

# The 90% success recipe: How digital and analytics can help commercial transformations beat the odds and the market

Pressure is mounting on CEOs and business leaders to deliver above-market growth. Consistently beating the market over time, however, requires a top-performing commercial engine underpinned by a new wave of digital and analytics capabilities.

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While hiring new talent is a crucial component of building necessary capabilities, our experience has shown that developing a market-beating company requires change that comes within the organization itself. Business executives today need to focus on building capabilities with the same level of commitment they showed when transforming their businesses through lean operations in the 1980s.

That prospect, however, is daunting considering that, traditionally, less than a third of transformations have succeeded as expected. A staggering 70 percent of the failures are due to an organization's inability to adopt required new behaviors quickly and completely. At the same time, leaders often doom any transformation effort by being overly tentative about changing their commercial structures for fear of disrupting sales activities. This level of change requires significant courage and leadership.

A new approach to commercial transformation (embedding digital, analytical, and agile skills into marketing, sales, and pricing capabilities to drive revenues and/or margin improvements) is turning that failure rate on its head. We have found an astonishing 90 percent of companies that embrace this new approach to overhauling their commercial drivers are not only delivering above-market growth but also sustaining it over time. Furthermore, two-thirds of all companies pushing these transformations are achieving this in either profitability or revenue growth, and a quarter are achieving it in both (see exhibit).

### The case for change

While most major companies understand the need to adapt to the marketplace, we find that they often don't have the level of commitment

needed for a commercial transformation to succeed over time. Increasingly, however, the decision for change is one that leadership can't put off. Better commercial capabilities are necessary to respond to something that we observe more and more often in the marketplace: Competitive advantage just doesn't last very long anymore. Competitors spot and adapt to innovations and new products quickly, and that reality is just going to accelerate as companies build out more digital and analytical capabilities.

"Sometimes we'll spend a lot of time bringing a product to market, and we need to plan for the fact that that gives us only a six-month head start," says Gary Booker, CMO for Dixons Retail. "We need to then figure out, whilst our competitors are catching up with what we've just done, what we're doing to make sure that when they get there we're already on to the next thing."

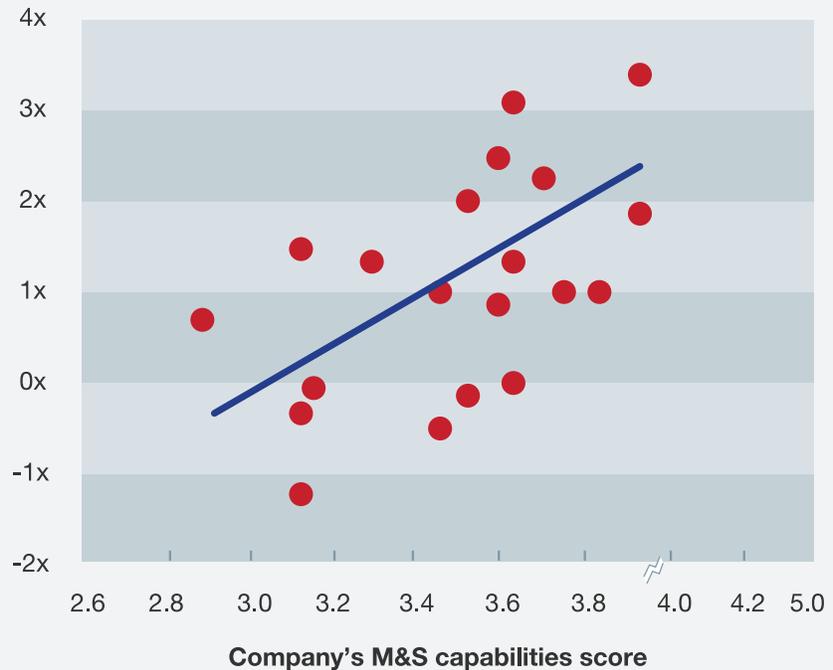
What that means in practice is having an agile organization that is constantly innovating, constantly spotting and reacting to new opportunities. It is a business that is constantly improving its understanding of how, what, and when the customer wants to interact and buy. Erwin van Laethem, CEO for Dutch energy company Essent, puts it succinctly: "Every success we've had in the market has been copied by our competitors. What you can't copy is how people work together in an organization."

