# Optimized for Growth:
# Case Study of a Sales Organization

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Abstract:

Many methodologies for analysis and management of intellectual capital (IC) function independently from established management approaches. This case study highlights how IC concepts can be integrated into mainstream questions facing management groups of all kinds, such as: *How do we grow and optimize the performance of our organization?*

This case examines a two-phase project undertaken initially to fuel growth and innovation in a company in the home healthcare industry. Phase I of the project took a top-down look at IC as a resource. It used strategic IC tools such as inventories, assessments and mapping in order to help the company identify the most effective ways to grow and scale its sales group. Findings of this phase led to approval of increased headcount, new sales initiatives, reorganization of key job descriptions and the realization that selected improvements to structural capital would make everyone in the organization more effective.

Phase II of the project took a bottom-up look at IC as a dynamic system. This phase was focused on scaling the organization to grow in the most efficient way. It dug deeper into the company's structural capital using Value Network Analysis. In this phase the employees of the business group were actively engaged in the analysis and identification of potential changes. In the course of the analysis several spontaneous fixes were undertaken by employees of some of the problems identified. Other results included improving a key sales closing process, constructing a knowledge-sharing platform, developing new data and training around competitive information, and creating business cases and data to support the sales process.

The case holds a number of key learnings for IC practitioners:
- IC is not a separate field of study
- IC is about bottom-up information and solutions
- Visualization cuts through complexity
- IC is critical to growth and innovation

1 Background

This is a case study of a successful application of intellectual capital (IC) strategy in fueling growth in a sales organization. However, the case did not arise out of a deliberate choice to analyze IC or create an IC management discipline. Rather, it is the story of how IC concepts and visualizations brought fresh insights into the growth challenges of a mainstream business.


1.1 The Organization

The organization is a U.S. company (company) that was purchased within the past five years by a multinational company (parent). The company sells a product that is used by the elderly and infirm in their homes. The company has revenues of hundreds of millions of dollars. Sales of its product are ultimately made directly to a patient. With the exception of direct sales through the internet, however, most sales are the result of a referral from a healthcare worker.

Most sales come through long-standing programs with healthcare organizations. Through these programs, the company provides infrastructure and resources for the program partners to provide the company product to their patients. Sometimes business is conducted on a "white label" basis with the company assisting its program partners behind the scenes. In other cases, the program partners jointly market the product but it is delivered under the company's brand. The division of labor between program partners and the company varies greatly across the program spectrum. Currently there are 20 different program structures offered by the company.

Patients often purchase the product as they exit a hospital or skilled nursing facility and return home. Thus, the focus of the company, its sales organization and its program partners is to motivate a referral by a nurse, social worker or patient contact person. The company and program partners generate these referrals through directly through referral sources or indirectly through programs that contact the referral sources.

There are many good reasons for program and healthcare partners to inspire these referrals as the product helps improve patient outcomes and prevent re-hospitalizations. However, the company has seen a shift in its business in recent years. While its program partners continue to see the logic of the product, they do not feel they should be as actively involved in the programs as they were in the past. These partners feel that running this kind of business is not their core competency and can be a distraction.

The company has a leading market share in their market. However, they estimate that the overall market penetration of their industry (including both the company and its competitors) could be as low as 25%. Put another way, they feel that there is the potential for the industry to triple or quadruple in size. Further, the company's parent has an extensive product line that in the future could be channeled through the company.

The growth prospects for this company are very strong and one of the management team's greatest challenges is to prepare the organization to drive and manage this growth. However, when a company sets a goal of tripling in size, the goal has to be attacked incrementally. One of the main manifestations of this challenge is the annual budgeting and headcount planning process. So the question is this case was, "How could the management team justify new headcount and resources to grow organically and jumpstart the process?"


2 Phase I – Growth Strategy and Planning

The first phase of this project was focused on thinking about how to systematize growth plans. An important part of this analysis used resource-focused IC tools. The resource perspective in the field of IC looks at the firm as a bundle of knowledge resources that drive competitive advantage (Mouritsen 2005, Conner 2002, Nahapiet 1998, Sullivan 1999, and Sveiby 1997). Focused management of these intellectual capital resources leads to more effective strategy implementation (Roos 2001) which

increases financial performance (Chen 2005) and shareholder value (Peppard 2001 and Tseng 2005), the ultimate goals of this business group.

