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SALES & MARKETING INSIGHTS

Leveraging the Competency Model to Drive Value-Based Selling Execution

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Value-based selling is a key strategy for addressing increased competition, more sophisticated buyers, and more complex value-propositions. The heightened importance of this capability is leading to an on-going renaissance in sales that continues to elevate the status of the profession while simultaneously demanding new competencies. To excel in value-based selling, sales and human resource leaders must adopt new approaches to competency model design and implementation. This paper discusses best practices in competency model design and integration into downstream sales effectiveness drivers.

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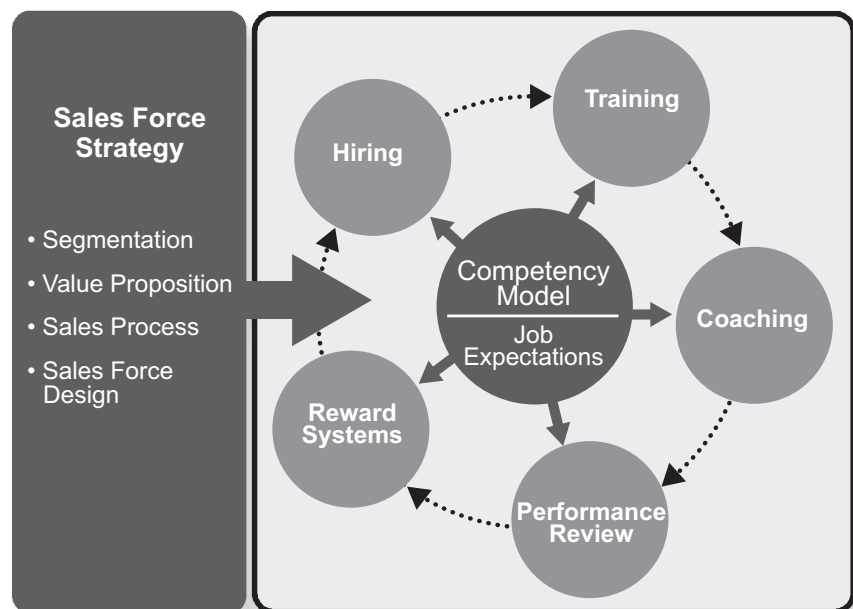
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The Need for New Competency Model Approaches

The capabilities required of today's sales professional hardly resemble those of just a generation ago. Increased competition, more sophisticated buyers, and more complex value-proposition structures are forcing sales organizations to significantly improve their execution of value-based selling (VBS) strategies. Value-based selling requires diagnosis of customer needs, tailored solutions, communication and proof of economic benefits and worth, and reinforcement of value delivered.

As Figure 1 illustrates, when sales leaders identify and redesign competencies that specifically support their value-based selling strategy, they are taking an important step toward maximizing their sales force's ability to execute. Expectations-setting, hiring, training, coaching, performance reviews and reward systems all rely on the right competency model.

Figure 1. Effective competency model design and implementation are the foundation for downstream sales capability drivers



In high-performing sales organizations, the downstream drivers depicted in Figure 1 are each tightly aligned with the competency model. As a result, they combine to synergistically communicate and build highly effective sales capabilities that maximize execution of the organization's sales strategy.

When the competency model or its implementation is weak, these downstream drivers tend to be insufficiently specific to the strategy and to each other to achieve this synergistic effect. Hiring, training and coaching can become piecemeal. Sales person evaluation processes can lose meaning and importance. A low correlation between performance evaluation scores and individual sales goal attainment can emerge, further diluting the importance of review processes and associated capabilities building plans. In this scenario, sales management then tends to over-rely on sales force incentives and goals to drive performance - at the cost of fundamental capabilities building. Over time the sales force's ability to consistently drive growth and manage cost of sales suffers.

Unfortunately, this latter scenario is more the norm than the exception. In our experience working with hundreds of sales forces each year, we have observed many organizations that have not successfully aligned their competency model with their value-based sales strategy. We have also noted that many other sales organizations have not successfully integrated this model into downstream drivers.

