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The Right Time to Change Your Sales Strategy: A Case Study

PIVOTAL ADVISORS

Founded in 1999, Protolabs offers digitally-enabled injection molding, CNC machining, industrial-grade 3D printing, and sheet metal fabrication services to companies looking to accelerate time to market and reduce total cost of ownership for custom manufactured components. The company has manufacturing facilities in five countries and says it is the world's fastest manufacturer of custom prototypes and on-demand production parts. Its designers and engineers upload designs and receive custom prototypes and low-volume production parts in as fast as one day. Protolabs employs about 2,300 people, including around 200 sales representatives.

THE CHALLENGE

A profitable, publicly-held company, Protolabs had been growing rapidly by focusing its sales force on acquiring new engineers with product needs and leveraging its on-demand prototyping and manufacturing capabilities. This formula had worked for years, and the sales team was doing well.

In early 2016, however, Protolabs' growth rate slowed in conjunction with the overall softening in the manufacturing market. The company had recently expanded its offerings and was working to engage multiple stakeholders within their customers' organizations – beyond traditional engineering – including supply chain and quality leaders. Around the same time, the company experienced changes in sales leadership, with a couple of key members departing the organization.

While Protolabs has been a quick market adapter – always looking at what's going to help their business in three to five years and scaling their actions for the long term – everyone knew it was time to ask a lot of tough questions if they were to adapt and stay ahead of their competition. Recognizing the need to become a

manufacturing resource in addition to being a source for last-minute parts and prototyping, the pressure was on to see improvement and get back on track before year end – launching new capabilities at the same time.

THE ASSESSMENT

Pivotal Advisors, the sales management firm, came in June 2016 to assess Protolabs' current sales organization in the Americas and Europe.

Pivotal Advisors implemented its standard assessment in six primary areas: strategy, people, process, measurements, rewards, and the execution/management system. "Central to our assessment was the sales leadership. We wanted to evaluate how we could best help the front-line sales leaders do the things that would help the company going forward," explains Pivotal Advisors owner/partner Mike Braun.

As part of this assessment, the Pivotal Advisors team interviewed almost 50 people at all levels of the organization – from the CEO to front-line sales and sales support. "We were looking at strategies and processes. Were they being implemented consistently? Was there accountability? Were the salespeople given the right feedback and direction?" says Pivotal Advisors owner and partner Gary Braun.

Recalls Protolabs Vice President and General Manager Robert Bodor, "What they brought to the table right away with the assessment was a comprehensive framework to look at our sales organization and our selling capabilities, so we could assess ourselves and develop an actionable plan. While we already had some aspects of this, we didn't have the full framework to drive and govern our team."

THE ASSESSMENT FINDINGS

The assessment results were revealing. Since their business needs were changing, Protolabs had to make a shift in several key areas. For instance, the salespeople had been doing what they were asked – and were succeeding by their current measures – but the company growth rate was slowing

“ The hard part is typically getting everyone to adopt the changes.”

down and the company needed to expand the capabilities of the sales teams to sell an increasingly complex portfolio with multiple value propositions.

In addition, Pivotal Advisors found that the front-line sales managers were spread thin. Each manager was trying to manage 15 to 20 people – many of whom were early in their sales careers.

Senior management was seeing some trends that caused concern and felt the strategy for how the company wanted to approach their accounts needed to change. For the sales team, this required changes to the sales incentive systems. The challenge was the sales team liked the current incentive system and didn't have exposure to the trends that were coming – so it would be difficult for them to understand the need for change.

Protolabs' success masked underlying challenges. Very robust e-commerce lead generation had driven sales success for years. The salespeople worked diligently just to react to the demand. With this strong growth rate, the business did not require the fundamental systems critical to a healthy and sustainable sales function.

PIVOTAL ADVISORS' RECOMMENDATIONS AND STRATEGIES

Some changes happened quickly. Pivotal Advisors Partner Steve Hoeft joined Protolabs for about a year as acting VP of sales for the Americas, to provide leadership as the company put a program in place and looked for a permanent sales leader. He served as the consistent point person for the transformation and was there five days a week.

Together, Protolabs and Pivotal Advisors set out to change the sales ap-

proach – away from focusing only on bringing in new engineers – toward managing, nurturing, and growing a "book of business" and deepening their relationships in multiple areas of their customers' businesses, including supply chain, quality, and senior leadership.

This was a big mind shift and would require both new skills and a new level of business acumen and planning. Together, Pivotal Advisors and Protolabs created a project plan that affected their sales team structure, compensation, metrics, and hiring parameters.