Our research demonstrates that companies with more advanced marketing and sales capabilities tend to grow their revenue 30 percent more than the average company within their sector. (See exhibit). What's more, those companies with leading digital capabilities, are growing 5x faster than their peers.

**Exhibit Companies that invest in marketing & sales drive above-market growth.**

**Growth above market**

**Company's performance relative to market**  
(revenue growth multiplier)



Source: McKinsey CCAT Database

Furthermore, successful commercial transformations have delivered consistently impressive results: A chemicals company grew revenue 7 percent annually while cutting marketing and sales costs by 8 percent; a manufacturer saw a 3-5 percent uptick in revenue based on revised marketing plans; a paper and packaging company is on track to increase ROIC from 6 percent to 10 percent in three years, thanks to its program to build a continuous-improvement mindset in marketing and sales.

The case for change is clear; how to do it is less so. How have these commercial

transformations succeeded where others before have faltered? Our experience leading 100 commercial transformations in the past five years, together with the results from a survey of 2,300 executives and our Digital Quotient™ database, distilled the recipe for success into the following six components:

**1. Know where you are and where you're going**

“You need to create the compelling case for change. Define what problem the organization is trying to solve and why the current status is not good enough.” That’s the advice of one European chief commercial officer, and it

crystallizes where any transformation should start. A clear vision is essential and should be based on insights from data rather than on hunches.

Typically, companies don't have a strong sense of their commercial capabilities. High-performing companies, however, systematically assess their capabilities at a granular enough level to allow executives to take meaningful action. The best companies are deliberate about identifying their strengths and weaknesses against all capabilities and then mapping them against their goals so they understand which capabilities to prioritize. Everyone in the C-suite must be able to articulate what two to three commercial capabilities their organization is focused on building, how they are building them, and how well the capability-building effort is translating into impact. High performing companies have been focusing particularly on their digital capabilities across marketing, sales, and IT strategy, culture, and organization.

Leading companies use intense multiday workshops to distill this initial vision into concrete targets and timelines that can be filtered down from the leadership team. Connecting a visionary goal with a clear and pragmatic timeline creates tremendous energy to start the transformation.

## 2. Create a transformation team built on trust

With the aspirations and fact base in place, the next stage is to create a resilient commercial-transformation team. While it is typically led by either the CEO, head of sales, CMO, or sometimes even the COO, it should include marketing, sales, operations, data analytics/scientists, and business-unit leaders. Team members need to be respected—their day-to-

day colleagues should feel they can't afford to lose them. It is also important to include HR and communications professionals alongside a project manager who keeps everyone focused on the next step of the journey and tracks the relevant metrics.

Since commercial transformations are long processes and involve taking risks, the team must invest time in building deep levels of trust to keep morale high over time. We've found that 63 percent of successful commercial transformations balance team health with performance. Activities to build that trust should focus on learning what really makes each person tick, understanding motivations, and identifying attitudes towards change and risk.

To kick start team building at a healthcare company, for instance, executives went on an offsite that included an extreme ropes course and an outdoor orienteering exercise where some team members were blindfolded. Trust builds quickly when you're dangling 50 feet above the ground or relying on someone else to see. The second half of the offsite focused on sharing stories, often personal ones related to issues that employees might not otherwise bring up in the workplace but that can explain behaviors with a major impact on a transformation.

What matters is that the team members understand their own motivations and those of their colleagues as they embark on a transformational journey that definitely involves new experiences and risks.

## 3. Score quick wins

Transformations will not succeed unless they deliver substantive short-term wins within six to twelve months. Typically, therefore, the best

companies build momentum by focusing first on initiatives that have early impact—and help fund the transformation—then on building a case for further change efforts.