2.1 Methodology for Phase 1

The work in this phase consisted of extensive documentary reviews and interviews with staff throughout the organization, including the salespeople calling on programs and referral sources. The company had extensive client research available so no new external stakeholder research was performed. IC concepts were used to answer a number of basic questions about the organization.

2.1.1 How do we get paid for our knowledge?

Traditional thinking about sales is that a company sells a discrete product or a tightly packaged service. But with knowledge at the center of today's economy, the distinction of a "product" or a "service" is not that informative. It ignores the knowledge embedded in the overall creation of value for the customer (which is the basis of revenue generation). Knowledge is, therefore, embedded in both based in products and services as well as conveyed informally in the marketing and selling processes, resulting in a process that is rarely linear. It can be very useful to map this value creation process as a starting point for understanding the IC of an organization.

This company is a good example of this dynamic as the "sales" staff does not actually sell the product. They generate referrals by using data to show their institutional and referral partners the benefits to patients and institutions of adopting their services. In this case it was important to lay out all the elements of this complex process and network.
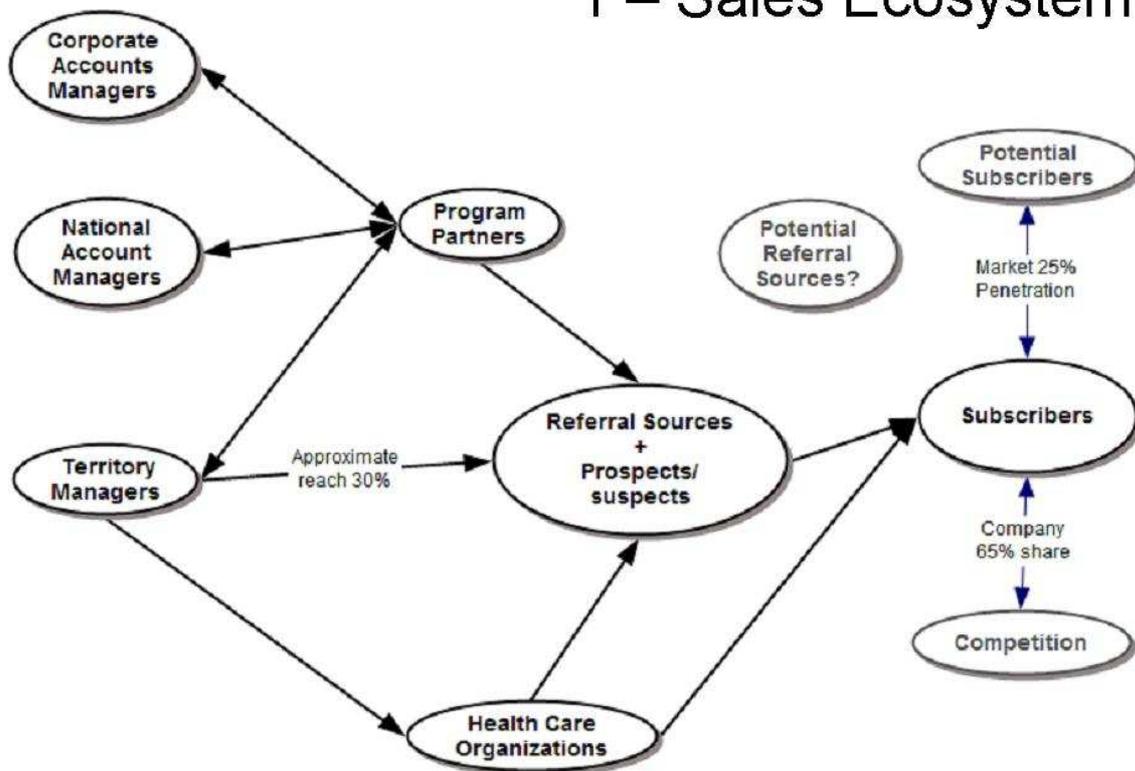


1 – Sales Ecosystem

Figure 1 is abstracted from a map used with the company. It shows at a very high level all the elements of the company's value creation and revenue generation process. The referral sources engage with the company's ultimate customers, the patients that use the product. Both the Sales

Group and the program partners call directly on referral sources. But the Sales Group also supports the program partners to help them build their referral and delivery systems.