The approach required intensive training. "The managers were all in. They bore down to prep and conduct the training so that they could become highly proficient and reinforce it with their teams," recalls Hoeft.

Adds Bodor, "We were very committed to providing all our sales representatives with the coaching, mentorship, training, and skills to be successful." In addition to intensive training to help the entire sales team understand the new approach, recommendations included:

Reducing the sales manager-to-salesperson ratio closer to 10:1. Hiring additional sales leaders would provide more opportunities to coach those salespeople still early in their careers.

Changing the hiring profile for salespeople. "The focus needed to shift to people five to seven years into their sales careers, who had better skills for planning and expanding within an account," explains Mike Braun.

Recreating the sales playbook. Everything from planning and account management approaches to time management techniques needed to be carefully outlined.

Changing core metrics from new transactions to account develop-

CASE STUDY

ment. “We would be introducing the sales team to many new and unfamiliar measures,” says Gary Braun. “They would go from having transactional conversations – following up on helping customers buy single parts or prototypes – to focusing on earning customers’ ongoing business. It was a fundamental switch to expand penetration and improve customer retention.”

Protolabs is a technology-driven company with a lot of systems and reports. “We wanted everyone on the executive team through the salespeople to look at the same metrics,” adds Hoeft. “To understand the complex, we had to get simple. We began having Quality Discovery Calls (QDC) to start measuring business with new leading metrics in place.”

Revising the incentive system. New quotas and goal expectations – more aligned with the company’s expectations – would need to be enacted mid-year. Sales leadership had to re-plan the year and re-assign quotas with very different numbers. As you can imagine, it felt to the sales team like a mid-year switch to new numbers and they didn’t have all the information needed to truly understand it. On top of that, the incentive system had to change to pay for customer growth in addition to new engineer acquisition. The board was very concerned about how this would affect morale for both the sales teams and the sales leaders. One member asked, “How are you going to change their quotas and their pay and keep them focused on positively representing the company? Are we biting off more than we can chew?”

This was definitely a lot of change, all at once, and the executive management team also had concerns. Would they be able to teach their salespeople new skills fast enough to turn around their numbers? Could they afford to bring on the new managers? Would they lose good employees or break some customer relationships? Would these changes slow or stop new engineer acquisi-

tions – which, up to that point, had been a successful formula?

“We were making a big bet by making this change,” acknowledges Protolabs CEO Vicki Holt. “If we do it, we have to be all in and make it work!”

THE ISSUES

Change can be difficult, and some issues kept popping up. “Some people didn’t understand the ‘why’ and felt it was unfair to change the pay and incentives,” recalls Hoeft. “However, the vast majority – after modeling outcomes and thorough explanations from Rob Bodor – were on board.” And, while a few people chose to leave because they weren’t comfortable with the changes, the vast majority of this sales staff quickly embraced the change.

Another concern was finding strong sales managers quickly enough to implement all these changes. Protolabs has a culture of promoting from within. There was too big of a delta at the time from salespeople to sales manager. So Pivotal Advisors put in two of its own consultants as interim sales managers to work side by side with the current sales leaders, while the search continued for permanent replacements.

THE EXECUTION

The new, combined sales management team went to work deep in the trenches – developing new plans, creating and training on the new sales playbook, re-assigning quotas, and helping individual sellers create steps for achieving their numbers. Pivotal Advisors worked closely with Protolabs’ training department to develop training modules to improve product knowledge as well as selling skills. “There were important customer skills that needed to be enhanced, and it took an “all in” effort to get it done,” observes Mike Braun.

“Then we implemented a tightly managed sales operating system of ‘do/review/coach/do it again,’” says Steve Hoeft. “Giving managers new measures they could watch every

day – or several times a day – helped everyone rapidly adapt to the new processes and metrics.”

To create enthusiasm among front-line employees, a “5 in 5” program was implemented. Each salesperson was asked to send their manager an email with the five most important things they had accomplished that week, which would be compiled and shared with the entire management team. When Holt and many other executives began recognizing certain people for their achievements, the program snowballed into a source of pride. Many high performers rose to the top and began driving a positive trend. “It’s the highlight of my week to read the 5 in 5s every Saturday morning, and see the great work the sales team is doing and the progress we’re making,” says Holt.

Pivotal Advisors simultaneously worked with Protolabs’ human resources team to define and identify good salespeople and sales manager candidates and participated in the interviews. “By partnering and enhancing this process, we were able to find and hire really good candidates,” comments Hoeft.