A heavy-equipment manufacturer discovered there was a large consumer market of people who liked the brand but couldn't easily buy the products because they were sold only through B2B sales channels. As a result, the company quickly moved its mid-priced product line into big-box retailers, thus gaining access to the consumer segment. Revenues grew by 10 percent within just eight months.

Aside from the additional revenue, this success proved that the company could get its products into new segments through both targeted marketing and building relationships with retailers, without upsetting its traditional sellers. In the longer term, this quick win moved customer insights to the heart of everything the company did and proved to any skeptics that the transformation into a customer-solutions organization was both worth pursuing and achievable.

To help accelerate the process, many companies are also embracing, at least in parts of their organization, the notion of agile. This capability boils down to having a dedicated approach to constantly testing, learning, and evolving ideas and solutions based on getting quick results and clear data-driven insights.

#### 4. Activate the organization

Working with leadership, the transformation team has to structure a plan for pushing change throughout the organization. That requires a clear vision for building new habits at every level of the organization. For the C-suite, it's about mindset change and developing new

leadership and change-management skills. For managers, the focus needs to be on coaching, product knowledge, and problem solving. Frontline reps need specific selling skills like consultative selling and using pricing analytics. You can't do everything at once, of course, so the team needs to carefully sequence the effort, from rolling out training sessions to doing field work to reinforcing habits through e-learning, for example.

Activating an entire organization also requires finding the right people to make the change happen throughout the business. More than 60 percent of our survey respondents said that having committed change leaders across the organization was "extremely important" to the transformation effort. At a packaging company, senior managers used network-analysis and organizational-health-index tools to discover who would be "up for the battle," in the words of one marketing director. The company ran a survey to identify to whom staff turned when they had questions, and who was trusted. The results revealed the most influential people at key points across the organization, and they were invited to become "change champions." These are the people who have to reinforce the messages relentlessly and deliver the change on the ground.

Imaginative communications are also necessary so that everyone continues to sit up, take notice, and act. These may involve internal or even external advertising campaigns, social media, town hall meetings, and a raft of other communication efforts.

#### 5. Commit to coaching

Coaching is so critical for success that we want to highlight it specifically. Good coaching is much more than going on a ride-along with your

buddies or doing a sales pitch while someone watches. It's about a real commitment to improving your people by providing constructive feedback, empathizing, helping them work through issues, and reinforcing their strengths ... at the right cadence. It's also about role modeling new behaviors, something that rarely happens in practice.

The CEO of a business division said that “personal development through manager coaching is now a hallmark of how we run our business.” It's clear that success doesn't just come from shiny new tools; it comes from breaking old habits. But turning sales managers into coaches requires a change in behavior. One company provided managers with training in traditional skills such as handling difficult conversations and assigned a “supercoach” to each sales manager. These coaches, drawn from its central sales-training team, observed real-life coaching interactions between managers and sales reps and gave specific feedback on the managers' coaching skills. The company credits the enhanced coaching role of the sales managers with a resulting 25 percent improvement in close rates.

In sales, companies have found that a structured coaching program with at least weekly contact between coach and sales rep is vital to changing how people work. For example, a consumer-services company mandates that sales managers conduct daily 15-minute check-in calls with all reps who fail to hit their monthly targets. Reps who make their targets get weekly one-on-one sessions, and reps who exceed their targets get a 10-minute praise call every week. The company also requires managers to join each rep for a day every month.

Such regular and frequent team touchpoints can be vital to the success of pilot projects. One company held weekly meetings at which the team could plot strategy for the week ahead. The results of the first pilots exceeded all aspirations. Sales calls per rep rose by 40 percent, offers closed per sales team rocketed by 75 percent, and the average contract value per week rose by 80 percent—and by as much as 150 percent for new deals. These results were achieved with the same sales reps and managers who had previously been underperforming. It was the company's approach to performance management rather than the specific tools that made the difference.

## 6. Hardwire a performance culture

The reality of today's economy is that change is constant. Hard-wiring a high-performance culture into a company's DNA is the only way to assure growth above the market year after year.