This first level map did not explicitly talk about IC. Rather, it was used as a simplified illustration of the organization. Over the course of many years, the company had evolved and adapted to its very complex market and program partner goals. Some in senior management felt this complexity was a competitive advantage making it hard for competitors to recreate their market presence. However, the complexity had also made it impossible for the management team to "see" the big picture, to think about how they should grow and justify the resources to do so.

This first visualization came out of an initial meeting with the Sales Group leadership. When a series of data were put up on the screen, the meeting was immediately sidetracked as participants started discussing the accuracy of the numbers. The company has a numbers-oriented culture but has conflicting data sets from different systems. They are accustomed to "negotiating" to arrive at a consensus about the "right" numbers for an analysis. In this case, their disagreements about the numbers kept the team from seeing the bigger story.

The visualization finally helped them set aside their traditional data landscape and see that the current market approach only reached a small fraction of their potential referral sources and even fewer of the prospects in their direct marketing database. It was clear that increased headcount would be needed to grow the organization. But the company needed a clearer plan than just adding headcount. With this as a starting point several other IC questions helped guide further understanding.

2.1.2 What are the growth resources?

One of the greatest contributions of the IC field to business is the identification and analysis of the different kinds of knowledge assets. These include the three categories of human, relationship and structural capital. The first step to understanding the IC of an organization is to create an inventory of the unique combination of IC resources.



**Intangible Capital**  **2 - Growth Resources**

**Human Capital**
Medical background

Business negotiation

Marketing

Training

Deal with ambiguity

Bottom-line sales orientation

**Structural Capital**
Systems: SalesLogix, Internal, Referral Trackg

Program Management: Contracts

Program Marketing: Training

Territory Mgmt. Strategy In-service

Mktg. Materials

**Relationship Capital**
Brand

Programs: Multiple flavors

Referral Sources: Case workers Nurses

Facilities: Hospitals Skilled Nursing Home Healthcare

Figure 2 is a high-level inventory of the Sales Group's IC. As the management team was not familiar with the IC vocabulary, the introduction of these assets was as "growth resources." There were three messages that were communicated with this visualization:

1. Identify the components. This IC representation summarized the unique IC of the Sales Group better than an abstract list.
2. Assess the components. The visualization was then used as a discussion tool to talk about the relative strength of the different elements of IC. Human capital was strong but understaffed for the opportunity at hand. Relationship capital theoretically covered the entire country but in reality many relationships were not living up to their potential. Finally, structural capital was good but had some key gaps that limited performance.
3. Evaluate scalability. Finally, this visualization was used to discuss the power of structural capital. Human and relationship capital are built one step at a time (a new employee, a new relationship). But good structural capital creations or improvements are much more scalable, benefiting everyone—existing and future employees as well as partners. Thus, improvements in structural capital have a potential for very high return to the organization.

2.1.3 How do we scale our organization?

The adoption of IC thinking is much more revolutionary than most businesspeople realize. Its ultimate message is that knowledge as a fundamental resource must be spread across the wide network in which an organization operates. The job of maximizing the value of this knowledge turns the job of a manager upside down. Rather than telling people what to do, the job of a manager in the knowledge era is to create the environment where the employee will know what needs to be done and will do it. The manager frames the challenge but the employee is left with enough freedom to apply their own knowledge and experience to conquer the challenge.

In the company, management was very accustomed to thinking about and understanding their business in all its complexity as a series of mandates from the top down. But when faced with this complex structure, they were at a loss as to how to scale it.