To provide further illustration, throughout this article we will reference a case example from a recent engagement with a Fortune 500 organization that resulted in successful transformation of their sales force capabilities. We will refer to this company as Leadco.

Redesigning the Competency Model for Value-Based Selling

The most effective sales force competency models share two characteristics:

1. They are based on a limited number of dimensions specific to the company's value proposition and sales process strategies.
2. They present a clear, objective and specific picture of the knowledge, behaviors and skills for each dimension along a continuum.

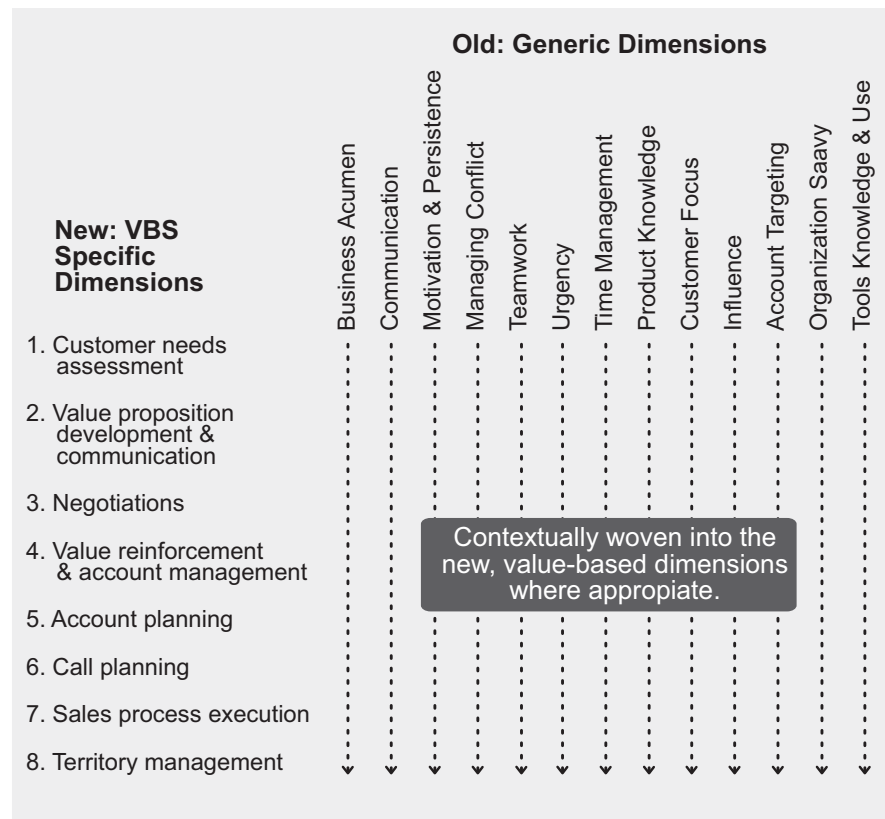
Designing such sales competency models for value-based sales strategies requires expertise in value-based selling and its specific knowledge, behaviors and skills.

Identifying competency dimensions specific to value-based selling

Redesigning the competency model to support value-based selling begins with a determination of the dimensions to be incorporated into the model. As with any sales competency model, it is critical that these dimensions be specific to the company’s sales strategy. The number of competency dimensions selected is also important. In our experience, selecting more than ten dilutes focus on the most critical knowledge, behaviors and skills.

The traditional dimensions incorporated into sales competency models are insufficient for today’s value-based sales strategies. As an example of the difference, Figure 2 provides the old and new dimensions for Leadco’s redesigned competency model.

Figure 2. Figure 2 shows the differences between the new value-based selling dimensions and the old generic dimensions



Leadco's case exemplifies a major difference in value-based selling competency model design. The new competency model moves away from generalized capability dimensions to ones specifically required for value-based selling. This ensures the new competency model directly reflects the company's value proposition and sales process strategies, as opposed to just general sales skills.