As Tom O'Brien, group vice president and general manager, marketing & sales, at Sasol, says of the pricing transformation he led: “The real success of this is not if we deliver two to three billion, but if we deliver that and then identify another two to three billion, and deliver on that, again and again.”

Building this culture requires putting in place specific processes and tools to redirect the organization, reinforce behavior, and build new habits. But the really critical component is putting in place the right metrics to track and adjust performance. Without them, it's virtually impossible to understand what is and isn't working.

## Listen and lead—what leaders say about taking responsibility

Ultimately, a commercial transformation lives or dies on the hunger and determination to make it succeed. Just as companies set corporate visions, they can also set “people visions.” During a transformation, people are invited to do things they haven’t done before and perhaps they didn’t think they could do. None of this is possible without leadership. In conversations with senior marketing and sales executives who have gone through successful transformations, leadership emerged as paramount. Here are some of their insights:

- Be consistent, be accessible, be passionate. Show that you care.
- Translate the change story within the organization, but keep it simple, celebrate successes, and give tough feedback when things are going wrong.
- Be transparent, and trust people. One CEO shares KPIs with 35,000 people through weekly webcasts to help people understand where the company is in the change journey.
- Have honest conversations. There is huge value and respect to be gained from saying “I don’t know!”
- Find great people, have the courage of your convictions, but recognize that you don’t have a monopoly on insight.
- Be fair, be clear, respect people, and be a true part of the team—never miss meetings or fail to respond to e-mails, etc.).
- Celebrate initiative, learnings, and failure, when it is following by learning; experimenting and testing, tweaking and improving are now, more than ever a reality in the digital world.

The best-performing companies develop dashboards to track progress. They include basic financial-performance metrics, of course, but importantly they also track indicators of changes in behavior, such as understanding how marketing is helping the salesforce sell, which tools helped close

sales, and how often collaboration meetings occurred.

These companies also actively track capability metrics, such as training courses their people have taken, whether they passed or failed, and how that correlates with

performance in the field. They then use those calculations to adjust their capability-building efforts and zero in on weak performers who need more or different training.

The companies that effect a successful transformation go one step further by adding surveys and in-person interviews with their people to provide an even more comprehensive picture of commercial performance. They also develop customer-satisfaction measures—using sales, business units, and pricing as the “customers” of marketing. To be most effective, measurement must start before a transformation kicks in, in order to create a baseline. Then at regular intervals, companies measure again to understand what progress has been made at both the organizational and capability levels.

One multinational industrial company took this comprehensive commercial view of metrics and discovered a big gap between what sales reps were doing in the field and what their distributors actually wanted from them. Although the product and pricing were good, their distributors wanted to visualize the product and calculate the cost and payoff of various product options. They found further that the things marketing was creating, such as brochures, weren’t helping with the sales process. Sales decided to ask marketing to create a calculator that would help tabulate the answers to distributor questions in real time.

As a European marketing director put it, “The organization needs to be—and stay—hungry. Focus on what needs to be done, and then ensure you sustain it.”

While metrics are important to track performance (e.g. traffic, conversion, transaction size, etc), they also need to

support a performance culture. Commercial leaders put in place metrics to measure test and learn progress and agile A/B testing approaches, for example. These metrics can help avoid paralysis by analysis by helping employees track their performance in a way that encourages learning as you go to drive progress, incremental improvements, and quick feedback loops with your customers.



A new breed of commercial transformation is rewriting the playbook on how to deliver successful, sustained, above-market growth. At least as much investment is needed in organizational culture and health as in the intricacies of what will change on the ground. This makes transformation challenging, yes, but it also means the rewards are substantial.

Not only do all the pieces of the transformational jigsaw have to fit, but the picture they create has to be clear and easily understood by everyone. A strong leader needs to ensure that the enthusiasm, energy and momentum is sustained throughout the process. It’s likely to be one of the most challenging things a company undertakes—but it has the potential to be the most rewarding both for your people and for achieving above-market growth. ■

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