference
Two-year marketing-and-sales transformation	Created a transformation-related objective for all directors in the CEO's performance objectives for the following year. This created opportunities to—and rewards for—over-delivering on targets. Individuals also held accountable for the transformation's success	Rewarding key leaders helped turn them into change agents. This led to a proactive mind-set, helping to sustain the effort for more than two years and successfully delivering >150 individual initiatives
Lack of engagement from key employees during kickoff of the transformation program		

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