The power and necessity of this approach can be understood by considering how sales management leverages the competency model. In the past, Leadco's sales managers struggled to assess and coach sales-person communication. The knowledge, behaviors and skills required to effectively communicate differed from one type of customer interaction to another. A sales person might be good at conducting needs assessment interviews but poor at communicating customer solutions.

The same was true for other generic dimensions. For example, a sales person might have the business acumen required for effectively assessing customer opportunities but lack the business acumen necessary to develop mutually beneficial financial terms. Teasing out these important specifics and relating them to how the sales person could be more successful was difficult.

The old generic competency model dimensions led to superficial descriptions of required knowledge, behaviors and skills. The old model also failed to depict the combinations of specific knowledge, behaviors and skills required for success at each stage in Leadco's sales process. Instead, the model relied on Leadco's sales managers to determine these connections. A few did this well, but many did not.

Redesigning the competency model around the sales strategy addresses these problems. As depicted in Figure 2, Leadco reoriented their model around dimensions that directly paralleled their value-based sales process. They also reduced the number of dimensions included as a means to ensure focus on those most essential to sales success. This approach to competency model design allows the design team to be very specific about the knowledge, behaviors and skills required for success at each stage in the sales process, while also reinforcing the sales process itself.

Upon determining the best dimensions for the sales competency model, the next challenge is developing effective evaluative descriptions for each.

Painting an objective and tangible picture of success through a four-point capability continuum

The second critical element to developing the sales competency model is painting a clear and objective picture of the knowledge, behaviors and skills for each competency dimension. The objective is to best enable salespeople and managers to easily and accurately assess their current capabilities, and to specify the requirements for reaching the next level.

In our experience, the capability continuum should be defined at four points: pre-basic, basic, advanced and expert. More than four dimensions lead's to difficulty in uniquely describing each level and results in unnecessary complexity in the model. A four-point model also aligns well with describing the capability continuum associated with the evolution from basic field level sales roles, to key account roles, to strategic account roles. As a consequence, the same competency model can often be used for all sales roles.

Figure 3 provides an example for one dimension of Leadco's four-point competency model.

Value Proposition Development & Communication			
Pre-Basic	Basic	Advanced	Expert
May not have comprehensive understanding of the full portfolio of products and services they are representing	Demonstrates a complete understanding of the products and services they are representing	Clearly recognizes that we create value for customers in a large number of ways beyond our basic product and price	Has detailed knowledge and expertise in the company's full portfolio of products, services, capabilities and priorities relevant to their area of responsibility
Presents products and features without clearly understanding or agreeing needs with customer	Clearly articulates the features and benefits of each product and service they are proposing in relation to customer needs	Demonstrates detailed knowledge of the complete product and service portfolio they are representing	Develops highly customized solutions to meet complex business needs and opportunities
Over-focuses on features, price and promotions when articulating the value proposition	Develops financial terms that are mutually attractive for us and the customer	Effectively develops tailored solutions based on our baseline market offerings and value propositions for each customer segment	Develops compelling business cases that demonstrate the mutual value of the proposed solutions to both the customer and our organization
Over-focuses on building social relationships as opposed to business relationships	Recognizes that we create value for customers beyond our basic product and low price, but often views this value as value adds we could layer onto the deal	Accurately estimates the economic worth of the solution to the customer	Highly skilled in communicating and proving the value proposition to all levels within the customer and our organization
		Consistently communicates and proves a compelling value proposition to economic, technical and user buyers	
		Consistently structures deals that meet or exceed expected profitability targets	

Figure 3. Figure 3 defines the four point competency model

In Leadco's case, field sales representatives were expected to be at the basic level, while key account and strategic account managers were expected to be at the advanced and expert levels, respectively.

When developing the optimal dimensions and descriptors, there can be many challenges beyond determining the best technical design. Conflict with the company's historical competency model paradigms is a common barrier. For example, Leadco's human resource (HR) leadership had a long held belief that the competency dimensions should be common for all managers in the company, regardless of function. This restriction precluded development of a sales manager competency model specific to Leadco's value proposition and sales process strategies.