## 3 – Bottom-up Perspective

Referral Source Multiplier

Referral Sources 150-250 A's

Health Care Organizations

Referral Source Multiplier

44 calls per week

3 in-service per month

Programs 1-50

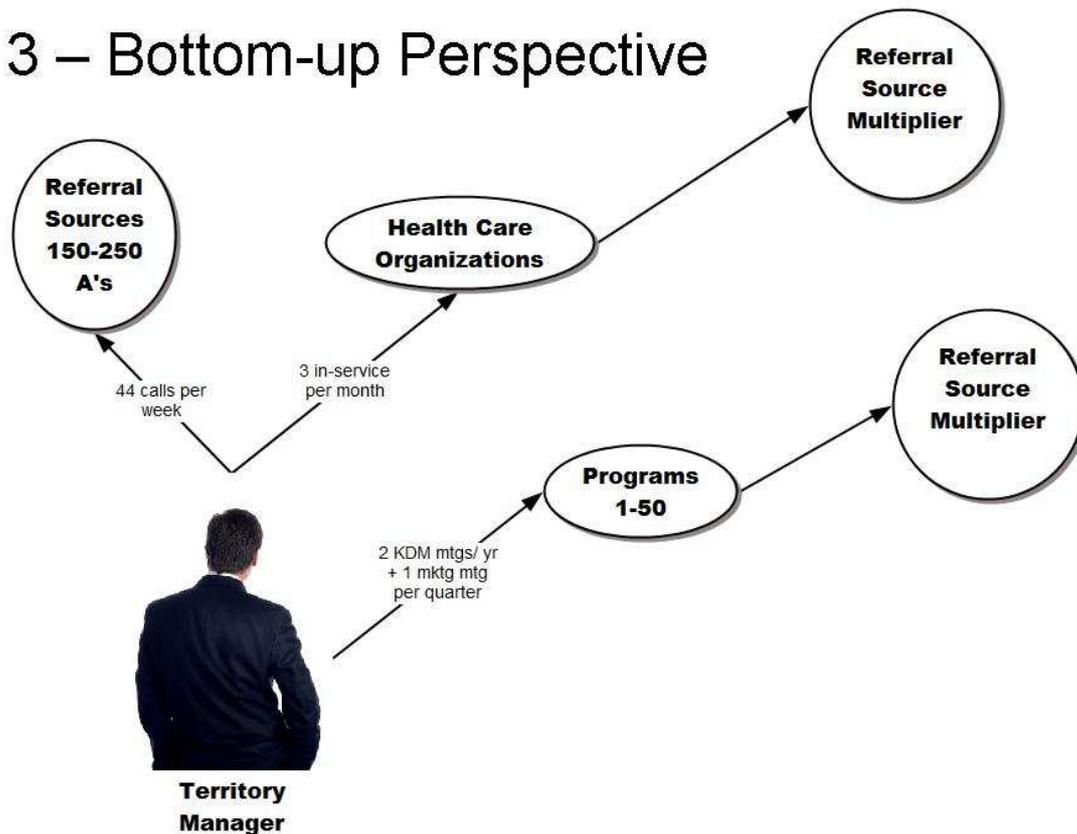2 KDM mtgs/ yr + 1 mktg mtg per quarter

Territory Manager

Figure 3 is a simple visualization of what the world looks like to company employees on the ground in territories across the country. The only way to reach the enormous numbers of referral sources in a territory is to use contacts in healthcare organizations and programs as "referral source multipliers" that would expand the reach of the territory manager. To think about how to scale the territories, it was necessary to be able to see the key programs and organizations organized by territory.

Although the organization had the necessary information about the territories hidden in its information systems, it was not accessible to the territory managers in a usable form. For example, there was no information or attempt to map all the key healthcare organizations (HCO) in each territory. There was no way in their customer relationship management (CRM) system to look up referral sources by HCO to combine visits to referral sources in the same building. There was also no real understanding of the reasons behind the huge differentials experienced between the performances of individual programs.

It also became clear that the job of a Territory Manager involved both developing programs and cultivating referrals, which are very different activities requiring quite different resources ands skills. To think about scaling the organization, the perspective had to shift from top-down to this more realistic bottom-up perspective.

2.2 Results

The project led to a number of fundamental changes in the organization that included:

1. Approving a 15% increase in headcount as a first step to scaling the most undermanned territories
2. Adding a focus on HCO's that were not program partners of the group
3. Dividing the Territory Manager role into Program Management and Referral Marketing roles.
4. Creating a structural capital gap analysis project (see Phase II below)

3 Phase II - Optimize

The second part of the project was aimed at addressing the opportunities for cost savings and scalability in the Sales Group's structural capital. The goal was to take advantage of the highly scalable nature of knowledge assets (Romer 2003) with the opportunity for continuous learning and improvement (Kling 2009), thereby creating the potential for significant marginal value to the firm.