Mike Braun adds, “In the middle of all this change, Rob, Steve, and I would meet every Friday afternoon to ensure we were on track and that we were addressing any open questions. We were constantly tied at the hip.”

Most of the implementation took place in the first four to six months. “Putting the systems and processes in place was relatively straightforward. The hard part is typically getting everyone to adopt the changes,” observes Gary Braun. “Under Steve’s direction, the managers worked hard to get people to buy into it and stay focused on the plan.”

IMPACT/RESULTS

Pivotal Advisors helped Protolabs establish top-down/bottom-up sales plans and goals. Since Protolabs has historically been a transactional business with relatively short sales cycles, results were seen quickly.

Reports Mike Braun, "People were selling more and new opportunities were happening fast. Protolabs went from small wins to getting back on track in seeing record weeks and record months."

Hoefl adds, "We covered so much ground in 13 months, we helped reposition most of their new hires so that there was more experience on the front line. We also helped them hire and onboard four new sales managers. That created an environment of direction, accountability, coaching, feedback, and development. Big kudos to all the sales leaders; they've really learned a lot from each other, implemented countless new processes, and heavily invested in their salespeople – and that's allowed a number of new stars to shine."

At this point, comments Mike Braun, "it was time to replace ourselves." An integral part of Pivotal Advisors' exit strategy was to help Protolabs hire a new VP of sales to carry on the momentum. Hoefl shared an office with the newly-hired VP for two months – giving the new VP time to really learn the business while Hoefl handled the day-to-day operations.

Bodor confirms the successful results. "We are operating well and growing well in the Americas this year. We also delivered on the training and the hiring plan to bring on new representatives and managers. We brought our management ratios to target. We are seeing productivity increases across the board."

He is equally pleased with the corporate culture. "We have really strong engagement from our sales representatives. They feel like the company cares about, and is investing in, their development. As a result, we've been better able to manage sales team attrition."

Braun comments that there was buy-in at all levels. "Protolabs' executive team stayed in unison, setting the course direction and being transparent on the why. They were very good at reinforcing change. It was a very collaborative environment."

A SUSTAINABLE FUTURE

Protolabs' sales momentum was strong and on pace for a record 2017. "We came into this with a mindset of commitment to making it work and finding a sustainable solution. We had to own it, and not depend on an outside party to fix it permanently," affirms Bodor. "There was a lot of change to be managed. That's always sensitive because change is difficult even when it's something people are excited about. In pretty much every case, we had a lot of excitement for what we rolled out. We got a lot of help from the Pivotal Advisors team throughout the transitions."

Comments Hoefl, "Rob Bodor is an incredibly smart individual who processes concepts quickly. In many ways, they knew what the answers were and had the vision. To allow an outside organization to work with them hand-in-glove – to take our suggestions and push that thinking even further – was incredibly rewarding every single day. That's a tribute to Vicki, Rob, David Fein, and the entire sales and executive leadership teams. They're really sharp people who allowed us room for error and runway, so we could make adjustments and see many results take shape."

Concludes Mike Braun, "Protolabs is an ideal client. They had a thirst for knowledge and a desire to develop their people. They were quick to adopt the things they understood, to ask questions, and to adjust. Their internal communication is very strong. Once they understood the situation, the team was open to changing and worked tirelessly to switch gears. They were

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coachable and adaptable because they wanted to do the right thing."

Bodor is equally enthusiastic about the experience. "The Pivotal team seamlessly engaged with us. We were operating as one management team rather than at an arm's length – as sometimes happens with consultants or contractors. That's exactly what we needed from them, and they stepped up and took that on. If we'd tried to operate in a different way, it certainly wouldn't have been as successful."

"Our customer focus will continue in 2018 as we continue to evolve our sales approach to develop deeper customer relationships, further advance each of our four offerings, and increase the scale of our operations – with an initial focus on integrating the acquisition of Rapid Manufacturing," concluded Holt.

Pivotal Advisors continues to be involved with Protolabs' ongoing training and is proud to report that the processes and metrics instituted by Protolabs in the Americas are now being implemented in the company's Europe and Japan operations. At the end of 2017, the new approach and the dedicated sales team at Protolabs were able to produce record results, as shown below. ■

Financial Notes

Revenue growth in the United States was 17.5 percent in 2017. Approximately \$4 million in growth was due to the acquisition of Rapid Manufacturing. The total number of product developers served during the year increased by 18.5 percent.

UNITED STATES RESULTS	2016	2017
Total	\$223.9M	\$263.1M