To address these issues, sales leadership must closely partner with HR to establish the critical importance of sales force specific competency models to sales effectiveness. This process typically requires that HR become much more familiar with value-based selling best practices and external success stories. For Leadco, this was accomplished by providing HR with a comprehensive introduction to value-based sales concepts, sales transformation case studies, and associated competency model and implementation case studies. The end result was a successful collaboration between sales and HR that set the foundation for supporting the competency model moving forward.

Leveraging the Competency Model to Drive Value-Based Selling Capability

Assuming an effective sales competency model has been designed, the next hurdle is to operationalize it. The imperative when operationalizing the competency model is to create a synergistic, reinforcing effect between the competency model and the downstream drivers. As depicted earlier in Figure 1, this is accomplished by consistently and explicitly incorporating the competency model into each driver. The greater the alignment between and across drivers, the greater the impact each driver will have on producing the knowledge, behaviors and skills most critical to the organization's sales effectiveness.

Alignment between the competency model and downstream drivers is characterized by a number of conditions. Some of the most important include the following:

1. **Expectations.** The competency model is used to clearly communicate and reinforce capability expectations for salespeople. Sales leadership regularly leverages the competency model to assess the organization's current capabilities and development priorities. Salespeople regularly revisit the competency model to assess their progress and development needs.
2. **Hiring.** A direct link exists between the competency model and the hiring strategy based on the behaviors and skills for which the organization has decided to hire versus train and apprentice.
3. **Training.** The training model is organized around the sales process and competency model, and the expectations for each sales role. As a result, salespeople understand where and how each training module fits in. On-going competency evaluations help direct training priorities for the sales force and individual salespeople.
4. **Coaching.** The coaching process and tools directly reinforce the competency model. First-line managers regularly reference the knowledge, behaviors and skills specified in the competency model to assess their direct reports and to provide necessary feedback and apprenticeship. The organization recognizes that value-based selling skills are largely achieved through coaching and apprenticeship. Training is viewed as important but insufficient.
5. **Performance Reviews.** The competency model is directly incorporated into the performance review model. Additional performance review dimensions, such as sales goal attainment, are kept to an absolute minimum to ensure that the most important dimensions are not diluted. The objectivity and actionability of performance reviews is strengthened by the clear picture painted by the competency model for each dimension and each capability level.
6. **Reward Systems.** The competency model has consequence. Performance review assessments strongly impact career and other monetary decisions—including promotions, talent management programs selection, performance improvement plans, terminations and contests. Too often sales results are used as the primary, if not

only, driver of rewards to the sales force. While results are clearly important to a selling organization, the competency assessment must also carry weight. This is even more critical in a changing environment where sales capabilities needed in the future are different than those that produced results in the past.

One of the biggest hurdles to successfully achieving the above conditions is the disjoint created by functional silos. The downstream drivers are often owned by different functional groups or sub-groups. Addressing this barrier requires that sales leadership gain strong buy-in and understanding of the required competency model by all groups, and that all groups rigorously ensure their “piece” is directly based on that model.

At Leadco, this was accomplished through the following process:

1. A core team was formed to develop each driver. This team included traditional owners of that driver, along with a key member of the sales leadership and consulting team responsible for overseeing successful implementation of the value-based selling transformation. These same key members of the sales leadership and consulting team sat on all core teams.
2. Each of the core teams received an extensive briefing on the vision, the value-based selling strategy, and the value-based selling competency model. They also received an overview of successful value-based selling transformation case examples with emphasis on their particular driver.
3. Each core team redesigned its driver and developed an associated implementation plan. Throughout, significant emphasis was placed on ensuring tight alignment with the new competency model and vision.
4. The overall rollout plan of the drivers was developed by a sub-team that cut across all core teams. The goal was to ensure that interdependencies between the drivers were addressed, and that the rollout plan was aggressive while not overwhelming the sales organization.