This phase of the project took a bottom-up operational perspective to understanding and leveraging IC. Since knowledge is spread across an organization, it follows that the process of accessing knowledge must include a bottom-up perspective (Adams 2010 and Mouritsen 1998 and 2005). The design of this kind of exercise also sought to take into account that value in the knowledge-era organization is no longer created via a linear value chain (Porter 1985) but, rather, a dynamic value network (Allee 2000 and 2003).

Use of a value network approach also enabled a view of structural capital within the context of human and relationship capital. This is important because of the need to maintain balance among all the elements of IC. Structural capital improvements, for example, almost always require correlating improvements in human and relationship capital because they are needed to support the implementation and effectively use the new technology or infrastructure (Lev 2001).

3.1 Methodology for Phase II

By this point in the project, the thinking of the group evolved from positioning the project as a "structural capital gap analysis" to an "optimization project" for the Sales Group. At first, it felt a daunting task. How could one undertake a review of all the systems, processes, databases, training materials, and knowledge assets of this large organization? A detailed examination of each one of these elements would take quite a lot of time at a considerable cost to the company, probably resulting in long report that might just get filed away and not lead to any improvements. Instead, the project took a page from the IC lesson book: it was structured as a bottom-up exercise to actively engage people in the change process. Again, visualization was an important tool in answering basic questions about the organization.

3.1.1 What is the work of the group?

In the industrial era, it was easy to see work processes—you could go out onto the factory floor and visually follow the conversion of raw materials into a finished product. While physical processes are still important in a modern factory, there are computers and systems that control the production processes behind the scenes. These systems contain human knowledge and decision criteria that have been converted into structural capital and make up the organization's "knowledge factory." And that's the issue: every business (whether it sells a product or a service) today has a knowledge factory, an invisible production facility where IC is put to work. In order to optimize the Sales Group of this company, it was necessary to dig into its knowledge factory. The first step was to identify the principal processes of the Group's knowledge factory.
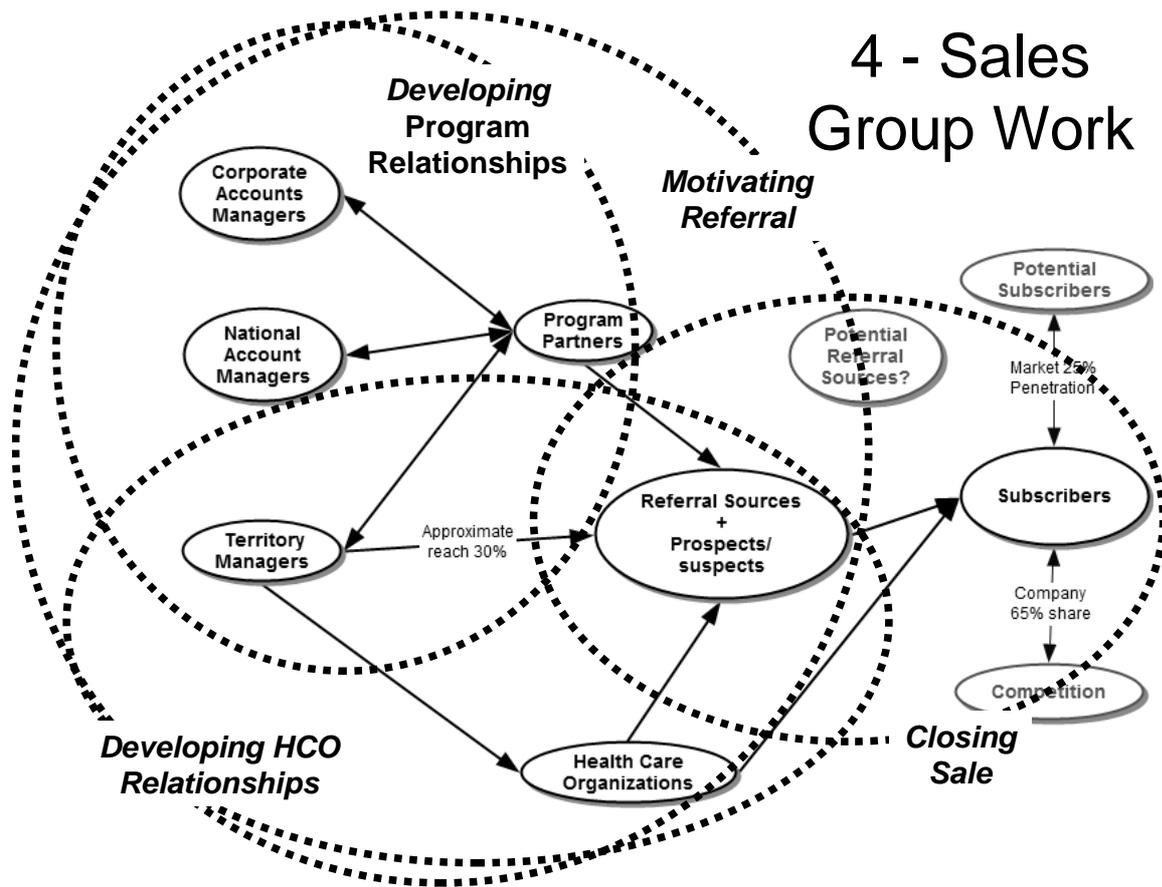
Figure 4 adds an overlay to the Sales Ecosystem shown in Figure 1. It identifies the four core tasks of the Sales Group:

1. Developing relationships with program partners
2. Developing relationships with healthcare organizations
3. Motivating referrals from referral sources
4. Closing the sale with the ultimate subscriber

These four tasks became the foundation of the optimization analysis.


3.1.2 What are the opportunities to optimize this work?

The modeling and visualization technique used for the Optimization Phase was a Value Network Analysis (VNA) using the ValueNet Works™ method developed by Verna Allee. This approach involves mapping work as a role-based network where a specific task or process occurs.
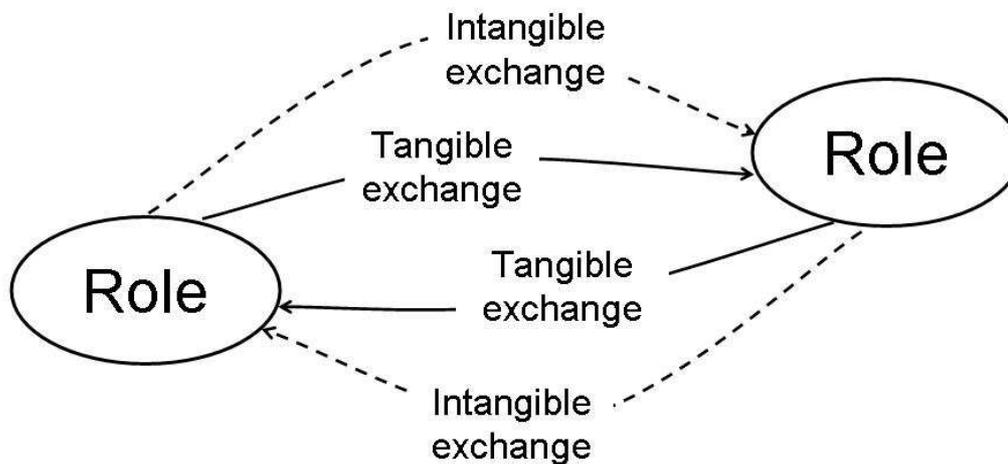
# 5 - Basic Mapping Technique



Figure 5 illustrates the basic mapping technique of VNA. The starting point is to identify the "roles" in the network. A role speaks to the specific function that a person is playing. This is not their title on an org chart; it is usually more descriptive—such as advisor, buyer, designer, marketer, mentor, partner, problem solver. When identifying these roles, it is important to keep in mind that a person often serves in more than one role in their organization.