Business Impact

The business impact of a well-designed and well-operationalized competency model is significant. Hiring, training, coaching, performance reviews and actions, and reward systems are all powerful drivers of sales force capabilities. An illuminating exercise is to have each member of the sales leadership team individually estimate the revenue and profit impact that likely would result from getting all of these elements aligned to cumulatively drive the explicit knowledge, behaviors and skills most important to the organization's sales strategy. In many cases, such estimates assume the top and bottom 10% to 20% of performers would continue performing the same. The greatest opportunity is often with the middle 60% to 80% of performers. This group typically has the potential to perform better, but needs more development. The upside from improving the capabilities and performance of this group is typically quite large.

At Leadco, design of the new competency model and integration into the downstream drivers was followed by a carefully orchestrated rollout process. This began with a well articulated and compelling case for change. The competency model itself served as a primary reference for the new sales roles and expectations, and clearly depicted what success would look like in the future.

Leadco then went through a disciplined competency evaluation process for all salespeople and sales managers in the company. This process was enabled by customized tools that allowed sales leadership to assess each of their reports relative to the new model.

The results of this process and new competency model were powerful:

1. In the process of evaluating their direct reports, sales leadership at all levels became well versed in the new sales model and associated expectations. In this way, the new competency model was quickly internalized. The language in the sales organization changed, as did the articulation of expectations.
2. Sales managers quickly realized that the new competencies were not just about salespeople elevating themselves, but also about the sales managers elevating themselves. Many of the sales managers did not initially score well on dimensions such as expertise in the

sales process, ability to communicate a compelling value proposition, or coaching expertise. This tension led to significant engagement by sales managers in their own capability building. The urgency achieved around sales manager capability building accelerated their expertise development, which resulted in more effective coaching of their reports.

3. The organization was able to make critical decisions about who to place in which sales roles. Through this process, they ensured the right people were in the right roles with the right expectations. Only 15% of the sales force actually demonstrated the capabilities necessary for placement in key account and strategic account selling positions. In some cases these were not the individuals currently in those positions. In fact, the organization learned that it did not have the bench to actually fill all of its key account and strategic account territories. Where appropriate talent was not available, sales leadership chose to leave the territories vacant until the right talent could be hired. Temporary vacancy was seen as less costly than placing the wrong person in a critical position.
4. Front-line salespeople responded very favorably to the new competency model. They now had a highly descriptive and tangible picture of the knowledge, behaviors and skills required for success. They could also easily isolate their own issue areas specific to certain stages in the sales process. Approximately 5% of salespeople recognized they lacked the interest or abilities to succeed in the new model. Many self-selected out of sales as a consequence. Those who were not selected for the sales positions they most wanted had a well founded understanding of their development needs to move forward.
5. Hiring, training, coaching, performance review, and reward systems directly aligned with the competency model. This greatly increased the meaningfulness and impact of each—and resulted in significant financial impact. Over the course of 24 months, Leadco's sales force improved its profitable revenue performance by more than 20%.

Value-based Selling: Keys to Success

Value-based selling capability has become critical to the success of many of today's selling organizations. Achieving excellence in this capability requires a new approach to competency model design. The competency models for today's sales organizations must be redesigned around the specific dimensions most critical to value-based selling. They must be multi-dimensional, and provide an objective picture of the knowledge, behaviors and skills at pre-basic, basic, advanced and expert levels of competency. The competency model must strongly drive the company's hiring, training, coaching, performance review, and reward systems.

The design and implementation of value-based selling competency models that achieve these objectives drive real results. Salespeople achieve an improved understanding of leadership's expectations and how the sales strategy relates specifically to them. Sales force capabilities most critical to sales effectiveness are continuously assessed and systematically developed. Most importantly, the sales force achieves the core capabilities required to confidently and consistently drive growth while managing the cost of sales.

About ZS Associates

ZS Associates is a 1,000 plus person global management consulting firm specializing in sales and marketing consulting, capability building, and outsourcing. We have worked with more than 700 companies over 25 years, helping them measurably improve their sales and marketing performance.

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