Once all the key roles are identified, they depict the nodes in a network. The next task is to catalog and map all the different "exchanges" between these nodes/roles. An effort is made to identify both tangible and intangible exchanges. Tangible exchanges include actions such as delivery of a product, document or money. Intangible exchanges include actions such as the sharing of knowledge, an introduction to someone else or personal support. Generally, the tangible exchanges are more formal. The intangible, while less structured, can be critical in creating trust and facilitating better communication in an organization.

This project was a refinement of the VNA methodology in that it was specifically focused on structural capital impact. The thesis of this approach is that virtually every transaction has (or should have) structural capital associated with it. Tangible exchanges are supported with clear structural capital elements such as documentation, process steps and/or systems. Intangible exchanges, on the other hand, should be supported with training and knowledge sources.

The analysis of structural capital was therefore performed by conducting a series of VNA exercises:

1. Initial mapping – A group was gathered of roughly 20 employees, including representatives of all the key functions within the four core tasks. During a day-long session, they created four sets of maps of how work is done in each of the four core tasks. All roles and transactions related to that task were mapped.
2. Detailed mapping and gap analysis – Smaller groups of eight to ten employees each were gathered to review and refine each of the maps in more detail. The analysis was focused on what worked well, what was missing, how the network could be improved. At the end of each session, the group prioritized the gaps between current performance and what they considered ideal. This was the foundation of the recommendations from the exercise.

3. Synthesis – The findings were reviewed with the participants as well as with the management team of the Sales Group and the company. This laid the groundwork for consensus on key initiatives.

It was important that the analysis was undertaken with a diverse group of people from both inside and outside the Sales Group including representatives of the Marketing, Finance and Information Technology Groups. This brought a broad view to the analysis. It also actually led to an immediate resolution of some of the issues surfaced during the discussions. In one case, the Marketing Group said, "We have a program we developed last year to address this gap and never launched; we'll get it back on the calendar." In another case, the IT department suggested a quick fix to enable field service people to receive information via email to their telephones that they previously received via fax (and only saw at the end of the day when they returned to their offices). Participants were empowered—they would offer comments such as, "We have the answer to that. We'll make sure it gets fixed right away."

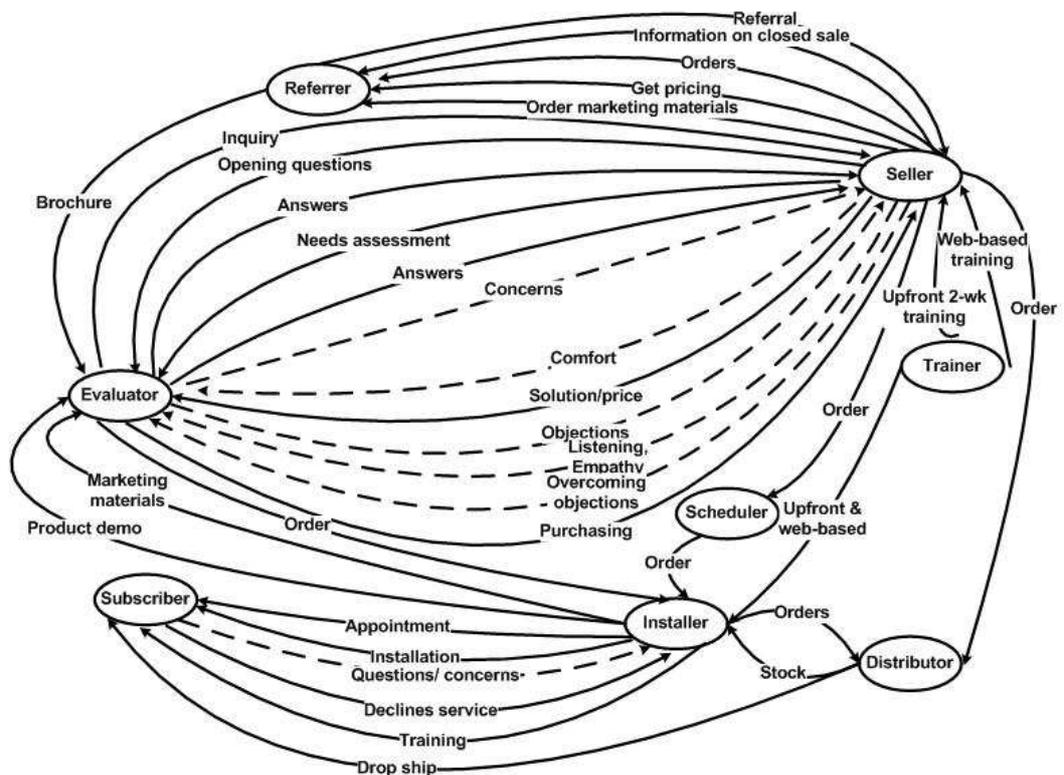# 6 - Sample Value Network Map



Figure 6 is a sample of one of the VNA Maps developed by the teams. This map is a good example of the power of the methodology and the visualization.

The large number of transactions dominating the top center of the map is between the Evaluator and the Seller. The Evaluator role represents either the subscriber or a family member who is taking responsibility for the purchase. All of the transactions in this exchange occur *in a single phone call.* This high number of steps was itself something of a revelation for many in the project. But the mapping also brought out a number of critical weaknesses in the way that this call is managed and supported. Concrete recommendations arose from this related to the way that data is loaded into the call-support system, options that are offered through the system during the call and the training provided to the telephone sales staff.

This map and the three others developed for the other key tasks made it clear that there were indeed significant opportunities for creation and/or improvement of structural capital in the Sales Group.

3.2 Results

The project led to a number of fundamental findings and changes that included:

1. Improving the telephone sales closing process (as described above related to Figure 6)
2. Developing and disseminating of competitive information via training and on-line resources. As the market leader, this company had never gathered this information but the field personnel emphasized their need to sell against the competition.
3. Creating business cases and data to support the strategic business-to-business sale used in programs, HCO's and even in referral marketing
4. Constructing a knowledge-sharing platform for all sales personnel to share best practices. The company already had this kind of system for sharing among its program partners and employees saw the value of having an internal sharing platform as well.

The project also laid the groundwork for two significant longer-term initiatives:

1. Building the capability to map the company's market from the bottom up to support organic growth in each territory. This will involve changes to several of the company's core information platforms as well as the acquisition of some new data.
2. Rationalizing the company's many channels and approaches to the market. This will involve creating new HCO partnership models, simplifying the company's existing program partnerships and communicating with all partners for greater transparency and clarity.

4 Case study lessons learned

This case study provides a number of lessons for the IC practitioner.

4.1 IC is not a separate field of study

Many approaches to IC involve a free-standing methodology to identify, analyze and manage IC as a separate function. But IC is the core of the modern organization so it is a mistake to separate it from everyday business operations. In this case, the IC concepts used were understood as tools to help reach corporate goals of growth and profit maximization.

4.2 IC is about bottom-up information and solutions

One of the great powers of IC thinking in this project was to get a management team used to thinking from the top down, to now think from the bottom up. But the bottom-up approach was not only used to think about the changes needed. It actually became the means of gathering data and structuring solutions. In this case, a broad group of employees identified opportunities and solutions for change.

This provides an interesting contrast to situations where organizations struggle with "change management." In this case, it is the employees who are leading the change and, in some cases, making it happen right away.  Senior management empowered the employees to freely contribute their thoughts, observations and suggestions for solutions.  Otherwise, the level of participation might not have been so enthusiastic.

4.3 Visualization cuts through complexity

The decisions made in this project would not have been possible without the visualizations illustrated here. The complexity and diversity of this organization's market presence was a block to clear thinking.

Conflicting data sets and the sheer quantity of data in the modern organization makes it very hard to see—and think— systemically in many organizations. In this case, visualization helped to increase understanding at the strategic level in Phase I and to see patterns and dissect complex tasks at the operational level in Phase II.


4.4 IC is critical to growth and innovation

In retrospect, it is hard to imagine how these projects could have been undertaken successfully without IC concepts and visualizations. However, since the project focus was on growth and innovation, the use of IC concepts was not inevitable. This underlines the importance of taking the IC message to a broader business audience. IC is currently being developed as a separate discipline in business theory and practice. The field needs to break out of this silo and make its concepts accessible to all businesspeople at every level of the organization.

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